An investment in our Shares involves significant risks. You should carefully consider all of the information in this **[REDACTED]***, including the risks and uncertainties described below, before making an investment in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our Shares could decline, and you may lose all or part of your investment.*

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-Looking Statements" in this **[REDACTED]**.

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our contractual arrangements; (ii) risks relating to our business and our industry; (iii) risks relating to doing business in China; and (iv) risks relating to the **[REDACTED]**.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

If the PRC government finds that the agreements that establish the structure for operating our business in China do not comply with applicable PRC laws and regulations, we could be subject to severe penalties and our business may be materially and adversely affected.

We entered into a series of arrangements in which our wholly-owned subsidiary Beipeng Software receives full economic benefits from Dalian Maple Leaf High School and our consolidated affiliated entities. See the section headed "Contractual Arrangements" in this **[REDACTED]**.

Foreign investment in the education industry in China is extensively regulated and subject to numerous restrictions. Under the Foreign Investment Industries Guidance Catalog, foreign investors are prohibited from investing in elementary and middle schools in the PRC for students in grades one through nine. In addition, under the Sino-Foreign Regulation, the foreign investment in high schools in the PRC shall be in a form of cooperation between Chinese educational institutions and foreign educational institutions. Furthermore, under 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, which was issued by the MOE on June 18, 2012, the foreign portion of the total investment in a Sino-foreign joint venture preschool or high school should be below 50%. See the section headed "Regulatory Overview" in this **[REDACTED]**.

Accordingly, our subsidiaries in China are currently ineligible to apply for the required education licenses and permits in China for the operation of elementary and middle schools. In addition, although foreign investment in preschools and high schools is not prohibited, our subsidiaries in China are still ineligible to independently operate preschools and high schools. Accordingly, we have been and are expected to continue to be dependent on our contractual arrangements to operate our education business.

If the contractual arrangements that establish the structure for operating our China business are found to be in violation of any PRC laws or regulations in the future or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities, including the MOE, which regulates the education industry, would have broad discretion in dealing with such violations, including:

- revoking the business and operating licenses of our PRC subsidiaries or consolidated affiliated entities;
- discontinuing or restricting the operations of any related-party transactions among our PRC subsidiaries or consolidated affiliated entities;

- imposing fines or other requirements with which we or our PRC subsidiaries or consolidated affiliated entities may not be able to comply;
- requiring us to restructure our operations in such a way as to compel us to establish new entities, re-apply for the necessary licenses or relocate our businesses, staff and assets;
- imposing additional conditions or requirements with which we may not be able to comply; or
- restricting the **[REDACTED]** from our additional **[REDACTED]** or financing to finance our business and operations in China.

If any of the above penalties are imposed on us, our business may be materially and adversely affected.

Our contractual arrangements may not be as effective in providing control over our consolidated affiliated entities as equity ownership.

We have relied and expect to continue to rely on contractual arrangements to operate the majority of our education business in China. For a description of these contractual arrangements, see the section headed "Contractual Arrangements" in this **[REDACTED]**. These contractual arrangements may not be as effective in providing us with control over our consolidated affiliated entities as equity ownership. If we had equity ownership of our consolidated affiliated entities, we would be able to exercise our rights as a direct or indirect shareholder to effect changes in the board of directors of our consolidated affiliated entities, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, as these contractual arrangements stand now, if our consolidated affiliated entities or their shareholders fail to perform their respective obligations under these contractual arrangements, we cannot exercise shareholders' rights to direct corporate actions as the direct ownership would otherwise entail. If the parties under such contractual arrangements refuse to carry out our directions in relation to everyday business operations, we will be unable to maintain effective control over the operations of our schools in China. If we were to lose effective control over our consolidated affiliated entities, certain negative consequences would result, including our being unable to consolidate the financial results of our consolidated affiliated entities with our financial results. Given that revenue from our consolidated affiliated entities constituted 42.0%, 45.2%, 50.7% and 72.1% of the total revenue in our consolidated financial statements for the financial years ended August 31, 2011, 2012, 2013 and the nine months ended May 31, 2014, respectively, our financial position would be materially and adversely impacted if we were to lose effective control over our consolidated affiliated entities. In addition, losing effective control over our consolidated affiliated entities may negatively impact our operational efficiency and brand image. Further, losing effective control over our consolidated affiliated entities may impair our access to their cash flow from operations, which may reduce our liquidity.

Any failure by our consolidated affiliated entities or their respective ultimate shareholders to perform their obligations under our contractual arrangements would potentially lead to our having to incur additional costs and expend substantial resources to enforce such arrangements, temporary or permanent loss of control over our primary operations or loss of access to our primary sources of revenue.

Under the current contractual arrangements, if any of our consolidated affiliated entities or their ultimate shareholders fails to perform its or his respective obligations under these contractual arrangements, we may incur substantial costs and resources to enforce such arrangements and relying on legal remedies under PRC laws, including seeking specific performance or injunctive relief and claiming damages.

Our contractual arrangements described above are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC laws and any disputes would be resolved in accordance with PRC legal procedures. Under PRC laws, rulings by arbitrators are final and the parties to a dispute cannot appeal the arbitration results in any court based on the substance of the case. The prevailing party may enforce the arbitration award by instituting arbitration award recognition proceedings with the competent PRC court. The legal environment in the PRC is not as developed as in other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. In the event that we are unable to enforce these contractual arrangements, we may not be able to exert effective control over our affiliated entities for an extended period of time or we may be permanently unable to exert control over our affiliated entities. If this were to occur, we would be unable to consolidate the financial results of our consolidated affiliated entities with our financial results, which would have a material and adverse effect on our business, financial condition and results of operation and would decrease the value of our Shareholders' investments in our Company.

In addition to the enforcement costs outlined above, during the course of disputes regarding such enforcement action, we may temporarily lose effective control over our schools in China, which may lead to loss of revenue or potentially lead to our having to incur additional costs and expend substantial resources to operate our business in the absence of effective enforcement of these contractual arrangements. If this were to occur, our business, financial condition and results of operation may be materially and adversely affected, and the value of our Shareholders' investments in our Company may decrease.

The ultimate owners of our consolidated affiliated entities may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

Mr. Sherman Jen, chairman and a Shareholder of our Company, is also the sole beneficial owner of our foreign national schools. Therefore, the interests of Mr. Jen as the sole beneficial owner of our foreign national schools may differ from the interests of our Company as a whole, since Mr. Jen is only one of the Shareholders of our Company. In addition, Ms. Shu'e Ren, our Founder's Sister, is the sole beneficial owner of our remaining consolidated affiliated entities, and does not own any interest in our Company. As a result, her interest may differ from the interests of our Company. We cannot assure you that when conflicts of interest arise, our Founder or our Founder's Sister will act in the best interests of our Company or that such conflicts will be resolved in our favor. As of the Latest Practicable Date, we had not entered into equity pledge arrangements with our Founder as direct interests in schools are not capable of being pledged and we only had such arrangements with our Founder's Sister. Even if we were to make equity pledge arrangements with our Founder, such arrangement would be unenforceable under PRC laws and regulations, as direct interests in schools are not pledgeable under the relevant PRC laws and regulations. In addition, although the equity pledge agreements we entered into with the Founder's Sister provide that the pledged equity interest shall constitute continuing security for any and all of the indebtedness, obligations and liabilities under all of the principal service agreements, it is possible that a PRC court could take the position that the amount listed on the equity pledge registration forms or estimated in the equity pledge agreements represents the full amount of the collateral that has been registered and perfected. If this were to happen, the obligations that are supposed to be secured in the equity pledge agreements in excess of the amount listed on the equity pledge registration forms or estimated in the equity pledge agreements could be deemed unsecured debt by the PRC court, which takes last priority among creditors.

We cannot assure you that when conflicts of interest arise, our Founder or Founder's Sister will act in the best interests of our Company or that conflicts of interest will be resolved in our favor. In the event of any such conflicts of interest, our Founder or Founder's Sister may potentially breach, or cause our consolidated affiliated entities to breach, or refuse to renew, the existing contractual arrangements we have with them. If we cannot resolve any conflict of interest or dispute between us and our Founder or Founder's Sister, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings. These uncertainties may impede our ability to enforce our contractual arrangements. If we are unable to resolve any such conflicts, or if we experience significant delays or other obstacles as a result of such conflicts, our business and operations could be severely disrupted, which could materially and adversely affect our results of operations and damage our reputation.

Certain terms of our contractual arrangements may not be enforceable under PRC laws.

Our contractual arrangements provide for the resolution of disputes through arbitration in accordance with the arbitration rules of the China International Economic and Trade Arbitration Commission in Beijing. Our contractual arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of our consolidated affiliated entities, injunctive relief and/or winding up of our consolidated affiliated entities. In addition, our contractual arrangements contain provisions to the effect that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, we have been advised by our PRC counsel that the abovementioned provisions contained in our contractual arrangements may not be enforceable. Under PRC laws, an arbitral body granting any injunctive relief or provisional or final liquidation order to preserve the assets of or any equity interest in Chinese legal entities in case of disputes shall submit the application to the court in China. Therefore, such remedies may not be available to us, notwithstanding the relevant contractual provisions contained in our contractual arrangements. PRC laws allow an arbitral body to award the transfer of assets of or an equity interest in China in favor of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures. Under PRC laws, courts of judicial authorities in the PRC generally would not grant injunctive relief or the winding-up order against an entity as interim remedies to preserve the assets or shares in favor of any aggrieved party.

The contractual arrangements between Beipeng Software and our consolidated affiliated entities and Dalian Maple Leaf High School may subject our Group to increased income tax due to the different income tax rates applicable to Beipeng Software and our consolidated affiliated entities and Dalian Maple Leaf High School, which may adversely affect our results of operations.

Under our contractual arrangements, Beipeng Software is entitled to receive the full economic benefits of our consolidated affiliated entities and Dalian Maple Leaf High School in the form of service fees. Such service fee payments to Beipeng Software reduce the taxable income of our consolidated affiliated entities and Dalian Maple Leaf High School and correspondingly increase the taxable income of Beipeng Software, which, due to the different income tax rates applicable to our consolidated affiliated entities and Dalian Maple Leaf High School and Beipeng Software, may affect our results of operations, particularly, our income tax expenses and net profit on a consolidated basis in the future.

Dalian Maple Leaf High School and most of our consolidated affiliated entities, including our elementary schools, middle schools and high schools, are eligible for enterprise income tax exemption. We plan to continue to apply for and renew the enterprise income tax exemption status of our eligible consolidated affiliated entities and Dalian Maple Leaf High School as necessary. We believe that these consolidated affiliated entities and Dalian Maple Leaf High School will continue to enjoy enterprise income tax exemption treatment in the future.

Beipeng Software is qualified as a "software development enterprise" under the Enterprise Income Tax Law and is expected to enjoy a two-year enterprise income tax exemption starting from 2014 and a further three-year income tax reduction of 50% of the applicable enterprise income tax rate. Starting from 2019, Beipeng Software is expected to be subject to a 25% enterprise income tax rate.

As a result of the different income tax rates applicable to Beipeng Software and our consolidated affiliated entities and Dalian Maple Leaf High School, starting from 2016, our consolidated affiliated entities' and Dalian Maple Leaf High School's payments of service fee to Beipeng Software may result in increased income tax expenses for the Group on a consolidated basis as compared to the Track Record Period, which may materially and adversely affect our results of operations, particularly, our net profit and net profit margin.

Our contractual arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our net income and the value of your investment.

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the exclusive management consultancy and business cooperation agreements we have with our consolidated affiliated entities and Dalian Maple Leaf High School do not represent an arm's-length price and adjust any of those entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could increase our tax liabilities. In addition, PRC tax authorities may have reason to believe that our subsidiaries or consolidated affiliated entities are dodging tax obligation, and we may not be able to rectify such incident within the limited timeline required by PRC tax authorities. As a result, PRC tax authorities may impose late payment fees and other penalties on us for under-paid taxes, which could materially and adversely affect our business, financial condition and results of operations.

We rely on dividends and other payments from Beipeng Software to pay dividends and other cash distributions to our Shareholders.

We are a holding company, and our ability to pay dividends and other cash distributions to our Shareholders, service any debt we may incur and meet our other cash requirements depends solely on our ability to receive dividends and other distributions from Beipeng Software, one of our PRC subsidiaries. The amount of dividends paid to us by Beipeng Software depends solely on the service fees paid to Beipeng Software from our consolidated affiliated entities and from Dalian Maple Leaf High School, our PRC subsidiary. However, there are restrictions under PRC laws for the payment of dividends to us by Beipeng Software. For example, relevant PRC laws and regulations permit payments of dividends by Beipeng Software only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC laws and regulations, Beipeng Software is required to set aside at least 10% of its after-tax profits based on PRC accounting standards each year to fund a statutory reserve, until the accumulated amount of such reserve has exceeded 50.0% of its registered capital. In addition, although Dalian Maple Leaf High School is our PRC subsidiary, it is not allowed to distribute dividends under PRC law due to its being an entity that does not require "reasonable return". Consequently, each of Beipeng Software and Dalian Maple Leaf High School is restricted in its ability to transfer a portion of its net assets to us or any of our other subsidiaries in the form of dividends, loans or advances. The foregoing restrictions on the ability of Beipeng Software and Dalian Maple Leaf High School to pay dividends to us, and the limitations on the ability of consolidated affiliated entities and Dalian Maple Leaf High School pay service fees to Beipeng Software could materially and adversely limit our ability to borrow money outside of China or pay dividends to holders of our Shares.

Our consolidated affiliated entities and Dalian Maple Leaf High School may be subject to significant limitations on their ability to operate private education or make payments to related parties or otherwise be materially and adversely affected by changes in PRC laws and regulations.

The principal regulations governing private education in China are the Law for Promoting Private Education, which become effective as of 2003 and was revised in 2013, and the Implementation Rules. Under these regulations, a private school may elect to be a school that does not require reasonable returns or a school that requires reasonable returns. A private school that does not require reasonable returns cannot distribute dividends to its sponsors. At the end of each financial 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. For a private school that requires reasonable returns, this amount is at least 25% of the annual net income of the school, while in the case of a private school that does not require reasonable returns, this amount is at least 25% of the annual increase in the net assets of the school, if any. A private school that requires reasonable returns must publicly disclose such election and additional information required under the regulations. A private school shall consider factors such as the school's tuition, ratio of the funds used for education-related activities to the course fees collected, admission standards and educational quality when determining the percentage of the school's net income that would be distributed to the investors as reasonable returns. However, the current PRC laws and regulations do not provide a formula or guidelines for determining what constitutes a "reasonable return". In addition, the current PRC laws and regulations do not set forth different requirements or restrictions on a private school's ability to operate its education business based on such school's status as a school that requires reasonable returns or a school that does not require reasonable returns. Each of our schools has elected to be a school that does not require reasonable return. The respective sponsor of each school will determine the amounts to be allocated to each school's development fund in accordance with PRC laws. As of May 31, 2014, the corresponding development fund for all of our schools added up to an aggregate of approximately RMB159.5 million.

As a holding company, our ability to pay dividends and other cash distributions to our Shareholders depends solely on our ability to receive dividends and other distributions from Beipeng Software. The amount of dividends and other distributions paid to us by Beipeng Software depends on the service fees paid to Beipeng Software from our consolidated affiliated entities and from Dalian Maple Leaf High School. Our PRC Legal Counsel advises us that Beipeng Software's right to receive the service fees from our consolidated affiliated entities and Dalian Maple Leaf High School does not contravene any PRC laws and regulations. However, if relevant PRC government authorities take a different view to our PRC Legal Counsel, they may seek to confiscate any or all of the service fees that have been paid by the our schools to Beipeng Software, including retrospectively, to the extent that such service fees are tantamount to "reasonable returns" taken by the sponsors of these schools in violation of PRC laws and regulations. The relevant PRC authorities may also seek to stop student enrollments at our schools or, in a more serious situation, revoke the operation permits of these schools, in which case we may, as a preventative measure to avoid such ramifications, change the election made with respect to such schools to schools of which the sponsors require a "reasonable return," which would in turn result in our schools ceasing to enjoy certain preferential tax treatment.

The discontinuation of any preferential tax treatments currently available to us, in particular the tax exempt status of our schools, could result in a decrease of our net income and materially and adversely affect our results of operations.

According to the Implementation Rules for the Law for Promoting Private Education (the "**Implementation Rules**"), private schools for which the sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. This preferential tax treatment is not applicable to private schools for which the sponsors require reasonable returns. All of our schools are registered as schools for which the sponsors do not require reasonable returns. Certain of our schools have been granted enterprise income tax exemption status based on the certificate letters and confirmations from relevant local tax authorities. These letters and confirmations are either for a fixed period of time or do not have a specified expiration date. We plan to apply for renewal of these tax exemptions in the future as necessary, and also plan to apply for tax exemptions for new schools as they begin to make profits. We cannot assure you that we will be successful in applying for any new tax exemptions or the extension of any existing tax exemptions. Furthermore, we cannot assure you that the relevant government authorities will not deem the service fee payments under the Contractual Arrangements as a means of circumventing the selection made by the sponsors of our schools not to require a "reasonable return", which may result in our schools ceasing to enjoy the tax exemptions they currently enjoy by virtue of being schools for which the sponsors do not require reasonable returns. For further information on our preferential tax treatments, please see the section headed "Financial Information — Key Components of our Results of Operations — Taxation" in this **[REDACTED]**. The discontinuation of any of these preferential tax treatments currently available to us or the determination by any of the relevant tax authorities that any of the preferential tax treatments we have enjoyed or currently enjoy is not in compliance with the PRC laws would cause our effective tax rate to increase, which would increase our income tax expenses and in turn decrease our net income.

If any of our PRC subsidiaries or consolidated affiliated entities becomes the subject of a bankruptcy or liquidation proceeding, we may lose the ability to use and enjoy certain important assets, which could reduce the size of our operations and materially and adversely affect our business, ability to generate revenue and the market price of our Shares.

We currently conduct the majority of our operations in China through contractual arrangements. As part of these arrangements, our consolidated affiliated entities hold a majority of the assets that are important to the operation of our business, including operating permits and licenses, real estate leases, buildings and other educational facilities related to the schools. Under irrevocable power of attorneys, our Founder and Founder's Sister may not unilaterally, without our consent, decide to voluntarily liquidate our consolidated affiliated entities.

If any of these entities goes bankrupt and all or part of their assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If any of our consolidated affiliated entities undergoes a voluntary or involuntary liquidation proceeding, its shareholders or unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, our ability to generate revenue and the market price of our Shares.

Our exercise of the option to acquire the equity interests of our consolidated affiliated entities may be subject to certain limitations and the ownership transfer may subject us to substantial costs.

Under the Sino-Foreign Regulation, foreign investors of Sino-foreign joint venture schools shall be foreign educational institutions. Based on the inquiries we and our PRC Legal Counsel made with several educational authorities in China, such foreign investors must be foreign institutions with relevant qualification and already provide the same level of education in a foreign country (the "**Qualification Requirement**"). We negotiated with the relevant local governments in South Korea to explore a school expansion opportunity in Suncheon City, in part in an attempt to comply with the Qualification Requirement, so as to be qualified to acquire the entire equity interest of our consolidated affiliated entities, when the restrictions on the percentage of foreign ownership in those schools are lifted. However, we cannot assure you that the opportunity in Suncheon City will proceed or that the steps we have taken or plan to take will be ultimately sufficient to satisfy the Qualification Requirement. If the restrictions on the percentage of foreign ownership in high schools and the prohibition on foreign ownership in elementary and middle schools are lifted, we may be unable to unwind the Contractual Arrangements before we are in a position to comply with the Qualification Requirement, or if we attempt to unwind the Contractual Arrangements before we are able to comply with the Qualification Requirement we may be ineligible to operate the schools and may be forced to suspend their operations, which could have a material and adverse effect on our business, financial condition and results of operations.

Furthermore, our exercise of the option to acquire the equity ownership of our consolidated affiliated entities may incur substantial costs on our part. Pursuant to our contractual arrangements, Beipeng Software has the exclusive right to require the shareholders of our consolidated affiliated entities to transfer any and all the shares of our consolidated affiliated entities to Beipeng Software and/or a third party designated by it, in whole or in part at any time and from time to time, at the lowest price allowable under PRC laws and regulations at the time of transfer. If the relevant PRC authorities determine that the purchase price for acquiring our consolidated affiliated entities is below the market value, they may require Beipeng Software to pay enterprise income tax for ownership transfer income with reference to the market value. The amount of the tax may be substantial, which could materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

Our business depends on the market recognition of our "Maple Leaf" brand.

We believe that the market awareness and reputation of our "Maple Leaf" brand has contributed significantly to the success and growth of our business. We also believe that maintaining and enhancing the "Maple Leaf" brand is critical to maintaining our competitive advantage. Our ability to maintain our brand reputation depends on a number of factors, some of which are beyond our control. As we continue to grow in size, expand our programs, services and products and extend our geographic reach, it may become difficult to maintain quality and consistency in the services we offer, which may lead to diminishing confidence in our brand name.

Numerous factors can potentially impact the reputation of our "Maple Leaf" brand, including but not limited to student and parent satisfaction with our curriculum, teachers and teaching quality, a decrease in the grades achieved by our students, the number of our graduate students being accepted into overseas universities, accidents on campus, teacher or student scandals, negative press, failure to pass an inspection by an educational authority, loss of certifications and approvals that enable us to award dual diplomas in our high schools and unaffiliated parties using our brand without adhering to our standards of education. If our brand is tarnished, students' and parents' interest in our schools may decrease and our business could be materially and adversely affected.

We have developed our student base primarily by word-of-mouth referrals, employee recruitment efforts and third-party recruiters and have incurred limited brand promotion expenses to date. However, we cannot assure you that our marketing efforts will be successful or sufficient in further promoting our brand or in helping us to remain competitive. If we are unable to further enhance our brand recognition and increase market awareness of our programs and services, or if we are required to incur excessive marketing and promotional expenses in order to remain competitive, our business, financial condition and results of operations may be materially and adversely affected. If we are unable to maintain or sustain our brand reputation and recognition, we may also be unable to maintain or increase student enrollment, which may cause material adverse effects on our business, financial condition and results of operations.

Our business depends on our ability to maintain or raise the tuition levels we charge at our schools.

One of the most significant factors affecting our profitability is the tuition we charge at our schools. For the financial years ended August 31, 2011, 2012 and 2013 and the nine months ended May 31, 2014, tuition fee constituted 88.0%, 88.8%, 86.2% and 93.3% of our total revenue, respectively. Our tuition rates are primarily based on the demand for our educational programs, the cost of our operations, the geographic markets where our schools are located, the tuition charged by our competitors, our pricing strategy to gain market share and general economic conditions in China and the regions in which our schools are located. Our tuition rates are also subject to the approval of the relevant government pricing authorities in the locations in which we operate. See the section headed "Risk Factors — Risks relating to Our Business and Our Industry — Governmental pricing authorities may limit our ability to increase the tuition we charge at our schools" in this **[REDACTED]**. In 2013, our high school tuition was lower than the average tuition fee for international high schools in China, according to the Frost & Sullivan Report. Tuition rates at our preschools, elementary schools and middle schools are also lower than the average tuition charged by international schools in China. In the future, we plan to raise tuition, subject to applicable government approvals, in geographic regions where we have obtained a strong presence and have built sufficient student and parent loyalty. However, there can be no assurance that we will be able to maintain or raise the tuition levels we charge at our schools in the future, and should this occur, our business, financial position and results of operations may be materially and adversely affected.

Parents and students may become less interested or lose interest in the BC high school diploma, the BC Global Education Program or BC education as a whole.

The reputation of the BC high school diploma, the BC Global Education Program and BC education as a whole among parents and students plays an important role in helping us attract and retain students. However, we cannot assure you that the BC high school diploma, the BC Global Education Program or BC education as a whole will retain their reputations among parents and students in the future. In addition, other international high school diplomas may be deemed more reputable or given wider recognition by universities during their admission processes, rendering such diplomas more popular among parents and students in China. If the reputation of the BC high school diploma, the BC Global Education Program or BC education as a whole diminishes or parents and students become more interested in other high school diplomas or programs, we may not be able to attract or retain students, and our business, financial position and results of operations may be materially and adversely affected.

If we fail to obtain or renew PRC or BC certifications or requisite PRC government approvals, we will not be able to continue to offer the corresponding high school diploma under the PRC or BC education systems to our high school graduates.

Our high schools are open to PRC citizens and foreign nationals and offer dual diplomas to students, subject to the relevant high schools having received the requisite PRC and BC certifications and PRC government approvals. For the years ended August 31, 2011, 2012 and 2013 and the nine months ended May 31, 2014, we generated approximately 56.8%, 58.3%, 55.0% and 54.9%, respectively, of our revenue from tuition fees we charged at our high schools. Our ability to offer the PRC high school diploma depends upon our ability to obtain approvals from respective provincial educational authorities for our bilingual and dual-diploma curriculum and our ability to pass annual inspections administered by the local educational authorities. Similarly, our ability to offer the BC high school diploma depends upon our ability to obtain certification from the BCMOE and pass both annual (or biennial) on-site inspections and ad hoc inspections by representatives from the BCMOE and BCMOE's reviews of various provincial exams that our students take periodically. For more information, see the section headed "BC Global Education Program Certification and Inspection Requirements" in this **[REDACTED]**. However, we cannot assure you that these high schools will always be able to pass inspections conducted by the local PRC educational authorities or the BCMOE, or that we will always be able to maintain either PRC certification or BC certification for these high schools. If we fail to maintain either our PRC or BC certification, or if the relevant PRC educational authorities revoke the approvals we have received for our bilingual and dual-diploma curriculum, we will not be able to continue to offer the corresponding PRC or BC high school diplomas to our graduates, and our business and results of operations may be materially and adversely affected.

We may not be able to meet the new requirements the BCMOE has implemented in its recent reforms without incurring unreasonable expenses, or at all.

The BCMOE recently announced reforms of the BC Global Education Program and initiated further reviews of its administration of such program to protect its education brand. The BCMOE issued the Transition Guidelines for Offshore Schools (the "**Transition Guidelines**") in January 2013, which include various new requirements for certification applications and renewal inspections. In addition, on June 27, 2014, the BCMOE issued BC Global Education Program — Offshore Schools Changes to Requirements to further revise certain requirements outlined in the Transition Guidelines. As of the Latest Practicable Date, we had met all the new requirements implemented by the BCMOE either by full compliance or by obtaining exemptions from the BCMOE. However, we cannot assure you that we will be able to continue to meet these new requirements in the future. For more information, see the section headed "BC Global Education Program Certification and Inspection Requirements" in this **[REDACTED]**. The BCMOE is also considering implementing additional requirements for the BC Global Education Program. We cannot assure you that we will be able to meet the new requirements the BCMOE may implement in the future. In addition, our efforts to meet these new requirements may incur significant costs, or divert management attention and other resources. Failure to meet all or any of such requirements efficiently, or at all, could affect our ability to maintain, renew or obtain BC certification, which could adversely affect our high schools and our business operation.

Competition in the education industry sectors that we serve could lead to pricing pressures, reduced operating margins, loss of market share, departure of key employees and increased capital expenditures.

The education sector in China is rapidly evolving, highly fragmented and competitive, and we expect competition in this sector to persist and intensify. In each geographic market in which we operate our schools, we compete with public schools and other private schools that offer grade one to grade 12 programs of their own or in partnership with other curriculum vendors. In particular, we face significant competition from various schools that offer bilingual instruction or high school diplomas to students. We compete with these schools across a range of factors, including program and curriculum offerings, tuition level, school location and premises, competent teachers and other key personnel. Our competitors may adopt similar curriculum delivery, school support and marketing approaches, with different pricing and service packages that may have greater appeal than our offerings. In addition, some of our competitors may have more resources than us and may be able to devote greater resources than we can to the development and promotion of their schools and respond more quickly than we can to changes in student demands, testing materials, admissions standards, market needs or new technology. As such, we may be required to reduce tuition or increase spending in response to competition in order to retain or attract students or pursue new market opportunities. If we are unable to successfully compete for new students, maintain or increase our tuition level, attract and retain competent teachers or other key personnel, enhance the quality of our educational services or control competition costs, our business and results of operations may be materially and adversely affected.

We generate substantially all of our revenue from a limited number of cities in China.

For the years ended August 31, 2011, 2012 and 2013 and the nine months ended May 31, 2014, we generated approximately 97.9%, 95.9%, 92.7% and 87.2%, respectively, of our revenue from our schools in Dalian, Tianjin and Wuhan. Dalian is particularly important to our overall business as it is the home of our largest campus in terms of the number of students and our headquarters and contributed approximately 69.2%, 63.8%, 57.2% and 45.0% of our revenue for the financial years ended August 31, 2011, 2012, 2013 and the nine months ended May 31, 2014, respectively. We expect that our schools in Dalian, Tianjin and Wuhan will continue to generate a significant majority of our revenue for the foreseeable future even as our schools in Chongqing, Zhenjiang, Luoyang, Shanghai and Ordos will generate an increasing portion of our revenue and we expand our operations to other cities in and outside of China. If any of these cities experiences an event negatively affecting its education industry, such as a serious economic downturn, a natural disaster or an outbreak of a contagious disease, or if governmental authorities in any of these cities adopt regulations relating to private education that place additional restrictions or burdens on us, our overall business and results of operations may be materially and adversely affected.

Our business depends on our ability to recruit and retain dedicated and capable teachers and other school personnel.

We rely substantially on our teachers for the provision of educational services to our students. Our teachers are therefore critical to maintaining the quality of our programs and services and upholding our brand and reputation. As of May 31, 2014, we had a team of approximately 1,272 teachers, including approximately 306 BC-certified teachers, approximately 834 PRC-certified teachers and approximately 56 ESL teachers.

We must continue to attract qualified teachers who have strong command of their respective subject areas and meet our high standards. We seek to hire teachers who are capable of delivering innovative and inspirational classroom instruction. There are a limited number of teachers with the necessary experience and language proficiency to teach our courses, and there are challenges involved in recruiting qualified BC-certified teachers to live and teach in China. Many BC-certified teachers do not have strong ties to China and may not intend to stay in China, or areas in China where our schools are located, for an extended period of time. BC-certified teachers may be reluctant to live and work in China for various reasons, such as actual or perceived threats of terrorist attacks or communicable diseases, or a perception that China lacks modern infrastructure, western amenities or adequate healthcare. Furthermore, the deteriorating air quality in China may become an increasingly important reason for our BC-certified teachers to leave us after their contracts expire. Similarly, the pool of qualified school personnel such as administrators, principals and counselors, all of whom are crucial to the efficient and smooth running of the schools we operate, is relatively limited in China. There is no guarantee that we can recruit and retain such personnel in the future. As a result, we must provide competitive compensation and benefits packages to attract and retain qualified teachers and other school personnel. In addition, criteria such as commitment and dedication are difficult to ascertain during the recruitment process, particularly as we continue to expand and add teachers and other school personnel rapidly in order to meet rising student enrollment. We must also provide ongoing training to our teachers so that they can stay abreast of changes in student demands, admissions and assessment test requirements, admissions standards and other key trends necessary to effectively teach their respective courses.

We may not be able to hire and retain enough qualified teachers and other school personnel to keep pace with our anticipated growth while maintaining consistent teaching quality and the overall quality of our education program across many different schools in different geographic locations. We may also have difficulty helping our foreign teachers or other personnel obtain visa or other approval required to enter and work in China. Shortages of qualified teachers or other school personnel or decreases in the quality of our instruction or overall education program in one or more of our markets, whether actual or perceived, may have a material and adverse effect on our business and operating results.

Failure to adequately and promptly respond to changes in overseas college admissions standards, testing materials and technology could lower our students' admission rates to overseas colleges and universities and would cause our programs, services and products to be less attractive to students.

Our students are subject to college level admissions and assessment tests administered by educational authorities in Canada, United States, China and elsewhere in the world, depending on where our students choose to apply for higher education. These admissions and assessment tests undergo continuous changes in terms of focus areas, format and the manner in which such tests are administered. For example, it was announced on March 5, 2014 that the SAT will no longer involve a timed essay, will focus less on complex vocabulary and will return to the previous 1600-point scoring scale, all starting from early 2016. In addition, some admissions and assessment tests to which our students are subject are commonly offered in a computer-based testing format. These changes require us to continually update and enhance any test preparation courses we offer our students and to continually train our students to think or take standardized tests in a certain way so as to maximize their performance on these admissions tests. If we fail to adequately prepare our students for such tests in our everyday classroom teachings and any test preparation courses we offer, our students' admissions rates to overseas colleges and universities may decrease and, as a result, our programs and services may become less attractive to students, which may materially and adversely affect our reputation and results of operations.

If our students are unable to attend universities outside of China due to political, regulatory, or economic conditions, enrollment in our schools could decrease.

One of the key reasons students attend our schools is that our schools enable them to become more competitive candidates when applying to colleges and universities outside of China. We believe our dual-diploma program gives our students an advantage in being accepted to universities outside of China when compared with students who do not hold dual-diplomas, and prepares them for continuing their studies abroad. However, our graduates may not be able to attend universities outside of China due to factors beyond our control. For example, students seeking to attend universities outside China may be required to obtain visas to study in the country that they choose to study in. Visas to enter certain countries such as Canada or the United States may be relatively difficult to obtain due to the visa application policies in these countries and the changing political relationships between those countries and China. We cannot assure you that our high school graduates will be able to successfully obtain the necessary visas to study abroad. In particular, Canada has recently changed its immigration laws, and there is no assurance that such changes will not affect parents' desire to invest in an education potentially leading to study in Canada. Furthermore, other factors such as unfavorable changes in college admission policies or standards, the possible imposition of limits by the PRC government on the number of PRC students allowed to study overseas or changes in the immigration laws or policies of the countries where the universities to which our students apply are located, may also limit our graduates' ability to attend universities outside China. Should this occur, students' and parents' interest in attending our schools may be reduced, and our business and results of operations may be materially and adversely affected.

If we are unable to manage our growth effectively, we may not be able to capitalize on new business opportunities.

We have experienced steady growth and expansion that has placed, and continues to place, significant pressure on our management and resources. In particular, we have expanded our operations from six schools all located in Dalian in 2006 to 40 schools located in nine cities throughout China as of the Latest Practicable Date. We plan to continue to expand our operations in different geographic locations in China and abroad. This expansion has resulted, and will continue to result, in substantial increased demands on our management and teaching staff, as well as our operational and technological resources. Our planned expansion will also place significant demands on us to maintain the consistency of our teaching quality and our culture to ensure that our brand does not suffer as a result of any actual or perceived decline in our teaching or overall educational quality.

To manage and support our growth, we must improve our existing operational, administrative and technological systems and our financial and management controls, and recruit, train and retain additional qualified teachers and management personnel as well as other administrative, sales and marketing personnel, particularly as we expand into new markets. All of these endeavors require substantial management time and skills as well as significant additional expenditures. If we cannot adequately update and strengthen our operational, administrative and technological systems and our financial and management controls to support our future operations, we may not be able to effectively and efficiently manage the growth of our operations, recruit and retain qualified personnel and integrate entities we establish or acquire into our operations. Any failure to effectively and efficiently manage our expansion may materially and adversely affect our ability to capitalize on new business opportunities, which in turn may have a material adverse effect on our business and financial results. Moreover, even if we do expand the enrollment in our existing schools as planned, we may be unable to attract and retain a sufficient portion of these students in the future to support our enlarged scale of operations, which could adversely affect our business and results of operations.

We may not be able to successfully execute our growth strategies.

Our growth strategies include both further penetrating our existing markets and establishing schools in new cities. We may not succeed in executing our growth strategies due to a number of factors, including, without limitation, the following:

- we may fail to identify new cities with sufficient growth potential in which to establish new schools;
- we may fail to acquire or lease suitable land sites in new cities to which we plan to expand our operations;
- it may be difficult to increase our enrollment in cities where we already have established schools;
- we may lose local government support or fail to partner with local governments in cities where we already have established schools and in cities to which we plan to expand our operation;

- we may fail to effectively market our schools or brand in new markets or promote ourselves in existing markets;
- we may not be able to replicate our successful growth model in Dalian, Wuhan and Tianjin in other geographic markets;
- we may not be able to effectively integrate any future acquisitions into our education system;
- we may fail to obtain the requisite licenses and permits from local authorities necessary to open schools at our desired locations;
- we may fail to obtain BC certifications for our new high schools;
- we may not be able to continue to enhance our textbooks and teaching materials or adapt our course material to changing student needs and teaching methods; and
- we may fail to achieve the benefits we expect from our expansion.

If we fail to successfully execute our growth strategies, we may not be able to maintain our growth rate and, as a result, our business and prospects may be materially and adversely affected.

We may not be able to obtain all necessary approvals, licenses and permits and to make all necessary registrations and filings for our education and other services in China.

We are required to obtain and maintain various approvals, licenses and permits and fulfill registration and filing requirements in order to conduct and operate our education and other services. For instance, to establish and operate a school, we are required to obtain approvals from competent educational authorities, a private school operation permit from the local education bureau and to register with the local civil affairs bureau to obtain a certificate of registration for a privately run non-enterprise unit, or legal entity. As of the Latest Practicable Date, we had not been able to obtain the requisite licenses and permits for Wuhan Foreign School, because we were unable to apply for such licenses and permits before receiving requisite approvals for our acquisition of Wuhan Foreign School. We obtained final approval from the Education Department of Hubei Province for our application of the acquisition of Wuhan Foreign School on August 8, 2014. We plan to apply to the relevant local government authorities for the requisite licenses and permits for Wuhan Foreign School after the relevant local government authorities inform us of the documents that should be filed with the relevant applications, the timing of which is beyond our control. In addition, as of the Latest Practicable Date, we had not been able to register with the relevant tax authorities for tax payments for this school. As a result, as of May 31, 2014, we were unable to pay enterprise income tax for our Wuhan Foreign School and we had made a full tax provision of RMB1.3 million. Under relevant PRC laws and regulations, relevant PRC tax authorities may order us to pay the outstanding amount and/or a penalty ranging between 50% to five times of the outstanding amount. Furthermore, we have not been able to update the Fee Charge Permit of our Luoyang schools to include our Luoyang high school, which opened in September 2013. In July 2013, we submitted an application to update the Fee Charge Permit of our Luoyang schools to include approval for charging high school tuition fees. However, due to delays of the local pricing authority in Luoyang, we have not been able to update the Fee Charge Permit for our Luoyang high school. We submitted a new application to update the Fee Charge Permit in July 2014 but have not heard back from the local pricing authority in Luoyang. We expect to obtain the updated permit by the end of 2014. We are also in the process of obtaining the Fee Charge Permit for our middle and elementary schools on our Tianjin Huayuan campus and the Private Non-enterprise Registration Certificate and Fee Charge Permit for our preschool in Pingdingshan. All of these three schools opened in September 2014.

In addition, we organize summer and winter camps for our students and generate revenue from the fees we collect. According to the Guidelines for Overseas Study Tour participated by the Primary and Middle School Students (Trial) (the "Guidelines"), primary and middle schools and their staff shall not gain any economic benefit from organizing their own students to attend overseas study tours. As a result, our current practice of generating revenue from the fees collected by our schools may be viewed as in violation of the Guidelines. Our PRC Legal Counsel has advised us that, the Guidelines was promulgated recently on July 14, 2014 and does not impose any penalty for such violation. So far, we have not received any notice from relevant authorities or any claim from the participating students regarding the violation in this regard, but in the future, the governmental authorities may order us to stop generating revenue from the summer and winter camps which our schools organize and for which our schools charge fees, in which case it may be necessary for us, according to relevant laws and regulations, to use subsidiaries other than our schools to organize and charge fees for our summer and winter camps.

While we intend to obtain, using our best efforts, all requisite permits and complete the necessary filings, renewals and registrations on a timely basis for our schools, there is no assurance that our efforts will result in full compliance given the significant amount of discretion the local PRC authorities may have in interpreting, implementing and enforcing relevant rules and regulations, as well as other factors beyond our control and anticipation. Although we have not been subject to any material fines or other penalties in relation to any non-compliance with licensing requirements in the past, if we fail to cure any non-compliance in a timely manner or obtain or renew any permits and certificates, we may be subject to fines, confiscation of the gains derived from our noncompliant operations, the suspension of our noncompliant operations or the compensation of any economic loss suffered by our students or other relevant parties, which may materially and adversely affect our business and results of operations.

We are subject to extensive governmental approvals and compliance requirements for constructing and developing campuses and school premises.

For campuses and school premises constructed and developed for our schools, we must obtain various permits, certificates and other approvals from the relevant administrative authorities at various stages of property development, including, for example, planning permits, construction permits, land use rights certificates, certificates for passing environmental assessments, certificates for passing fire control assessments and certificates for passing construction completion inspections. We have been, and may in the future, encounter problems in fulfilling the conditions precedent to the receipt of those permits, certificates and approvals, and we may not always be able to obtain them in a timely manner, or at all. As of the Latest Practicable Date,

- we did not have appropriate records to demonstrate that we had passed fire control assessments for certain schools premises we constructed many years ago and most of the premises we lease;
- we had not passed environmental assessments for certain school premises we had already put into use, and we may be subject to a fine no more than RMB50,000 and/or temporary suspension of the usage of the affected premises before the non-compliance is rectified;
- we had not passed fire control assessments for certain school premises we had already put into use, and we may be subject to a fine ranging between RMB30,000 to RMB300,000 and/or temporary suspension of the usage of the affected premises before the non-compliance is rectified; and
- we had not passed construction completion inspections for certain school premises that we had already put into use, and we may be subject to a fine ranging between 2% to 4% of the total price of the construction contract of the affected premises and/or temporary suspension of the usage of the affected premises before the non-compliance is rectified.

For more information, see the section headed "Business — Properties" in this **[REDACTED]**. If we are not able to rectify the above incidents in a timely manner, or fail to obtain requisite permits, certificates or approvals for campuses and school premises we will develop and construct in the future, we may become subject to administrative fines and other penalties, which could disrupt our business and cause us to incur additional expenses.

We have leased a building, which is restricted for educational purposes, to third parties for non-educational usage.

We own a building in Dalian which was constructed on a land site that is restricted and may only be used for educational purposes. However, due to lack of knowledge of relevant laws and regulations at the time, we have leased this building to 11 tenants for non-educational usage. One of these leases will expire on September 30, 2015, two of them will expire on May 31, 2016, and the remaining eight will expire on June 12, 2016. Our PRC Legal Counsel is of the view that, under applicable PRC laws and regulations, we may be ordered by the relevant government authorities to stop such practice. We had notified the relevant competent government authority of this incident and conducted an interview with such authority on May 22, 2014. During the interview, we obtained confirmation that we would not be ordered to rectify the situation or be subject to penalties. However, we cannot assure you that this government authority or any other relevant government authority will not order us to rectify the situation or impose penalties on us in the future. If we are required to rectify the situation, we may be forced to terminate the lease contracts and breach our obligations to the tenants, which could cause us to incur expenses and adversely affect our financial condition.

Governmental pricing authorities may limit our ability to increase the tuition we charge at our schools.

Under the Interim Measures for the Management of the Collection of Private Education Fees, promulgated by the PRC government authorities on March 2, 2005, the types and amounts of fees charged by a private school providing educational qualifications must be approved by the relevant governmental pricing authority. In our elementary, middle and high schools, adjustments to fees charged for tuition and boarding must be approved by the relevant governmental pricing authority; adjustments to fees charged at our preschools do not require governmental approvals but must be filed with the relevant local pricing bureaus in China. None of our schools has ever adjusted its fees without proper pricing authority approval, and we do not intend to adjust fees without making requisite filings and obtaining proper approvals in the future. All of our applications to raise tuition in prior years were approved by the relevant governmental pricing authorities. However, there can be no assurance that the relevant governmental pricing authorities will approve any future applications to raise our tuition in a timely manner or at all. If the governmental pricing authorities were to refuse to approve our applications, or otherwise limit our ability to increase tuition at our schools in a timely manner, our business, financial condition and results of operation may be materially and adversely affected.

We may not be able to effectively carry out our overseas expansion plans.

We are considering to expand our operations outside of China to supplement our existing school network and negotiated with the local government in South Korea to explore a school expansion opportunity in Suncheon City. As of May 31, 2014, we had invested of approximately US$1.3 million in connection with our expansion efforts in Suncheon City. We do not have previous experience in the education industries of the foreign countries in which we plan to establish our overseas schools, and we may encounter unforeseeable barriers and challenges upon entering into those foreign markets, which may result in a delay to or failure of our expansion plans. In addition, we may need to invest heavily in developing our overseas schools and may not be able to manage our costs or generate sufficient revenue to justify the investment we make. If our expansion into any foreign country is unsuccessful, our business operation and financial condition could be materially and adversely affected.

We were subject of an investigation in Dalian due to allegations of producing water on campus without the proper water production license, which may result in penalties for Dalian Maple Leaf High School.

Prior to October 2012, Dalian Maple Leaf High School drilled and produced water from a well on campus for internal use only. In September 2012, the China food safety website (中國食品安全網) published an article alleging that we produced our own bottled water in Dalian without a relevant water production license, and subsequently, the Quality & Technology Supervision Bureau of Jinzhou New District of Dalian (the "Supervision Bureau") commenced an investigation and issued a notice of administrative penalty to Dalian Maple Leaf High

School in relation to its drilling and production of drinking water on campus. At the time, however, the school had a food hygiene license for the water production facilities and a permit from the relevant government authority to use the well water, and we believe that the school did not commit the alleged non-compliance. In response to the notice of administrative penalty, we applied for and attended a hearing with the Supervision Bureau to appeal. After the hearing, the Supervision Bureau verbally informed Dalian Maple Leaf High School that no decision of administrative penalty would be issued toward the school and no further action will be taken by the Supervision Bureau. Dalian Maple Leaf High School ceased the drilling and production activities of drinking water in October 2012. A search of the available public records for the period subsequent to the aforesaid hearing did not locate any outstanding, unpaid decision of administrative penalty against us or Dalian Maple Leaf High School in relation to the above matter. Because the Supervision Bureau did not announce or provide any written confirmation of any decision of administrative penalty to the school after the hearing and the statute of limitations of administrative law violations is two years under the Administrative Penalties Law of the PRC, our PRC Legal Counsel, Tian Yuan Law Firm, has advised us that the likelihood of the school being penalized by the Supervision Bureau for its drilling and production activities of drinking water prior to October 2012 is remote. However, in the absence of written records regarding the closing of the case, there still remains a possibility that the Supervision Bureau may decide to issue penalties to Dalian Maple Leaf High School as a result of the alleged non-compliance.

Accidents or injuries suffered by our students, our employees or other people at our schools may adversely affect our reputation and subject us to liability.

There are inherent risks of accidents or injuries in schools. We could be held liable in the event of personal injuries, fires or other accidents suffered by students, employees or other people that occur at our schools. Although we designate certain staff members in each of our campuses to be in charge of student health and security, in the event of personal injuries, food poisoning, fires or other accidents suffered by students or other people, we could face claims alleging that we were negligent, that we provided inadequate supervision or that we were otherwise liable for the injuries. In 2009, a student collapsed while walking on campus in our Dalian elementary school. According to the medical report issued by the hospital that treated her, the student died due to injuries caused by the fall and underlying medical conditions. A court ruled that although we took the proper emergency measures to handle the student's case, we were still negligent because, as a boarding school, we were required to take a higher level of care as compared with other schools. We were ordered to pay damages in the amount of RMB436,062 to the student's family. We cannot assure you that there will not be similar incidents in the future. A successful liability claim against us due to injuries suffered by our students or other people on our campuses could adversely affect our reputation and subject us to liability, thereby impacting our financial results. Even if unsuccessful, such a claim could cause unfavorable publicity that adversely affects our reputation, require substantial cost to defend and divert the time and attention of our management.

We develop certain of our schools in accordance with cooperation agreements with third parties, under which the third parties grant us the right to use the campus sites and the school premises.

As of the Latest Practicable Date, we had entered into six cooperation agreements with local governments and one cooperation agreement with a real estate developer to develop schools in Ordos, Luoyang, Tianjin (Huayuan campus), Pinghu, Yiwu, Xi'an and Pingdingshan. Under the respective cooperation agreements, these local governments and the real estate developer typically have agreed to construct the school premises and grant us the right to use the campus sites and the school premises. The cooperation agreements generally have a term ranging between 30 to 50 years. Our schools in Luoyang and Ordos are currently in operation, and our schools in Tianjin (Huayuan campus) and Pingdingshan recently commenced operations in September 2014. For more information on those campus sites, see the sections headed "Business — Our Schools — Maple Leaf Schools and Campuses under Development" and "Business — Properties" in this **[REDACTED]**. Notwithstanding the obligations of these local governments and the real estate developer under these contracts, if any of them refuses to continue to grant us the right to use such campus site or school premises, or both, whether due to our failure to fulfill obligations under the agreements or otherwise, we may be forced to relocate or cease operating the affected schools and incur additional expenses for bringing claims against such local government or real estate developer, and we may not be able to successfully recover our damages through litigation or other applicable dispute resolution proceedings, which may materially and adversely affect our business, financial condition and results of operations.

Our legal right to lease certain properties could be challenged by property owners or other third parties.

We lease 11 premises for the operation of our preschools in Dalian and the Dalian Foreign School. Out of the leased properties, we have confirmed that the lessors of four properties hold good title and the right to lease those properties, but we are unable to determine the status for the remaining seven properties with complete certainty. Due to the limits the Chinese government places on searching for relevant land use records, we are unable to locate more specific title information based on our independent investigations. As a result, there is a risk that the owners from whom we lease those seven properties may not have the valid land use rights certificates or building ownership certificates for the premises they lease to us, or otherwise may not have the right to lease such business premises to us. For further details, see the section headed "Business — Properties" in this **[REDACTED]**. As of the Latest Practicable Date, we were not aware of any actions, claims or investigations being contemplated by any third party with respect to possible defects in our leased real properties. If any of our leases were terminated as a result of challenges by third parties to the lessors' rights, we may be forced to relocate the affected schools and incur additional expenses, which may result in disruptions to our educational services at those schools, lower school enrollments and adversely affect our business, financial condition or results of operations.

In addition, we have not registered certain of our lease agreements with relevant government authorities. Under relevant PRC laws and regulations, an executed lease must be registered and filed with the relevant government authority. According to our PRC Legal Counsel, although lack of registration will not affect the validity and enforceability of lease agreements, a fine ranging from RMB1,000 to RMB10,000 may be imposed on the parties to a lease for failing to register the lease.

Our historical financial and operating results may not be indicative of our future performance and our financial and operating results may be difficult to forecast.

Our financial and operating results may not meet the expectations of public market analysts or investors, which could cause the price of our Shares to decline. Our revenue, expenses and operating results may vary from year to year in response to a variety of factors beyond our control, including, among others:

- our ability to increase student enrollment in our schools and raise tuitions fees;
- general economic conditions and regulations or government actions pertaining to the provision of private educational services in China;
- shifts in consumer attitude toward private and international education in China;
- our ability to control cost of revenue, in particular staff costs relating to teacher salaries and allowances, and other costs; and
- non-recurring charges incurred in connection with acquisitions or other extraordinary transactions or unexpected circumstances.

Due to these factors, we believe that year-to-year comparisons of our operating results may not be indicative of our future performance and you should not rely on them to predict the future performance of our Shares. See the section headed "Financial Information" in this **[REDACTED]**.

Negative publicity concerning our schools or our administration of the BC program may adversely affect our reputation, business and growth prospect and our ability to recruit qualified teachers from overseas.

Any negative publicity concerning our schools and our administration of the BC program, even if untrue, could adversely affect our reputation and business prospects. For example, *Vancouver Sun* published an article in November 2012, which cited complaints by former teachers of our Tianjin high school about grade inflation, contract violations and superficial inspections. We believe we have demonstrated that such complaints are untrue by successfully passing the BCMOE inspections for all of our high schools each year. However, we cannot assure you that such complaints or future negative publicities about us would not damage our brand image and have a material adverse effect on our business, results of operations and financial condition. In addition, negative publicities about us may cause foreign teachers to be less interested in us, which could adversely affect our ability to recruit qualified teachers from overseas.

Our success depends on the continuing efforts of our executive Directors and senior management team and other key personnel and our business may be harmed if we lose their services.

Our future success depends heavily upon the continuing services of our executive Directors and senior management team and in particular, our Founder, Mr. Sherman Jen, who has been our leader since our inception. If one or more of our executive Directors, senior management or other key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our financial condition and results of operations may be materially and adversely affected. Competition for experienced executive Directors or management personnel in the private education sector is intense, the pool of qualified candidates is very limited, and we may not be able to retain the services of our executive Directors or senior management or key personnel, or attract and retain high-quality executive Directors or senior executives or key personnel in the future. In addition, if any member of our executive Directors or senior management team or any of our other key personnel joins a competitor or forms a competing company, we may lose teachers, students, key professionals and staff members.

Each of our executive officers and key employees has entered into a confidentiality and non-competition agreement with us as part of their respective employment agreement with us. These confidentiality and non-compete agreements are governed by PRC laws and any disputes would be resolved in accordance with PRC legal procedures. The legal environment in the PRC is not as developed as in other jurisdictions such as Hong Kong, and uncertainties in the PRC legal system could limit our ability to enforce these agreements. For example, prior court decisions may be cited for reference but have limited precedential value in the PRC, and the PRC arbitration tribunals and courts have significant discretion in interpreting, implementing or enforcing relevant PRC laws. It is thus difficult to predict the outcome of any arbitration awards or court proceedings or gauge the level of legal protection that such awards or proceedings may provide. Accordingly, if any disputes arise between any of our senior executives or key personnel and us, it may be difficult to enforce these agreements against these individuals. In addition, members of our senior management team may attract media coverage and publicity from time to time. To the extent such media coverage or publicity is negative in nature, whether or not the negative implications they contain are substantiated, our reputation may suffer.

We have granted, and may continue to grant, employee share options and other share-based compensation, which may materially impact our future results of operations.

We adopted the Pre-**[REDACTED]** Share Option Scheme in 2008, under which we may issue options to purchase up to a total of 3,000,000 Shares to our Directors, senior management and employees for their contribution to our Group and to attract and retain key personnel. As of the Latest Practicable Date, 2,515,000 share options to subscribe for an aggregate of 26,927,387 Shares had been granted and were outstanding under the Pre-**[REDACTED]** Share Option Scheme, as adjusted pursuant to the Capitalization Issue. The fair value of the services received in exchange for the grant of these share options was recognized as share-based compensation expenses, which had an adverse effect on our profits during the Track Record Period. In addition, exercise of the share options we have granted or plan to grant will increase the number of our Shares in circulation. Any actual or perceived sales of the additional Shares acquired upon the exercise of the share options we have granted or plan to grant may adversely affect the market price of our Shares.

Failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties.

Companies operating in China are required to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their businesses. During the Track Record Period, we did not make social insurance payments for our foreign employees. In addition, we only made partial social insurance payments and housing provident fund contributions for our PRC employees as required under the relevant PRC laws and regulations. So far, we have not received any notice from the local authorities or any claim from our current and former employees regarding our non-compliance in this regard. We estimate that the amount of social insurance payments and housing provident fund contributions that we did not make during the Track Record Period was approximately RMB79.1 million, of which approximately RMB28.7 million related to social insurance payments for PRC employees, approximately RMB11.8 million related to housing provident fund contributions for PRC employees, and approximately RMB38.6 million related to social insurance payments for foreign employees. See the section headed "Business — Legal Proceedings and Compliance" in this **[REDACTED]**. Our PRC Legal Counsel has advised us that, based on the interviews we conducted with and the written confirmations issued by the competent local human resources and social security bureaus and housing provident fund management centers in cities covering a significant majority of the amount we did not pay, the risk of us being penalized for making partial social insurance payments and housing provident fund contributions is relatively low. However, we cannot assure you that the relevant local government authorities will not require us to pay the outstanding amount within a specified time limit and impose late fees or fines on us, which may materially and adversely affect our financial conditions and results of operations.

We have limited insurance coverage.

We carry property insurance for the schools that we own legal titles to, maintain school liability insurance for our schools and have procured student safety insurance coverage on behalf of students at our schools. However, our insurance coverage is still limited in terms of amount, benefit and scope. Furthermore, we do not carry any property insurance for the schools the properties of which are owned by third parties and are not required to do so under applicable PRC laws and regulations. The insurance industry in China is still in an early stage of development, and our existing insurance may not be sufficient to cover us for all accidents and potential liabilities. For example, one of our students died while walking on campus in our elementary school in Dalian in 2009. We paid damages to the student's family because the accident fell outside the scope of our insurance coverage. If we were held liable for amounts and claims exceeding the limits of our insurance coverage or outside the scope of our insurance coverage, or suffered losses and liabilities due to incidents such as fires, explosions or other accidents at the schools for which we do not currently maintain insurance that we were unable to seek redress from the third party owners of those properties for, our business, results of operations and financial condition may be materially and adversely affected. In addition, we do not have any business disruption insurance coverage for our operations to cover losses that may be caused by natural disasters or catastrophic events, such as epidemics or earthquakes, so that any business disruption or natural disaster could result in substantial costs and a diversion of resources, which would have a material adverse effect on our business and results of operations.

We may not be able to control the quality, maintenance and management of certain school premises.

We partner with third parties to develop certain of our schools, and we may not be able to adequately control the compliance, quality, maintenance and management of such schools' premises as they are constructed by the third parties and provided to us for use. As of the Latest Practicable Date, we had entered into cooperation agreements with six local governments and one real estate developer, under which they had agreed to construct the school premises. Accordingly, we may not be able to guarantee the quality of those premises or that the premises are well-maintained or well-managed or will obtain or maintain the requisite certificates, approvals and permits, including with respect to our BCMOE certification for those schools. If the quality, maintenance or management fails to meet our expectations, our ability to operate those schools and our reputation as a provider of quality educational services may be materially and adversely affected.

We have pledged certain land use rights and buildings, which are restricted for educational purposes, to secure bank loans.

We pledged some of our properties as collateral to secure certain bank loans. As of the Latest Practicable Date, we had pledged land use rights to an aggregate site area of 225,549.05 square meters and buildings with an aggregate gross floor area of 68,679.35 square meters that were being used by our Wuhan campus as security for our bank loans in the amount of approximately RMB88.5 million. Those loan agreements are: (i) a loan agreement with the Donghu New Technology Development District Branch of Hankou Bank under which we pledged land use rights to an aggregate site area of 31,255.7 square meters and buildings with an aggregate gross floor area of 26,086.94 square meters as security for loans amounting to RMB30.0 million and (ii) a loan agreement with the Donghu New Technology Development District Branch of Hankou Bank under which we pledged land use rights to an aggregate site area of 194,293.35 square meters and buildings with an aggregate gross floor area of 42,592.41 square meters as security for a loan of RMB58.5 million. Those two bank loans will be due on January 28, 2015 and April 24, 2015, respectively.

According to the PRC Security Law and the PRC Property Law, mortgages, pledges or other encumbrances should not be created on properties which are used for public welfare facilities. The land use rights and buildings that we pledged may be considered "public welfare facilities" according to the Law for Promoting Private Education (2003), which provides that private education is considered in the nature of "public welfare" in the PRC. Nonetheless all of the pledged facilities and land use rights were duly registered at the relevant local land and housing administrative authorities according to the relevant PRC laws, and all of the banks with which we entered into the loan agreements and relevant guarantee agreements were fully aware of the nature of our properties being pledged and accepted the facilities and land use rights as qualified pledges for the loans by holding the pledged facilities registration certificates. Although the banks have not challenged the legality of the pledges underlying the loans and we are not aware of any actions or claims being contemplated by the relevant banks with respect to the validity and enforceability of the loan agreements and the pledges of our real properties, we cannot preclude the possibility that a government authority, including PRC court or administrative authority, may consider the pledge created on the subject facilities and land use rights being used by our schools to be in violation of PRC laws if we and the relevant banks have disputes with regards to the relevant loans under applicable loan agreements or if the validity of those pledges were otherwise challenged. In such a case it is likely that such pledges would not be enforceable and we may be requested by the banks to provide other guarantees or prepay the loans immediately, which may cause the business operations of the relevant schools and our financial conditions to be materially and adversely affected.

We had net current liabilities as of August 31, 2011, 2012 and 2013 and May 31 and September 30, 2014, and require a high level of working capital to sustain our operations, expansion and overall growth.

As of August 31, 2011, 2012 and 2013 and May 31 and September 30, 2014, we had net current liabilities of approximately RMB752.2 million, RMB704.6 million, RMB837.6 million, RMB866.9 million and RMB389.9 million, respectively. In addition, we recorded negative operating cash flow of approximately RMB82.0 million in the nine months ended May 31, 2014. For additional information on our liquidity position, see the sections headed “Financial Information — Net Current Assets and Liabilities” and “Financial Information — Liquidity and Capital Resources” in this **[REDACTED]**. Historically, we financed our working capital through cash generated from our operations and short-term and long-term bank loans. As at August 31, 2011, 2012 and 2013 and May 31 and September 30, 2014, our outstanding bank loans amounted to RMB233.5 million, RMB170.0 million, RMB275.0 million, RMB224.0 million and RMB153.5 million, respectively, all of which were short-term bank borrowings, except in 2013, where RMB60.0 million were long-term bank borrowings. For additional information on our liquidity position, see the section headed Financial Information — Liquidity and Capital Resources” in this **[REDACTED]**.

We cannot assure you that we will be able to obtain adequate financing to meet our future working capital requirements and we may have net current liabilities in the future. The inability to generate positive operating cash flow or obtain additional short-term bank loans, loans or other additional financing on a timely basis, on acceptable terms or at all would materially and adversely affect our ability to satisfy our working capital requirements. In addition, we cannot assure you that we will be able to obtain additional working capital to execute our growth strategies, or that future expansion of our school network will not materially and adversely impact the current or future level of working capital. Furthermore, as we provide refund to students who withdraw from our schools, if a large number of students withdraw from our schools, our financial position may be adversely impacted.

In addition, our financial statements included in this **[REDACTED]** have been prepared on a going concern basis, which takes into account our financial resources, including our unutilized banking facilities, the binding agreements signed with banks from February 2014 to May 2014 to renew or refinance the banking facilities upon maturity, and the supplement agreement signed in June 2014 by the Company and holders of the Preferred Shares that the Preferred Shares would not be redeemed until December 31, 2015. If there is an adverse change to our profits, cash flow or ability to obtain additional financing, our financial statements may need to be prepared on an alternative authoritative basis and adjustments relating to the recoverability and classification of recorded asset amounts or the classification of liabilities may need to be made.

We are disposing of a training institute.

We are disposing of a training institute in Dalian to an independent third party. For more details about this transfer, see the section headed “History and Corporate Structure — Major Acquisitions, Disposals and Mergers — Disposition of Dalian Maple Leaf Institute of Technology” in this **[REDACTED]**. We have registered the third-party transferee as a co-sponsor of the institute. Although the third-party transferee has agreed to assume all of the liabilities in connection with the operations of the institute, as a co-sponsor, we may still be liable for the negligence of the third-party transferee, if any, in the operation of the institute until the transfer is complete. In addition, we are still in the process of transferring the certain land use rights and premises to the third-party transferee to serve as the current campus of this training institute. Due to restrictions under relevant PRC laws and regulations, in order to make the transfer, we are required to obtain reissued building ownership certificates for such campus site. We are in the process of applying for reissued building ownership certificates and expect to complete the requisite procedures by the end of 2014. However, we cannot assure you that the relevant local government authorities will approve our application. If we fail to obtain reissued building ownership certificates for this campus site on a timely basis, or at all, we will not be able to complete the transaction, which may have an adverse impact on our business.

We face risks related to health epidemics and other outbreaks, which could result in reduced attendance or temporary closure of our schools.

Schools, by their nature, are common places where diseases can easily be passed from person to person. Past occurrences of epidemics or pandemics, depending on their scale, have caused different degrees of damage to the national and local economies of China. A recurrence of SARS or an outbreak of any other epidemics or pandemics in China, such as the H1N1 influenza or other subtypes of avian flu, including H5N1 and most recently H7N9, especially in the areas where we have schools, may result in quarantines, temporary closures of our offices and schools, travel restrictions or the sickness or death of our students and key personnel. The perception that an outbreak of contagious disease may occur again may also have an adverse effect on our future recruiting efforts and the economic conditions of countries in Asia. In particular, as all of our elementary, middle and high schools require students to live in the dormitories and many of our campuses provide on-campus accommodations to our teacher and staff, the boarding environment makes our students, teachers and staff exceptionally vulnerable to epidemics or pandemics, which may make it more difficult for us to take preventive measures if an epidemic or pandemic were to occur. We have not adopted any written preventive measures or contingency plans to combat any future outbreak of H1N1 influenza, other subtypes of avian influenza, SARS or any other epidemic or pandemic. Any of the above may cause material disruptions to our operations, such as temporary closure of our schools, which in turn may materially and adversely affect our financial condition and results of operations.

We may lose our competitive advantage and our reputation, brand and operations may suffer if we fail to protect our intellectual property rights or prevent the loss or misappropriation of our intellectual property rights.

We consider our trademarks and trade name invaluable to our ability to continue to develop and enhance our brand recognition. We have spent nearly two decades building our "Maple Leaf" brand by emphasizing quality and consistency and by building trust among students, parents, teachers, universities and the government educational authorities with which we interact. Unauthorized use of our trademarks, trade name and trade secrets by unrelated third parties may damage our reputation and brand. From time to time, our trademarks and trade name have been used by third parties for or as part of other branded programs, services and products unrelated to us. We have sent cease and desist letters to such third parties in the past and will continue to do so in the future. Cease and desist letters are recognized under PRC law as notification to offenders of intellectual property rights and are often effective initial legal mechanisms against intellectual property infringements. In such cases, if the infringers do not cease the act of infringing after receiving our cease and desist letter, we may have to bring lawsuits in Chinese courts to prevent trademark and trade name infringement, which is difficult, costly and time-consuming. In addition, as one of our business strategies, we plan to spend significant time and expense developing the content of certain of our own educational materials, such as books and software, to enrich our offerings and meet students' needs. The measures we take to protect our trademarks, copyrights and other intellectual property rights, which presently are based upon a combination of trademark, copyright and trade secret laws, may not be adequate to prevent unauthorized use by third parties. Furthermore, the application of laws governing intellectual property rights in China is uncertain and evolving, and, as such, enforcement of intellectual property rights in China is particularly difficult. If we are unable to adequately protect our trademarks, copyrights and other intellectual property rights, we may lose these rights, our brand name may be harmed, and our business may suffer materially.

Unauthorized disclosure or manipulation of student, teacher and other sensitive data, whether through breach of our network security or otherwise, could expose us to costly litigation or could adversely impact the reputation of our schools.

Maintaining our network security and internal controls over access rights is of critical importance because proprietary and confidential student and teacher information, such as names, addresses, and other personal information, is primarily stored in our computer database located in our headquarters. If our security measures are breached as a result of actions by third-parties, employee error, malfeasance or otherwise, third parties may receive or be able to access student records, which could subject us to liabilities, interrupt our business and adversely impact our reputation. Additionally, we run the risk that our employees or third parties could misappropriate or illegally disclose confidential educational information in our possession. As a result, we may be required to expend significant resources to provide additional protection from the threat of these security breaches or to alleviate problems caused by these breaches.

We may encounter disputes from time to time relating to the intellectual property of third parties.

As a part of their employment agreements with us and our code of business conduct and ethics as well as student honors code, we expressly prohibit our teachers, other employees and students from engaging in any copyright, trademark, trade name or other intellectual property infringing activities. However, our teachers may, against our policies, use third-party copyrighted materials without proper authorization in our classes, and our students may post unauthorized third-party content on our websites or otherwise infringe upon the intellectual property of third parties. Although we have never received any intellectual infringement-related complaints or claims against us, we cannot assure you that our course materials or other intellectual property developed or used by us do not or will not infringe upon valid copyrights or other intellectual property rights held by third parties. We may encounter disputes from time to time over rights and obligations concerning intellectual property, and we may not prevail in those disputes. Any such intellectual property infringement dispute could result in disruption to our teaching activities due to lack of materials, as well as costly litigation and divert our management attention and resources.

The appraised value of our properties in Dalian may be different from their actual realizable value and are subject to change.

The appraised value of our properties in Dalian as contained in the property valuation report in Appendix IV to this **[REDACTED]** are based on multiple assumptions that include elements of subjectivity and uncertainty. The assumptions, on which the appraised value of our properties is based, include:

- transferable land use rights in respect of our properties in Dalian for a specific term at nominal annual land use fees have been granted and that any premium has already been fully settled; and
- the grantees or the users of our properties in Dalian have free and uninterrupted rights to use or to assign the properties for the whole of the unexpired term as granted.

Some assumptions used by DTZ Debenham Tie Leung Limited in reaching the appraised value of our properties in Dalian may prove inaccurate. Therefore, the appraised value of our properties in Dalian should not be taken as their actual realizable value or a forecast of their realizable value. Unforeseeable changes to our properties in Dalian as well as national and local economic conditions may affect the value of these properties. You should not place undue reliance on such estimated value attributed to these properties by DTZ Debenham Tie Leung Limited.

[REDACTED]

Terrorist attacks, geopolitical uncertainty and international conflicts involving China, the United States and elsewhere may discourage PRC students from studying overseas and non-PRC students from studying in China, which could cause declines in the student enrollment at our schools.

A significant portion of our PRC students enroll in our schools for our bilingual programs and in particular, the dual-diploma curriculum we offer in our high schools because they wish to eventually apply for and attend universities in Canada, the United States, Australia, the United Kingdom and elsewhere outside of China. In addition, many of our non-PRC students attend our schools because they wish to study in universities in China. Terrorist attacks, geopolitical uncertainty and international conflicts involving China, the United States and elsewhere, and events with long-term impact upon international travel, such as those that took place on

September 11, 2001 and more recently the Kunming rail station mass stabbing, which happened on March 1, 2014, can discourage students from traveling and studying abroad, which may result in an adverse effect on the enrollment figures at our schools by making international studies a less attractive option. Such attacks or international conflicts may discourage PRC students from studying in the United States and elsewhere outside of China and may discourage non-PRC students from pursuing studies in the PRC. These factors could cause a decline in the student enrollment at our schools, which could have an adverse effect on our overall business and results of operations.

RISKS RELATING TO DOING BUSINESS IN CHINA

Adverse changes in the economic and political policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could adversely affect our business.

Substantially all of our business operations are conducted in China. Accordingly, our results of operations, financial condition and prospects are subject to a significant degree to economic, political and legal developments in China. China's economy differs from the economies of most developed countries in many respects, including with regard to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the Chinese government has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the Chinese government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth in the past 30 years, growth has been uneven among various sectors of the economy, geographically and during different periods. We cannot assure you that the Chinese economy will continue to grow or that, if there is growth, such growth will be steady and uniform, or that, if there is a slowdown, such slowdown will not have a negative effect on our business. Although the Chinese government has been carefully curtailing its economic policies, it is unclear whether the policies adopted will be effective in maintaining stable economic growth in the future. Any slowdown in the economic growth of China could lead to reduced demand for the educational services we provide, which could materially and adversely affect our business, as well as our financial condition and results of operations.

In addition, since we target and collect premium tuition rates from families with higher-than-average income, and such families may be more likely to be to be affected by the adverse impact of global or regional financial crisis, we cannot assure you that our student enrollment may not be adversely affected if any financial crisis occurs in the future and some students have to drop out as a result of financial difficulties.

Uncertainties with respect to the PRC legal system could materially and adversely affect us.

We conduct our business primarily through our subsidiaries and consolidated affiliated entities and schools in China. Our operations in China are governed by PRC laws and regulations. Our PRC subsidiaries are generally subject to laws and regulations applicable to foreign investments in China and, in particular, laws applicable to wholly foreign-owned enterprises. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value.

Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their nonbinding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. For example, in December 2009, the State Administration of Taxation issued a circular, commonly referred to as Circular 698, to strengthen the PRC tax authorities' scrutiny over any indirect transfer of equity interests in a PRC tax resident enterprise by a non PRC-resident enterprise, which became effective retroactively on January 1, 2008. See the section headed "Regulatory Overview" in this **[REDACTED]**. We may not become aware of our violation of such governmental policies and rules with retroactive application until some time after the potential violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

In particular, uncertainties with respect to PRC laws and regulations on the education industry may have a material impact on our business operation. In 2010, the PRC central government promulgated the Outline of China's National Plan for Medium- and Long-Term Education Reform and Development (2010-2020) (the "**Outline**"), which for the first time announced that the government will implement a reform to divide private education entities into two categories, namely for-profit private education entities and not-for-profit private education entities. In line with the Outline, the General Office of the State Council issued the Notices on the National Education System Innovation Pilot (the "**Pilot**"), and the MOE submitted to the State Council A Series of Suggested Amendments to Varies of Educational Laws (the "**Drafted Amendments**") in September 2013. Under the Pilot and the Drafted Amendments, the PRC government plans to implement a for-profit and not-for-profit classified management system for the private schools and each type of schools may be subject to different supervision requirements. However, the Outline and the Pilot are still new and no national law or regulation has been officially promulgated to implement differentiated management of the private schools. If, upon the implementation of the above reform, our schools choose to register as for-profit private education entities, they may be subject to more stringent scrutiny with respect to their educational management, tax status, or their operational matters which may increase cost or otherwise adversely affect our result of operations.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in China against us or our management named in the* [REDACTED] *based on Hong Kong or other foreign laws.

We are a company incorporated under the laws of the Cayman Islands, we conduct substantially all of our operations in China and substantially all of our assets are located in China. In addition, a substantial number of our senior executive officers reside within China for a significant portion of the time and many are PRC nationals. As a result, it may be difficult for our Shareholders to effect service of process upon us or those persons inside mainland China. In addition, our PRC Legal Counsel has advised us that China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible. For more information regarding the relevant laws of the Cayman Islands, see the section headed "Appendix V — Summary of the Constitution of the Company and Cayman Islands Company Law and Taxation" to this **[REDACTED]**.

On July 14, 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned, or the Arrangement, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. Although the Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the Arrangement may still be uncertain.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from* [REDACTED] *to make loans or additional capital contributions to our PRC subsidiaries or consolidated affiliated entities, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

In utilizing the **[REDACTED]** in the manner described in the section headed **[REDACTED]** in this **[REDACTED]** as an offshore holding company, we may extend loans to our PRC subsidiaries and our consolidated affiliated entities, establish new subsidiaries, make additional capital contributions to our PRC subsidiaries or acquire, in offshore transactions, offshore entities with business operations inside China. Any loans to our PRC subsidiaries or our consolidated affiliated entities are subject to PRC regulations and approvals. For example:

- loans we extend to Beipeng Software, our wholly-owned subsidiary to finance their activities cannot exceed statutory limits and must be registered with the SAFE or its local counterpart; and
- loans we extend to Dalian Maple Leaf High School or consolidated affiliated entities must be approved by the relevant government authorities and must also be registered with the SAFE or its local counterpart.

In addition, on August 29, 2008, the SAFE promulgated Circular 142 which requires that any Renminbi obtained from the settlement of the capital of a foreign-invested enterprise shall be used for purposes within the business scope approved by the applicable government authority. Without a special governmental approval pursuant to Circular 142, we may not utilize Beipeng Software to apply the settlement of capital for domestic equity investments. We may, however, **[REDACTED]** from this **[REDACTED]** for equity investments through acquisitions of offshore entities with business operations in China or to establish new subsidiaries with an appropriate business scope to engage in equity investment activities in China.

Furthermore, the SAFE strengthened its oversight of the flow and use of Renminbi funds converted from the foreign currency-denominated capital of foreign-invested enterprises. The use of such Renminbi may not be changed without approval from the SAFE, and may not be used to repay Renminbi loans if the proceeds of such loans have not yet been used for purposes within the foreign-invested enterprise's approved business scope. Furthermore, the SAFE promulgated a circular on November 9, 2010, or Circular 59, which requires the authenticity of settlement of **[REDACTED]** to be closely examined and the net proceeds to be settled in the manner described in the **[REDACTED]**.

Finally, any capital contributions to Beipeng Software or to any new subsidiaries that we may establish in the future must be approved by the MOFCOM or its local counterpart. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all. If we fail to receive such registrations or approvals, our ability to **[REDACTED]** and to capitalize our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

Failure to comply with PRC regulations regarding the registration requirements for employee share ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas **[REDACTED]**

Companies (the "**Stock Option Rules**"). Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in stock incentive plan in an overseas **[REDACTED]** company are required to register with the SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas **[REDACTED]** company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is 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 agent or the overseas entrusted institution or other material changes. We and our PRC employees who have been granted share options will be subject to these regulations upon the completion of the **[REDACTED]**. Failure of our PRC share option holders to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limited our PRC subsidiaries' ability to distribute dividends to us, or otherwise materially and adversely affect our business.

Restrictions on currency exchange under PRC laws may limit our ability to convert cash derived from our operating activities into foreign currencies and may materially and adversely affect the value of your investment.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenue in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from Beipeng Software, our PRC subsidiary. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries and our affiliated entities to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations, if any. Under existing PRC foreign exchange regulations, conversion of Renminbi is permitted, without prior approval from the SAFE, for current account transactions, including profit distributions, interest payments and expenditures from trade-related transactions, as long as certain procedural requirements are complied with. However, approval from and registration with the SAFE and other PRC regulatory authorities are required where Renminbi is to be converted into foreign currency and remitted out of China for capital account transactions, which includes foreign direct investment and repayment of loans denominated in foreign currencies. The PRC government may also, at its discretion, restrict access in the future to foreign currencies for current account transactions. Any existing and future restrictions on currency exchange in China may limit our ability to convert cash derived from our operating activities into foreign currencies to fund expenditures denominated in foreign currencies. If the foreign exchange restrictions in China prevent us from obtaining Hong Kong dollars or other foreign currencies as required, we may not be able to pay dividends in Hong Kong dollars or other foreign currencies to our Shareholders, or pay the salaries of our non-PRC teachers in currencies other than Renminbi. Furthermore, foreign exchange control in respect of the capital account transactions could affect our PRC subsidiaries' ability to obtain foreign exchange or conversion into Renminbi through debt or equity financing, including by means of loans or capital contributions from us.

If we are classified as a PRC "resident enterprise," holders of our Shares may be subject to a PRC withholding tax upon the dividends payable by us and upon gain from the sale of our Shares.

Under the Enterprise Income Tax Law and its implementing regulations, an enterprise established outside China with its "de facto management body" within China is considered a "resident enterprise" in China and will be subject to the PRC enterprise income tax at the rate of 25% on its worldwide income. The tax authority will normally review factors such as the routine operation of the organizational body that effectively manages the enterprise's production and business operations, locations of personnel holding decision-making power, location of finance and accounting functions and properties of the enterprise. The Enterprise Income Tax Law's implementation regulations define the term "de facto management bodies" as "establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise." The State Administration of Taxation issued the Notice Regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (the "SAT Circular 82") on April 22, 2009. SAT Circular 82 provides certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled offshore incorporated enterprise is located inside China, stating that only a company meeting all the criteria would be deemed having its de factor management body inside China. One of the criteria is that a company's major assets, accounting books and minutes and files of its board and shareholders' meetings are located or kept in the PRC. In addition, the SAT issued a bulletin on August 3, 2011, effective September 1, 2011, providing more guidance on the implementation of SAT Circular 82. This bulletin clarifies matters including residence status determination, post-determination administration and competent tax authorities. Although both SAT Circular 82 and the bulletin only apply to offshore enterprises controlled by PRC enterprises and there are currently no further detailed rules or precedents applicable to us governing the procedures and specific criteria for determining "de facto management body" for companies like ours, the determination criteria set forth in SAT 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 residency status of offshore enterprises and how the administration measures should be implemented with respect to such enterprises, regardless of whether they are controlled by PRC enterprises or PRC individuals.

As substantially all of our management members are based in China, it remains unclear how the tax residency rule will apply to our case. We do not believe that China Maple Leaf Educational Systems Limited, or any of our Hong Kong or BVI subsidiaries, should be qualified as a "resident enterprise" as each of our offshore holding entities is a company incorporated outside the PRC and we are not an offshore enterprise controlled by PRC individuals or domestic enterprises. As holding companies, each of these entities' corporate documents, minutes and files of the board and shareholders' meetings are located and kept outside of the PRC. Therefore, we believe that none of our offshore holding entities should be treated as a "resident enterprise" with its "de facto management bodies" located within China as defined by the relevant regulations for PRC enterprise income tax purposes. However, as the tax resident status of an enterprise is subject to determination by the PRC tax authorities, there are uncertainties and risks associated with this issue.

Under the Enterprise Income Tax Law, shareholders of a PRC resident enterprise will be subject to a 10% withholding tax upon dividends received from the PRC resident enterprise and on gain recognized with respect to the sale of shares of the resident enterprise. Accordingly, if we are treated as a PRC resident enterprise, our Shareholders may be subject to a 10% withholding tax upon dividends received from us and on gain recognized with respect to the sale of our Shares, unless such withholding tax is reduced by an applicable income tax treaty between China and the jurisdiction of the Shareholder. Any such tax may reduce the returns on your investment in our Shares.

Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your investment.

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, has been based on fixed rates set by the PBOC. The PRC government, however, has, with effect from July 21, 2005, reformed the exchange rate regime by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. On June 20, 2010, the PBOC announced that it intends to further reform the Renminbi exchange rate regime by enhancing the flexibility of the Renminbi exchange rate. On April 16, 2012, the PBOC enlarged the previous floating band of the trading prices of the Renminbi against the US dollar in the inter-bank spot foreign exchange market from

0.5% to 1% in order to further improve the managed floating Renminbi exchange rate regime based on market supply and demand with reference to a basket of currencies. On March 15, 2014, the PBOC further enlarged the floating band of the trading prices of the Renminbi against the US dollar in the inter-bank spot foreign exchange market from 1% to 2%, effective from March 17, 2014. However, it remains unclear how this flexibility might be implemented. Further, there remains significant international pressure on the PRC government to adopt a substantial liberalization of its currency policy, which could result in a further and more significant appreciation in the value of Renminbi against the Hong Kong dollar.

Our revenue and costs are mostly denominated in Renminbi, and a significant portion of our financial assets are also denominated in Renminbi. We rely entirely on dividends and other fees paid to us by our PRC subsidiaries and consolidated affiliated entities. Any significant change in the exchange rates of the Hong Kong dollar against Renminbi may materially and adversely affect the value of, and any dividends payable on, our Shares in Hong Kong dollars. For example, a further appreciation of Renminbi against the Hong Kong dollar would make any new Renminbi-denominated investments or expenditures more costly to us, to the extent that we need to convert Hong Kong dollars into Renminbi for such purposes. An appreciation of Renminbi against the Hong Kong dollar would also result in foreign currency translation losses for financial reporting purposes when we translate our Hong Kong dollar denominated financial assets into Renminbi, as Renminbi is the functional currency of our subsidiaries and consolidated affiliated entities inside China. Conversely, if we decide to convert our 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 Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

RISKS RELATING TO THE [REDACTED]

The interests of our Controlling Shareholders may differ from your interests and they may exercise their vote to the disadvantage of our minority Shareholders.

Immediately following the completion of the **[REDACTED]**, Mr. Sherman Jen will indirectly control approximately **[REDACTED]** of our total issued share capital (assuming the **[REDACTED]** is not exercised). Accordingly, Mr. Sherman Jen will, for the foreseeable future, through his voting control, be able to exercise substantial influence over our operations and business strategy, such as matters related to the composition of our Board of Directors, selection of our senior management, amount and timing of dividends and other distributions, our overall strategic and investment decisions, issuance of securities and adjustment to our capital structure, amendment to our Memorandum and Articles of Association, and other corporate actions requiring approval of our Shareholders, including merger, consolidation or sale of our assets, or any other change of control event that may affect our other Shareholders generally. Such voting control may discourage certain types of transactions, including those involving an actual or potential change of control of our Company. In the event that there is a divergence of our strategic and other interests from those of Mr. Sherman Jen in the future, Mr. Sherman Jen may exercise control over our Company in ways that conflict with the interests of our other Shareholders, and minority Shareholders could be disadvantaged.

There has been no prior* [REDACTED] *for our Shares and there can be no assurance that an* [REDACTED] *will develop.

[REDACTED]

[REDACTED]

The liquidity and market price of our Shares following the* [REDACTED] *may be volatile.

The market price and trading volume for our Shares may be volatile and subject to wide fluctuations in response to factors such as actual or anticipated fluctuations in our quarterly operating results, changes in financial estimates by securities research analysts, changes in the economic performance or market valuations of other education companies, announcements by us or our competitions of material acquisitions, strategic partnerships, joint ventures or capital commitments, addition or departure of our executive officers and key personnel, fluctuations of exchange rates between Renminbi and the Hong Kong dollar, intellectual property litigation, release of lock-up or other transfer restrictions on our Shares, and economic or political conditions in China. In addition, the performance, and fluctuation in market prices, of other companies with business operations located mainly in China that have **[REDACTED]** their securities in Hong Kong may affect the volatility in the price of and trading volumes of our Shares. Furthermore, the securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our Shares.

[REDACTED]

Substantial future sales or the expectation of substantial sales of our Shares in the* [REDACTED] *could cause the price of our Shares to decline.

Although our Controlling Shareholders are subject to restrictions on their sales of Shares within 12 months from the **[REDACTED]** as described in the section headed **[REDACTED]**, future sales of a significant number of our Shares by our Controlling Shareholder or **[REDACTED]** Investors in the **[REDACTED]** after the **[REDACTED]**, or the perception that these sales could occur, could cause the **[REDACTED]** of our Shares to decline and could materially impair our future ability to raise capital through **[REDACTED]** of our Shares.

We cannot assure you that our Controlling Shareholders and **[REDACTED]** Investors will not dispose of Shares held by them or that we will not issue Shares pursuant to the general mandate to issue shares granted to our Directors as described in the section headed "Appendix VI — Statutory and General Information" to this **[REDACTED]**, upon the expiration of restrictions set out above. We cannot predict the effect, if any, that any future sales of Shares by our Controlling Shareholders or **[REDACTED]** Investors, or the availability of Shares for sale by our Controlling Shareholders or **[REDACTED]** Investors, or the issuance of Shares by the Company may have on the **[REDACTED]** of the Shares. Sale or issuance of a substantial amount of Shares by our Controlling Shareholders or **[REDACTED]** Investors or us, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

We may need additional capital, and the sale or issue of additional Shares or other equity securities, including pursuant to the* [REDACTED] *Share Option Scheme,* [REDACTED] *Share Option Scheme and RSU Scheme, could result in additional dilution to our Shareholders.

We believe that our current cash and cash equivalents, anticipated cash flow from operations and the net proceeds from the **[REDACTED]** will be sufficient to meet our anticipated cash needs for the near future. We may, however, require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. The amount and timing of such additional financing needs will vary depending on the timing of new school openings, investments in and/or acquisitions of new education programs or businesses from third parties, and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing through selling additional equity or debt securities or obtaining a credit facility. The sale of additional equity securities could result in additional dilution to our Shareholders. Furthermore, we may issue Shares pursuant to each of the **[REDACTED]** Share Option Scheme, **[REDACTED]** Share Option Scheme and RSU Scheme, which would further dilute Shareholders' interests in our Company. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that may, among other things, restrict our operations or our ability to pay dividends. Servicing such debt obligations could also be burdensome to our operations. If we fail to service the debt obligations or are unable to comply with such debt covenants, we could be in default under the relevant debt obligations and our liquidity and financial conditions may be materially and adversely affected.

Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, including:

- investors' perception of, and demand for, securities of educational service providers;
- conditions in Hong Kong and other capital markets in which we may seek to raise funds;
- our future results of operations, financial condition and cash flows;
- PRC governmental regulation of foreign investment in education in China;
- economic, political and other conditions in China; and
- PRC governmental policies relating to foreign currency borrowings.

We cannot assure you that financing will be available in the amounts or on terms acceptable to us, if at all. If we fail to raise additional funds, we may need to sell debt or additional equity securities or reduce our growth to a level that can be supported by our cash flow, or defer planned expenditures.

We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders is more limited under Cayman Islands law than under Hong Kong law, you may have less protection of your shareholder rights than you would under Hong Kong law.

Our corporate affairs are governed by our Memorandum and Articles of Association and by the Cayman Companies Law and common law of the Cayman Islands. The rights of shareholders to take legal action against our directors and us, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedent in existence in other jurisdictions, such as Hong Kong. For example, the Cayman Islands does not have a statutory equivalent of section 168A of the Companies Ordinance which provides a remedy for shareholders who have been unfairly prejudiced by the conduct of the company's affairs. See the section headed "Appendix V — Summary of the Constitution of the Company and Cayman Islands Company Law and Taxation" to this **[REDACTED]**.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests through actions against our management, directors or major shareholders than would shareholders of a corporation incorporated in Hong Kong.