REGULATIONS ON PRIVATE EDUCATION IN THE PRC

Education Law of the PRC

On March 18, 1995, the National People's Congress of the PRC (中華人民共和國全國人民代表大會) enacted the Education Law of the PRC (中華人民共和國教育法, the "**Education Law**"), which was amended on August 27, 2009. The Education Law sets forth provisions relating to the fundamental education systems of the PRC, including a school education system embracing pre-school education, primary education, secondary education and higher education, a system of nine-year compulsory education, a national education examination system, and a system of education certificates. The Education Law stipulates that the government formulates plans for the development of education and establishes and operates schools and other institutions of education and in principle, enterprises, social organizations and individuals are encouraged to establish and operate schools and other types of institution of education in accordance with PRC laws and regulations. Meanwhile, no organization or individual may establish or operate a school or any other institution of education for profit-making purposes. However, private schools may be operated for "reasonable returns," as described in more detail below. The Education Law also stipulates that some basic conditions shall be fulfilled for the establishment of a school or any other institution of education, and the establishment, modification or termination of a school or any other institution of education shall, in accordance with the relevant PRC laws and regulations, go through the proceedings of examination, verification, approval, registration or filing.

The Law for Promoting Private Education and The Implementation Rules for the Law for Promoting Private Education

The Law for Promoting Private Education of the PRC (中華人民共和國民辦教育促進法) became effective on September 1, 2003 and was amended on June 29, 2013, and the Implementation Rules for the Law for Promoting Private Education of the PRC (中華人民共和國民辦教育促進法實施條例) became effective on April 1, 2004. Under these regulations, "private schools" are defined as schools established by social organizations or individuals using non-government funds. The establishment of a private school shall meet the local need for educational development and the requirements provided for by the Education Law and relevant laws and regulations, and the standards for the establishment of private schools shall conform to those for the establishment of public schools of the same grade and category. In addition, private schools providing academic qualifications education, pre-school education, education for self-study examinations aid and other education shall be subject to approval by the education authorities at or above the county level, while private schools engaging in occupational qualification training and occupational skill training shall be subject to approvals from the authorities in charge of labor and social welfare at or above the county level. A duly approved private school will be granted a Permit for operating a Private School, and shall be registered with the Ministry of Civil Affairs of the PRC (中華人民共和國民政部, the "**MCA**") or its local counterparts as a privately run non-enterprise institution. Each of our schools has obtained the Permit for Operating a Private School and has been registered with the relevant local counterpart of the MCA.

Under the above regulations, private schools have the same status as public schools, though private schools are prohibited from providing military, police, political and other kinds of education which are of a special nature. Public schools that provide compulsory education are not permitted to be converted into private schools. The operations of a private school are highly regulated. For example, a private school shall establish the executive council, the board of directors or any other form of the decision-making body and such decision-making body shall meet at least once a year. Furthermore, the textbooks selected by the private elementary schools and middle schools for teaching state fundamental classes should be approved in accordance with related laws and regulations, and the curriculum arrangements of the teaching courses should be in conformity with the provisions of the MOE. Teachers employed by a private school shall have the qualifications specified for teachers and meet the conditions for the post as provided for in the Teachers Law of the PRC (中華人民共和國教師法) and other relevant laws and regulations, and there shall be a definite number of full-time teachers in a private school, and in private schools offering academic qualifications education full-time teachers shall account for not less than

one-third of the total number of the teachers. Except for our pre-schools and foreign national schools, each of our schools provides a diploma or certificate to students. In line with relevant regulations, all of our courses required for PRC diplomas are taught by teachers that are certified by the relevant city education bureaus after undergoing systematic training and passing standardized tests in the subject areas they teach.

Private education is treated as a public welfare undertaking under the regulations. Nonetheless, sponsors of a private school may choose to require "reasonable returns" from the annual net balance of the school after deduction of costs for school operation, donations received, government subsidies (if any), the reserved development fund and other expenses as required by the regulations. Private schools are divided into three categories: private schools established with donated funds; private schools the sponsors of which require reasonable returns and private schools the sponsors of which do not require reasonable returns.

The election to establish a private school the sponsors of which require reasonable returns must be set out in the articles of association of the school. The percentage of the school's annual net balance that can be distributed as reasonable return shall be determined by the school's executive council, board of directors or other form of the decision-making body, taking into consideration the following factors: (i) items and criteria for the school's fees, (ii) the ratio of the school's expenses used for educational activities and improving the educational conditions to the total fees collected; and (iii) the school operation level and educational quality. The relevant information relating to the school operation level and the quality of education shall be publicly disclosed before the determination of the percentage of the school's annual net balance that can be distributed as reasonable returns. Such information and the decision to distribute reasonable returns shall also be filed with the approval authorities within 15 days from the decision made. However, none of the current PRC laws and regulations provides a formula or guidelines for determining what constitutes a "reasonable return." In addition, no current PRC laws or regulations set forth any requirements or restrictions on a private school's ability to operate its education business that differ based on such school's status as a school the sponsor of which requires reasonable returns or a school the sponsor of which does not require reasonable returns. None of our schools elected to be a school whose sponsor requires reasonable return.

At the end of each fiscal year, every private school is required to allocate a certain amount to its development fund for the construction or maintenance of the school or procurement or upgrade of educational equipment. In the case of a private school the sponsor of which requires reasonable returns, this amount shall be no less than 25% of the annual net income of the school, while in the case of a private school the sponsor of which does not require reasonable returns, this amount shall be equal to no less than 25% of the annual increase in the net assets of the school, if any. Private schools the sponsor of which does not require reasonable returns shall be entitled to the same preferential tax treatment as public schools, while the preferential tax treatment policies applicable to private schools the sponsor of which require reasonable returns shall be formulated by the finance authority, taxation authority and other authorities under the State Council. To date, however, no regulations have been promulgated by the relevant authorities in this regard.

A sponsor of a private school has the obligation to make capital contributions to the school in a timely manner. The contributed capital can be in the form of tangible or non-tangible assets such as materials in kind, land use rights or intellectual property rights. The capital contributed by the sponsor becomes assets of the school and the school has independent legal person status. In addition, the sponsor of a private school has the right to exercise ultimate control over the school by becoming the member of and controlling the composition of the school's decision making body. Specifically, the sponsor has control over the private school's constitutional documents and has the right to elect and replace the private school's decision making bodies, such as the school's board of directors, and therefore controls the private school's business and affairs.

Interim Measures for the Management of the Collection of Private Education Fees

The Interim Measures for the Management of the Collection of Private Education Fees (民辦教育收費管理暫行辦法, the "**Private Education Fees Collection Measures**") is promulgated by the NDRC, the MOE and the Ministry of Labor and Social Security (now renamed as the Ministry of Human Resources and Social Security (中華人民共和國人力資源和社會保障部) on March 2, 2005. According to the Private Education Fees Collection Measures and the Implementation Rules for the Law for Promoting Private Education, the types and amounts of fees charged by a private school providing academic qualifications education shall be examined by education authorities or the labor and social welfare authorities and approved by the governmental pricing authority, and the school shall obtain the Fee Charge Permit. A private school that provides non-academic qualifications education shall file its pricing information with the governmental pricing authority and publicly discloses such information. If a school raises its tuition levels without obtaining the proper approval or making the relevant filing with the relevant government pricing authorities, the school would be required to return the additional tuition fees obtained through the raise and become liable for compensation of any losses caused to the students in accordance with relevant PRC laws. Each of our schools in operation has been in compliance with the applicable price regulations and obtained such fee charge permit or filed its pricing information as requested.

Regulations on PRC -Foreign Cooperation in Operating Schools

PRC-foreign cooperation in operating schools or training programs is specifically governed by the Sino-Foreign Regulation in accordance with the Education Law, the Occupational Education Law of the PRC (中華人民共和國職業教育法) and the Law for Promoting Private Education of the PRC, and the Implementing Rules for the Regulations on Operating PRC-foreign Schools (中華人民共和國合作辦學條例實施辦法), or the Implementing Rules, which were issued by the MOE in 2004 and became effective on July 1, 2004.

The Sino-Foreign Regulation and its Implementing Rules apply to the activities of educational institutions established in China cooperatively by foreign educational institutions and Chinese educational institutions, the students of which are to be recruited primarily among Chinese citizens and encourage substantive cooperation between overseas educational organizations with relevant qualifications and experience in providing high-quality education and PRC educational organizations to jointly operate various types of schools in China, with such cooperation in the areas of higher education and occupational education being encouraged. PRC-foreign cooperative schools are not permitted, however, to engage in compulsory education and military, police, political and other kinds of education that are of a special nature in China. Any PRC-foreign cooperation school and cooperation program shall be approved by relevant education authorities and get the Permit for Chinese-foreign Cooperation in Operating School, and a PRC-foreign cooperation school established without the above approval or permit may be banned by the relevant authorities, be ordered to refund the fees collected from its students and be subject to a fine of no more than RMB100,000, while a PRC-foreign cooperation program established without such approval or permit may also be banned and be ordered to refund the fees collected from its students.

As of the date on which the Sino-Foreign Regulation becomes effective, the Interim Provisions on PRC-foreign Cooperative Education (中外合作辦學暫行規定, the "**Interim Provisions**"), which was promulgated and implemented as of the date January 26, 1995, by the State Education Commission (國家教育委員會, now renamed as the MOE) in respect of the PRC-foreign cooperation in operating schools, was publicly abolished. Unlike the Sino-Foreign Regulation, the Interim Provisions do not require the promoters or cooperation parties of such schools or programs to be educational organizations and allow the foreign parties of the PRC-foreign schools or cooperation programs to be foreign legal entities, individuals or relevant international organizations and the PRC parties thereof to be either educational organizations or other entities with legal person status. In any event, however, Permits for Chinese-foreign Cooperation in Operating Schools shall be obtained from the relevant education authorities or the authorities that regulate labor and social welfare in China.

On August 12, 2004, the MOE promulgated a Notice regarding the Re-Approval on Operating PRC-foreign Schools and Cooperation Programs (關於做好中外合作辦學機構和項目複核工作的通知, the "**Re-Approval Notice**"), according to which PRC-foreign schools and cooperation programs that were established prior to the implementation of the Sino-Foreign Regulation and its Implementing Rules, should be re-assessed by the relevant government authorities and obtain the re-approval. The Re-Approval Notice specifies the particular scope for such re-approval, and expressly stipulates that in light of the historical development of relevant regulations, the qualifications for any PRC-foreign schools and cooperation programs that were established prior to the implementation of the Sino-Foreign Regulation may not be strictly applied, while the management and operation of such schools and programs should be in good order in compliance with the Sino-Foreign Regulation. There are no clear provisions in the Re-Approval Notice as to whether the qualifications of the promoters or cooperation parties of such schools or cooperation programs may not be strictly applied in compliance with the Sino-Foreign Regulation and its Implementing Rules.

Dalian Maple Leaf High School engages in PRC-foreign cooperation in operating a school and has obtained the relevant government approvals and re-approvals, and maintains the Permits for PRC-Foreign cooperation in Operating Schools.

Regulations on Compulsory Education

The Law for Compulsory Education of the PRC (中華人民共和國義務教育法) was promulgated by the National People's Congress on April 12, 1986 and was amended by the tenth Standing Committee of the National People's Congress on June 29, 2006. Based on this law, a 9-year system of compulsory education, including 6 years of elementary school and 3 years of middle school, was adopted.

Further, the MOE issued the Reform Guideline on the Curriculum System of Compulsory Education (Trial) (基礎教育課程改革綱要(試行)) on June 8, 2001, which became effective on the same day, pursuant to which schools providing compulsory education shall follow a "state-local-school" three-tier curriculum system. In other words, the schools must follow the state curriculum standard for state courses, while the local educational authorities have the power to determine the curriculum standard for other courses, and the schools may also develop curriculum that are suitable for their specific needs.

According to the Foreign Investment Catalog, foreign investors are prohibited from investing in compulsory education, meaning elementary school or middle school.

Regulations on the Operation of High Schools

According to the Foreign Investment Catalog, high school education, namely grades 10 to 12, is categorized as a restricted industry limited to be established in the form of cooperative joint venture.

The MOE has promulgated several regulations on the operation of high schools, mainly concerning the choice of textbooks, the curriculum system and the graduation exam system.

According to the Circular of the Central Office of the MOE on the Selection of the Trial Textbooks for the Curriculum of High Schools (教育部辦公廳關於做好普通高中新課程實驗教材選用工作的 通知) promulgated on April 26, 2005, the textbooks used by high schools can only be selected from the catalog created by the MOE; and the provincial educational authority is in charge of textbook selection within its relevant administrative jurisdiction and has the power to approve the curriculum system applied in its high schools.

Further, the MOE issued the Notice on Developing Trial Curriculum System in High Schools (教育部關於開展普通高中新課程實驗工作的通知), the Guidance on Strengthening Instruction on Developing Trial Curriculum System in High Schools (教育部關於進一步加強普通高中新課程實 驗工作的指導意見), the Notice on Propelling 2006 Trial Curriculum System in High Schools (教育部辦公廳關於 2006 年推進普通高中新課程實驗工作的通知) and the Notice on Propelling 2007 Trial Curriculum System in High

Schools (教育部辦公廳關於 2007 年推進普通高中新課程實驗 工作的通知) from 2003 through 2007, pursuant to which the MOE developed a new curriculum system in high schools nationwide, and the implementation of such curriculum system is carried on mainly by the provincial educational authorities while the MOE mainly provides guidance to its local counterparts. Under the guidelines of the MOE and subject to approval by the respective provincial educational authorities, the high schools may adopt their own unique curriculum system.

In addition to the supervision and administration in textbooks and curriculum system applied in high school, the PRC government also provides strict guidelines on the graduation exam system. According to the National Educational Committee's Opinions on Carrying Graduation Exam System in High Schools (國家教委關於在普通高中實行畢業會考制度的意見, the "**Graduation Exam System Opinions**") which became effective from August 20, 1990, the graduation exam is a standard exam uniformly organized by a provincial educational authority to determine the studying results of a high school graduate, who can only obtain a high school diploma after passing such graduation exam. Thereafter, the MOE promulgated the Opinions on the Reform of the Graduation Exam System in High Schools (關於普通高中畢業會考制度改革的意見, the "**Reform Opinions**") on March 15, 2000. Based on the Reform Opinions, passing the uniform Graduation Exam is no longer a prerequisite condition for getting a high school diploma. Upon approval by a provincial educational administration, a high school may select its own way to conduct the graduation exam, including picking the subjects and the scope of such exam.

Our high schools carried a graduation exam system with an international aspect through offering bilingual, dual-curriculum programs and dual diplomas to our students, and such students receive both a PRC high school diploma and a BC high school diploma when they graduate. To obtain a PRC high school diploma, our students in the above mentioned dual-diploma programs only need to pass certain subjects instead of all of the subjects of the uniform high school graduation exams organized by relevant provincial educational authorities. According to the Reform Opinions, such arrangement is subject to the approval of the relevant provincial educational authorities which have the power to adopt and approve any different graduation exam system. Other than our high school in Zhenjiang, all of our private high schools have obtained the requisite approvals from the relevant provincial educational authorities to use a different curriculum system and graduation exam system and to provide a PRC high school diploma to our graduates.

Interim Administrative Measures on the Operation of Schools for Children of Foreign Nationals

According to the Administrative Measures, the schools for children of foreigners may be established by foreign institutions, foreign-invested enterprises legally set up in the PRC, institutions of international organizations stationed in the PRC or foreign individuals lawfully reside in the PRC. The schools for children of foreigners are schools providing K-12 education to children of foreign nationals who have permits for residence in China and are not permitted to enroll children of PRC nationals. The selection of textbooks, teaching plans and other curriculum matters of such schools are all determined by the schools themselves.

According to the Administrative Measures, sponsors of foreign national schools shall be foreign institutions or foreign-invested enterprises legally incorporated in the PRC, institutions of international organizations stationed in the PRC, or foreigners legally resident in the PRC who must submit their application to the local educational authority and such educational authority shall submit the application to higher administrative authorities, which in turn shall, upon examination and acceptance, submit the application to the MOE for final approval. Pursuant to the September 2012 State Council Decision, the State Council has delegated the authority for approving foreign national schools to the relevant educational authorities at the provincial level. Our Dalian Foreign School obtained such approval from the competent educational authorities on its establishment, and we have obtained the necessary approval from the relevant local educational authority for the acquisition of our Wuhan Foreign School. A further application has been submitted to the Education Department of Hubei Province and we expect to obtain its approval before **[REDACTED]**.

Regulation on the Administration of Kindergartens

The Regulations on the Administration of Kindergartens (幼兒園管理條例, the "**Preschool Regulations**"), was promulgated by the then State Education Commission (now renamed as the MOE) on September 11, 1989. According to the Preschool Regulations, any preschool that enrolls children who are three-years-old or older is subject to the child-care and education administration system provided by such Preschool Regulations.

According to the Preschool Regulations, the issue of safety is the most important for the operation of preschools. Thus the teachers, doctors and child-care staff of preschools are required to meet certain qualifications, and preschools should be located in secure zones without pollution or dangerous factors nearby. Preschools are allowed to determine the content of their teaching activities as long as such activities are not hazardous to the physical and mental health of the children. In addition, a series of regulations have been promulgated by the MOE and other related governmental agencies to further regulate the operation of preschools, including the Measures for the Management of the Health and Health-care of Nursery and Preschools (托兒所幼兒園衛生保健管理辦法) and the Notice of the MOE on Printing and Distributing the Allocation Standards of Teachers and Staffs in Preschools (Trial) (教育部關於印發《幼兒園教職工配備標準(暫行)》的通知).

Pursuant to the above mentioned Preschool Regulations and the Law for Promoting of Private Education, the establishment of private kindergartens by any type of PRC legal entities and individuals is allowed subject to the approval of the local counterpart of the MOE. All of our private preschools have acquired such approval.

The Interim Measures for the Management of the Collection of Kindergarten Fees (幼兒園收費管理暫行辦法) was promulgated by the NDRC, the MOE and the Ministry of Finance (中華人民共和國財政部) on December 31, 2011, which set forth that the health-care and education fees and room and board fees charged by a private preschool shall be determined by the private preschool according to its cost and filed with the local governmental pricing authority and educational authority before execution.

Outline of China's National Plan for Medium- and Long-Term Education Reform and Development (2010-2020)

On July 29, 2010, the PRC central government promulgated the Outline of China's National Plan for Medium- and Long-Term Education Reform and Development (2010-2020) (國家中長期教育改革和發展規劃綱要(2010-2020年)), which for the first time announced the policy that the government will implement a reform to divide private education entities into two categories: (1) for-profit private education entities and (2) not-for-profit private education entities. On October 24, 2010, the General Office of the State Council (國務院辦公廳) issued the Notices on the National Education System Innovation Pilot (關於開展國家教育體制改革試點的通知, "**Pilot Notice**"). Following the Pilot Notice, the MOE submitted to the State Council A Series of Suggested Amendments to Varies of Educational Laws (《教育法律一攬子修訂建議草案（送審稿）》, the "**Drafted Amendments**") which were published by the legislation office of the State Council on September 5, 2013. Under the Pilot Notice and Drafted Amendments, the PRC government plans to implement a for-profit and not-for-profit classified management system for private schools.

On June 18, 2012, the MOE issued the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education (關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見) to encourage private investment and foreign investment in the field of education. According to these opinions, the proportion of foreign capital in a Sino-foreign education institute shall be less than 50%.

Decision of the Central Committee of the Communist Party of China on Major Issues Concerning Comprehensively Deepening Reforms

The Decision of the CPC on Major Issues Concerning Comprehensively Deepening Reforms (中共中央關於全面深化改革若干重大問題的決定), which was adopted at the Third Plenary Session of the 18th Central Committee of the CPC on November 12, 2013 has made decisions to further open and liberalize the investment access. The finance, education, culture and medical sectors will enjoy an orderly opening-up to market access and the government encourages the non-state capital to invest in education.

REGULATIONS ON SOFTWARE DEVELOPMENT ACTIVITIES

The Administrative Measures on Software Products (軟件產品管理辦法), promulgated by the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部, the "**MIIT**") on March 5, 2009, which became effective on April 10, 2009, regulate the development and sale of computer software, software embedded in information systems or equipment provided to users, and computer software in conjunction with computer information systems integration or application services or other technical services in the PRC. The Administrative Measures on Software Products prohibit the development, production, sale, export or import of software products that infringe third party intellectual property rights, contain computer viruses, endanger the safety of computer systems, do not comply with applicable software standards of the PRC, or contain content prohibited by PRC laws, rules and regulations. The software products developed and produced in the PRC may enjoy relevant preferential policies in accordance with the Several Policies on Encouragement of the Development of Software and Integrate Circuit Industries (鼓勵軟件產業和集成電路產業發展的若干政策) issued by the State Council on June 24, 2000 which provide that an enterprise engaging in software production may be entitled to refund of value-added taxes for its sale of software products upon its proper registration and filing according to the Administrative Measures on Software Products. Software registration institutions entrusted by the local software industry administrative departments are in charge of examining the applications for software registration before they submit the application materials to the local software industry administrative departments and the MIIT for filing. The MIIT will make an announcement regarding software products that have undergone filing and recordation formalities. If no objection is raised during the announcement period, such software products will be registered. The registration is valid for a five-year period and may be renewed.

REGULATIONS ON COPYRIGHT AND TRADEMARK PROTECTION

China has adopted legislation governing intellectual property rights, including copyrights and trademarks. China is a signatory to the main international conventions on intellectual property rights and became a member of the Agreement on Trade Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organization in December 2001.

Copyright. The National People's Congress amended the Copyright Law (中華人民共和國著作權法) in 2001 to widen the scope of works and rights that are eligible for copyright protection. The amended Copyright Law extends copyright protection to Internet activities, products disseminated over the Internet and software products. In addition, there is a voluntary registration system administered by the China Copyright Protection Center. The Copyright Law was subsequently further amended on February 26, 2010.

To address the problem of copyright infringement related to the content posted or transmitted over the Internet, the National Copyright Administration and the Ministry of Information Industry (the "MII") (superseded by the MIIT in March 2008) jointly promulgated the Administrative Measures for Copyright Protection Related to the Internet (互聯網著作權行政保護辦法) on April 29, 2005. These measures became effective on May 30, 2005.

Trademark. The PRC Trademark Law (中華人民共和國商標法), adopted in 1982 and revised in 2001 and 2013 (the 2013 revised version has been promulgated on August 30, 2013 and will become effective on May 1, 2014),

protects the proprietary rights to registered trademarks. The Trademark Office under the SAIC handles trademark registrations and grants a term of ten years to registered trademarks and another ten years to trademarks as requested upon expiry of the prior term.

Domain Name. Internet domain name registration and related matters are primarily regulated by the Implementing Rules on Registration of Domain Names (中國互聯網絡信息中心域名名稱註冊實施細則) issued by China Internet Network Information Centre (中國互聯網絡信息中心) (the "**CNNIC**") on September 25, 2002 and amended on June 5, 2009 and May 28, 2012 (the 2012 amended version became effective on May 29, 2012), the Measures on Administration of Domain Names for the Chinese Internet (中國互聯網絡域名名稱管理辦法), issued by MIIT on November 5, 2004 and effective as of December 20, 2004, and the Measures on Domain Name Disputes Resolution for the Chinese Internet (中國互聯網絡信息中心域名名稱爭議解決辦法) issued by CNNIC on May 28, 2012 and effective as of June 28, 2012. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

REGULATIONS ON FOREIGN EXCHANGE

Foreign Currency Exchange

Pursuant to the Foreign Exchange Administration Regulations of the PRC (中華人民共和國外匯管理條例) promulgated by the State Council on January 29, 1996 as amended on January 14, 1997 and August 5, 2008 and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (結匯、售匯及付匯管理規定) promulgated by the PBOC on June 20, 1996 and became effective on July 1, 1996 and other PRC rules and regulations on currency conversion, foreign-invested enterprises are permitted to convert their after tax dividends into foreign exchange and to remit such foreign exchange out of their foreign exchange bank accounts in the PRC. If foreign-invested enterprises require foreign exchange for transactions relating to current account items, they may, without approval of SAFE, effect payment from their exchange account or convert and pay at the designated foreign exchange banks, upon provision of valid receipts and proof. However, convertibility of foreign exchange in respect of capital account items, such as direct investment, loans and capital contributions, is still subject to restriction, and prior approval from SAFE or its relevant branches must be sought. On August 29, 2008, SAFE promulgated the Circular on the Relevant Operating Issues concerning Administration Improvement of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises (關於完善外商投資企業外 匯資本金支付結匯管理有關業務操作問題的通知) (the "**SAFE Circular 142**") to regulate the conversion of foreign currency into RMB by a foreign-invested enterprise by restricting the ways in which the converted RMB may be used. SAFE Circular 142 stipulates that the registered capital of a foreign-invested enterprise that has been settled in RMB converted from foreign currencies may only be used for purposes within the business scope approved by the applicable governmental authority and cannot be used for equity investments within the PRC. Meanwhile, the SAFE strengthened its oversight of the flow and use of the registered capital of a foreign-invested enterprise settled in RMB converted from foreign currencies. The use of such RMB capital may not be changed without the SAFE's approval, and may not in any case be repayment of RMB loans if the proceeds of such loans have not been used. Violations of SAFE Circular 142 may lead to severe penalties including heavy fines. As a result, SAFE Circular 142 may significantly limit our ability to transfer the net proceeds from this offering Beipeng Software through our consolidated affiliated entities, and thus may adversely affect our business expansion in China. We may not be able to convert the net proceeds into RMB to invest in or acquire any other PRC entities, or establish other consolidated affiliated entities in the PRC. Following the issuance of the SAFE Circular 142, on November 9, 2010, SAFE promulgated the Circular on the Relevant Operating Issues concerning Administration Improvement of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises (關於加強外匯業務管理有關問題的通知) (the "**SAFE Circular 59**") which was amended on April 16, 2012. The SAFE Circular 59 requires the authenticity of settlement of net proceeds from offshore offerings to be closely examined and the net proceeds to be settled in the manner

described in the offering documents. Furthermore, in November 2011, SAFE issued the Circular on Further Clarifying and Regulating Matters Relating to Foreign Exchange Administration of Certain Capital Account Items (國家外匯管理局關於進一步明確和規範部分資本項目外匯業務管理有關問題的通知) (the "**SAFE Circular 45**"). SAFE Circular 45 requires SAFE's local counterparts to strengthen the control imposed by SAFE Circular 142 and SAFE Circular 59 over the conversion of a foreign-invested company's capital contributed in foreign currency into RMB. SAFE Circular 45 stipulates that a foreign-invested company's RMB funds, if converted from such company's capital contributed in foreign currency, may not be used by such company to (i) extend loans (in the form of entrusted loans), (ii) repay borrowings between enterprises, or (iii) repay bank loans it has obtained and on-lent to third parties.

Dividend Distribution

The principal regulations governing dividend distributions by wholly foreign-owned enterprises and Sino-foreign equity joint ventures include:

- Wholly Foreign-Owned Enterprise Law (1986) (中華人民共和國外資企業法), as amended;
- Wholly Foreign-Owned Enterprise Law Implementing Rules (1990) (中華人民共和國外資企業法實施條例), as amended;
- Sino-foreign Equity Joint Venture Enterprise Law (1979) (中華人民共和國中外合資經營企業法), as amended; and
- Sino-foreign Equity Joint Venture Enterprise Law Implementing Rules (1983) (中華人民共和國中外合資經營企業法實施條例), as amended.

Under these regulations, wholly foreign-owned enterprises and Sino-foreign equity joint ventures in the PRC may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. Additionally, these foreign-invested enterprises are required to set aside certain amounts of their accumulated profits each year, if any, to fund certain reserve funds. These reserves are not distributable as cash dividends.

SAFE Circular No. 75

The Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Overseas Financing and Round Trip Investment via Overseas Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知, the SAFE Circular No. 75), which became effective as of November 1, 2005, and a series of implementation rules and guidance require PRC residents, including both legal persons and natural persons, to register with their local SAFE branch before establishing or acquiring control of any company outside of China with assets or equity interests in PRC companies for the purpose of seeking offshore equity financing and conducting "round trip investment" in China. Such a company located outside of China is referred to as an "offshore special purpose company". Currently, we do not have any shareholders who are PRC residents that are required to register with a SAFE branch according to SAFE Circular No. 75.

SAFE Regulations on Employee Share Options

The Administration Measures on Individual Foreign Exchange Control (個人外匯管理辦法) were promulgated by the PBOC on December 25, 2006, and their Implementation Rules (個人外匯管理辦法實施細則), issued by the SAFE on January 5, 2007, became effective on February 1, 2007. Under these regulations, all foreign exchange matters involved in employee stock ownership plans and stock option plans participated in by onshore individuals, among others, require approval from the SAFE or its authorized branch. Furthermore, the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock

Incentive Plans of Overseas Publicly-Listed Companies (關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知) (the "**Stock Option Rules**"), were promulgated by SAFE on February 15, 2012, which replaced the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plans or Stock Option Plans of Overseas Publicly-Listed Companies (境內個人參與境外上市公司員工持股計劃和認股期權計劃等外匯管理操作規程) issued by SAFE on March 28, 2007. Pursuant to the Stock Option Rules, PRC residents who are granted shares or stock options by companies listed on overseas stock exchanges based on the stock incentive plans are required to register with SAFE or its local branches, and PRC residents participating in the stock incentive plans of overseas listed companies shall retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly-listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plans on behalf of these participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, purchase and sale of corresponding stocks or interests, and fund transfer. In addition, the PRC agents are required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agents or the overseas entrusted institution or other material changes. The PRC agents shall, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents. In addition, the PRC agents shall file each quarter the form for record-filing of information of the domestic individuals participating in the stock incentive plans of overseas listed companies with SAFE or its local branches.

REGULATIONS ON LABOR AND SOCIAL SECURITY

Employment contracts

Pursuant to the PRC Labor Law (中華人民共和國勞動法) which was promulgated by the Standing Committee of the National People's Congress on July 5, 1994 and became effective on January 1, 1995 and subsequently amended on August 27, 2009, the PRC Labor Contract Law (中華人民共和國勞動合同法) which was promulgated Standing Committee of the National People's Congress on June 29, 2007 and became effective on January 1, 2008 and subsequently amended on December 28, 2012 and became effective on July 1, 2013 and its Implementing Regulations of the Employment Contracts Law (中華人民共和國勞動合同法實施條例) which was promulgated by the State Council and became effective on September 18, 2008, labor contracts in written form shall be executed to establish labor relationships between employers and employees. Wages cannot be lower than local minimum wage. The employer must establish a system for labor safety and sanitation, strictly abide by state standards, and provide relevant education to its employees. Employees are also required to work in safe and sanitary conditions meeting State rules and standards, and carry out regular health examinations of employees engaged in hazardous occupations.

Social Insurance

Under applicable PRC laws, rules and regulations, including the Social Insurance Law (中華人民共和國社會保險法) which was promulgated by the Standing Committee of the National People's Congress on October 28, 2010 and became effective on July 1, 2011, the Administration Regulations on the Declaration and Payment of Social Security Funds (社會保險費申報繳納管理規定) which was promulgated by the Ministry of Human Resources and Social Security of the PRC on September 26, 2013 and became effective on November 1, 2013, Interim Measures concerning the Maternity Insurance (企業職工生育保險試行辦法) which was promulgated by the Ministry of Labor on December 14, 1994 and became effective on January 1, 1995, the Regulations on Occupational Injury Insurance (工傷保險條例) which was promulgated by the State Council on

April 27, 2003 and became effective on January 1, 2004 and subsequently amended on December 20, 2010 and became effective on January 1, 2011, and the Regulations on the Administration of Housing Accumulation Funds (住房公積金管理條例) which was promulgated by the State Council and became effective on April 3, 1999 and amended on March 24, 2002, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing accumulation funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

According to the Interim Measures for Participation in the Social Insurance System by Foreigners Working within the Territory of China (在中國境內就業的外國人參加社會保險暫行辦法), which was promulgated by the Ministry of Human Resources and Social Security on September 6, 2011 and became effective on October 15, 2011, employers who employ foreigners shall participate in the basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, and maternity leave insurance in accordance with the law, with the social insurance premiums to be contributed respectively by the employers and foreigner employees as required. In accordance with such Interim Measures, the social insurance administrative agencies shall exercise their right to supervise and exam the legal compliance of foreign employees and employers and the employers who do not pay social insurance premium in conformity with the laws shall be subject to the administrative provisions provided in the Social Insurance Law and the relevant regulations and rules mentioned above.

REGULATIONS ON TAXATION

Income tax

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法) (the "**EIT Law**") , which was promulgated on March 16, 2007 and became effective on January 1, 2008, enterprises are classified as resident enterprises and non-resident enterprises. The income tax rate for PRC resident enterprises, including both domestic and foreign-invested enterprises shall typically be 25% commencing from January 1, 2008. An enterprise established outside of the PRC with its "de facto management bodies" located within the PRC is considered a "resident enterprise," meaning that it can be treated in a manner similar to a PRC domestic enterprise for enterprise income tax purposes. In order to clarify some provisions in the EIT Law, the Implementation Regulation of the Enterprise Income Tax Law of the PRC(中華人民共和國企業所得税法實施條例, the "**EIT Rules**") was promulgated on December 6, 2007 and became effective on January 1, 2008.

The State Administration of Tax (中華人民共和國國家税務總局, the "**SAT**") issued Notice of the State Administration of Taxation on Issues Relevant to Foreign-registered Chinese-invested Holding Enterprises Determined as Resident Enterprises in Accordance with Actual Management Organization Standard (國家税務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有 關問題的通知, the "**Circular 82**") on April 22, 2009. Circular 82 provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled offshore incorporated enterprise is located in China, which include all of the following conditions: (a) the location where senior management members responsible for an enterprise's daily operations discharge their duties; (b) the location where financial and human resource decisions are made or approved by organizations or persons; (c) the location where the major assets and corporate documents are kept; and (d) the location where more than half (inclusive) of all directors with voting rights or senior management have their habitual residence. In addition, the SAT issued a bulletin on July 27, 2011, effective as of September 1, 2011, providing more guidance on the implementation of Circular 82. This bulletin clarifies matters including resident status determination, post-determination administration and competent tax authorities. Although both Circular 82 and the bulletin only apply to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreign individuals, the determining criteria set forth in Circular 82 and the bulletin may reflect the SAT's general position on how the "de facto management

body" test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or PRC enterprise groups or by PRC or foreign individuals.

According to the Law of PRC for Promoting Private Education (中華人民共和國民辦教育促進法) and its implementing rules, a private school that does not require reasonable returns enjoys the same preferential tax treatment as public schools, whereas the preferential tax treatment policies applicable to private schools that require reasonable returns are separately formulated by the relevant authorities under the PRC State Council. Our schools are all private schools that do not require reasonable returns and the Company believes it could enjoy the preferential tax treatment as public schools. In addition, Beipeng Software, our wholly-owned subsidiary in China, is qualified as a "software development enterprise" under the EIT Law. Accordingly, Beipeng Software is entitled to a two-year EIT exemption when it becomes profitable and a further three-year EIT reduction to 50% of the applicable rate from the EIT following that. Beipeng Software secured the software enterprise certification in 2009 and 2010.

Business Tax

Pursuant to the Provisional Regulations of the PRC on Business Tax (中華人民共和國營業税暫行條例), which was promulgated by the Stated Council on December 13, 1993 and subsequently amended on November 10, 2008 and its Implementation Rules (中華人民共和國營業税暫行條例實施細則) which was promulgated by the MOF and the SAT on December 15, 2008 and subsequently amended on October 28, 2011, unless stated otherwise, the taxpayers providing taxable services in China are required to pay a business tax at a normal tax rate of 5% of their revenue.

According to the Provisional Regulations of the PRC on Business Tax, nursing services provided by nurseries, kindergartens and educational services provided by schools and other educational institutions shall be exempt from business tax. Hence, the nursing services and educational services provided by our schools and kindergartens are not subject to business tax.

Dividend Withholding Tax

The EIT Rules provide that since January 1, 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC. The income tax on the dividends may be reduced pursuant to a tax treaty between China and the jurisdictions in which our non-PRC shareholders reside.

However, if we are considered a PRC resident enterprise and the competent PRC tax authorities consider dividends we pay with respect to our Shares and the gains realized from the transfer of our Shares income derived from sources within the PRC, such dividends and gains earned by non-resident individuals may be subject to PRC individual income tax at a rate of 20% (or other applicable preferential tax rate if any such non-resident individuals' jurisdiction has a tax treaty with China that provides for a preferential tax rate or a tax exemption).

Pursuant to an Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排, the "**Double Tax Avoidance Arrangement**"), and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the

Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (關於執行税收協定股息條款有關問題的通知, the "**SAT Circular 81**") issued on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Circular on How to Interpret and Recognize the "Beneficial Owner" in Tax Treaties (關於如何理解和認定税收協定中"受益所有人"的通知), issued on October 27, 2009 by the SAT, conduit companies, which are established for the purpose of evading or reducing tax, or transferring or accumulating profits, shall not be recognized as beneficial owners and thus are not entitled to the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

On January 9, 2009, the SAT promulgated the Provisional Measures for the Administration of Withholding of Enterprise Income Tax for Non-resident Enterprises (非居民企業所得税源泉扣繳管理暫行辦法, the "**Non-resident Enterprises Measures**"), pursuant to which, the entities which have the direct obligation to make certain payments to a non-resident enterprise shall be the relevant tax withholders for such non-resident enterprise. Further, the Non-resident Enterprises Measures provides that in case of an equity transfer between two non-resident enterprises which occurs outside China, the non-resident enterprise which receives the equity transfer payment shall, by itself or engage an agent to, file tax declaration with the PRC tax authority located at the place of the PRC company whose equity has been transferred, and the PRC company whose equity has been transferred shall assist the tax authorities to collect taxes from the relevant non-resident enterprise. On April 30, 2009, the MOF and the SAT jointly issued the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business (關於企業重組業務企業所得税處理若干問題的通知, the "**Circular 59**"). On December 10, 2009, the SAT issued the Notice of the State Administration of Taxation on Strengthening the Administration of Enterprise Income Tax on Gain Derived from Equity Transfer Made by Non-Resident Enterprise (國家税務總局關於加強非居民企業股權轉讓所得企業所得税管理的通知, the "**SAT Circular 698**"). Both Circular 59 and SAT Circular 698 became effective retroactively as of January 1, 2008. By promulgating and implementing these two circulars, the PRC tax authorities have enhanced their scrutiny over the direct or indirect transfer of equity interests in a PRC resident enterprise by a non-resident enterprise. Under SAT Circular 698, where a non-resident enterprise transfers the equity interests of a PRC "resident enterprise" indirectly by disposition of the equity interests of an overseas holding company, or an Indirect Transfer, and such overseas holding company is located in certain low tax jurisdictions, the non-resident enterprise, being the transferor, shall report to the competent tax authority of the PRC "resident enterprise" this Indirect Transfer. The PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC tax at a rate of up to 10%. Although it appears that SAT Circular 698 was not intended to apply to purchase and sale of shares of publicly traded companies in the open market, the PRC tax authorities may determine that SAT Circular 698 is applicable to our non-resident shareholders who acquired our shares outside of the open market and subsequently sell our shares in our private financing transactions or in the open market if any of such transactions were determined by the tax authorities to lack reasonable commercial purpose, and we and our non-resident shareholders may be at risk of being required to file a return and being taxed under SAT Circular 698 and we may be required to expend valuable resources to comply with SAT Circular 698 or to establish that we should not be taxed under SAT Circular 698.

SAFE Regulations on Employee Share Options

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, or Circular 7, issued by SAFE in February 2012, employees, directors, supervisors and other senior management participating in any stock incentive plan of an overseas publicly listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. Failure to complete the SAFE registrations may subject them to

fines and legal sanctions and may also limit our ability to contribute additional capital into our wholly foreign-owned subsidiaries in China and limit these subsidiaries' ability to distribute dividends to us. In addition, the State Administration for Taxation has issued certain circulars concerning employee share options or restricted shares. Under these circulars, the employees working in the PRC who exercise share options or are granted restricted shares will be subject to PRC individual income tax. The PRC subsidiaries of such overseas listed company have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If the employees fail to pay or the PRC subsidiaries fail to withhold their income taxes according to relevant laws and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC government authorities.

[REDACTED]

CANADIAN LAWS AND REGULATIONS

This section summarizes relevant British Columbia, or BC, statutes and other regulatory requirements that affect our schools, specifically in relation to the BCMOE's process for granting certification to offshore schools.

British Columbia's Governance of Education

In Canada, provincial governments, rather than the federal government, are responsible for education. In British Columbia, the Lieutenant-Governor appoints the members of the Executive Council, which includes the Minister of Education. The Minister is responsible to the provincial legislature for administering the educational system for Kindergarten to Grade 12 (K-12), among other things. The Minister exercises overall responsibility for the administration of K-12 education through the BCMOE.

Two primary acts which govern the delivery of K-12 education in British Columbia are the School Act and the Independent School Act, which governs independent (or private) schools.

School Act

Under the School Act, boards of education, consisting of elected trustees, are mandated to manage schools within their school districts in accordance with specified powers. Boards of education may appoint principals in each school who are members of such school's School Planning Council (if applicable). Boards of education must consult with School Planning Councils in respect of certain matters.

Independent School Act

The Inspector of Independent School is responsible to the Minister for the administration of the Independent School Act. Under the Independent School Act, the Inspector may issue, renew, suspend and cancel certificates classifying independent schools, and authorize a person to inspect and evaluate independent schools.

British Columbia Global Education Program

Section 168(3) of the School Act provides that the minister, or with the approval of the minister, a board or a francophone educational authority, may enter into an agreement with a school authority outside British Columbia for the education of children for whose education that school authority is responsible.

The British Columbia Ministry of Education has developed the British Columbia Global Education Program. A discussion of this program and the process for obtaining certification thereunder is set out under the heading "BC Global Education Program Certification and Inspection Requirements".