

## BUSINESS

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### OVERVIEW

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

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

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

We believe we have developed a successful business model that provides us with high visibility and, increasingly since 2012, low capital requirements. Our comprehensive academic offerings from preschool through high school allow us to retain students within our system as they progress through their education, which provides us with high visibility on future enrollments and revenue. The quality of our academic programs and the success of our students also help us to achieve consistent growth in student enrollment and at the same time increase tuition fees. In addition, we believe that our schools contribute to the local economy of the cities in which we operate by creating employment opportunities, stimulating the local real estate industry, assisting the local governments to attract foreign investment and foreign talents, and adding to the diversity of the local community. As a result, since 2012, we have, in part, implemented our expansion plan pursuant to an asset-light approach by partnering with third parties, in particular local governments, to develop new schools. Under the recent cooperation

## BUSINESS

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agreements we have entered into with local governments, the local governments are responsible for acquiring campus sites and building school premises, which we believe enables us to achieve a higher return on capital.

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

### OUR STRENGTHS

We believe that the following are our key competitive strengths that have contributed significantly to our success and differentiate us from our competitors:

#### **The Largest International School Operator in China with Extensive Experience**

We are the largest international school operator in China, as measured by student enrollment at the end of the 2010/2011, 2011/2012, 2012/2013 and 2013/2014 school years, according to the Frost & Sullivan Report. As of the Latest Practicable Date, we operated seven high schools, 10 middle schools, nine elementary schools, 12 preschools and two foreign national schools in nine cities in China. We are also in the process of developing new campuses in three cities in China, namely Pinghu, Yiwu and Xi'an. According to the Frost & Sullivan Report, among the high schools offering dual diplomas in China, we had more student enrollment than all of our competitors combined in the 2010/2011, 2011/2012 and 2012/2013 school years. Many of our campuses have capacity to handle substantially more students than our existing student body without the need for significant additional capital expenditure. We believe that our high-quality education and strong reputation have helped us receive local government support while obtaining the requisite licenses and suitable land sites for our campuses. We believe that our unparalleled scale, long-standing accreditations from PRC educational authorities and authority to offer educational programs leading to British Columbia Certificates of Graduation for our dual-diploma programs, established relationships with foreign universities and colleges, high-quality dedicated team of teachers, 19-year operating history, over 6,000 high school graduate student base and strong brand recognition have provided us with substantial competitive advantages.

#### **Reputable Brand and Pathway into World Class Universities and Colleges**

We believe that our “Maple Leaf” brand has achieved a strong reputation in China’s private education sector as a pathway into world class universities and colleges. We have received numerous awards such as the *Top Educational Group Award* by Sina.com, a well-known website in China, in 2013, and the *Most Influential International High School Award* by 163.com, also a well-known website in China, in 2013. For the 2010/2011, 2011/2012 and 2012/2013 school years, based on our estimates, approximately 44%, 38% and 47% of our high school graduates, respectively, were admitted to World Top 100 Universities.

We maintain long-term relationships with a significant number of universities and colleges around the world. Over 50 of these universities and colleges have a memorandum of understanding with us to facilitate the admissions process for our high school graduates. We hold annual college recruitment fairs at our campuses and provide consulting services to assist our students in making informed decisions about the universities and colleges they choose to attend. In addition, we assist our students with respect to admissions, visas and scholarships, preparing them to study abroad. We believe that our services ensure a smooth transition for our students from our high schools to post-secondary educational institutions.

## **BUSINESS**

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### **Well-established Bilingual, Dual-curriculum and Dual-diploma Education**

In 1998, Dalian Maple Leaf High School became the first high school in the world to be operating as a BC certified school, according to BCMOE. Since then, we have been offering dual-curriculum education at our high schools. We differentiate ourselves from other international schools by providing a Western education, while incorporating the strengths of a Chinese education through offering a concurrent Chinese language curriculum. The reputation of our schools as well-established bilingual, dual-curriculum and dual-diploma educational institutions has allowed us to attract students from a number of countries, including the United States, Canada, South Korea, Mongolia, Kazakhstan, Japan and Russia. As of the Latest Practicable Date, we had students from various provinces, direct-controlled municipalities and autonomous regions across China and international students from 36 countries and regions in Asia, Europe, North America and Africa. We believe that our high schools are particularly attractive to students from South Korea because the BC high school diploma provides such students a competitive advantage in their college applications in South Korea.

### **Full Range of K-12 Bilingual Education Creating High Business Visibility**

We offer a comprehensive education from preschools through high schools with great emphasis on establishing a bilingual learning environment for our students. In addition to our English teachers, we have English-speaking staff who provide our students with additional exposure to the English language. We design our classes according to the specific linguistic needs of the students at each grade level and build their vocabulary as they progress from elementary school to middle school, with the aim of achieving English fluency by high school. In 2013, the PRC government announced plans to reduce the weight of English proficiency tests in college entrance exams as part of China’s educational reform policy. As this is expected to result in reduced English instruction time in public schools in China, we believe the curriculum we offer at our schools will become increasingly attractive to Chinese students and parents seeking a full-range bilingual education.

By attracting students at an early age and retaining them within our system as they progress through their education, we create a pipeline of students for our high schools. For the 2010/2011, 2011/2012 and 2012/2013 school years, over 70% of the total graduates from our elementary schools enrolled into our middle schools, and over 70% of the total graduates from our middle schools enrolled into our high schools. Our ability to effectively retain students within our school system provides us with a stable and recurring revenue base, and enhances our marketing efficiency by reducing the need for us to recruit students from external sources. Accordingly, we are able to achieve high business visibility on future enrollments and revenue driven by long student tenure, which is further supported by high student retention rates.

### **Centralized Operation Led by Experienced Management Team**

We have a centralized operation led by an experienced management team. Our Founder, Mr. Sherman Jen, established our first school in Dalian in 1994 and has since led us to develop the dual-diploma school model, and successfully execute our strategy to become the leading international school service provider in China. On October 18, 2013, Mr. Jen received the Governor General’s Medallion from David Johnston, Governor General of Canada, for his contributions to international education. In October 2014, Mr. Jen received the Chinese Government Friendship Award from the PRC Premier Mr. Li Keqiang and two Vice Premiers, which is the highest honor awarded by the Chinese government to foreign experts for their outstanding contributions to the modernized development of China. Our BC program superintendent, Mr. James Beeke, has deep knowledge in the operation of BC high schools and served as a BCMOE’s inspector of offshore schools from 1998 to 2005. Mr. Beeke is responsible for managing and enhancing our BC curriculum, training our BC-certified teachers and liaising with the BCMOE. Our Chinese curriculum co-chancellor, Mr. Linsheng Chen, has over 20 years of experience in the PRC education industry and is responsible for managing and enhancing the Chinese curriculum in our schools. Our vice president and Co-CFO, Mr. Bin Xu, who graduated from our Dalian Maple Leaf High School in 2003 and received degrees from the University of Toronto, Canada and University of Cambridge, the United Kingdom in 2007 and 2011 respectively, is responsible for managing the investors’ relationships and

## BUSINESS

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corporate finance activities of our Company. Mr. Xu served as an accountant and an investment banker prior to joining our Group and has extensive knowledge of the financial services industry.

We also have a team of seasoned mid-level managers, including headmasters, curriculum chancellors and academic directors, many of whom have extensive experience from the education industry. Some of our mid-level managers served as teachers at our schools before being internally promoted to management level and have in-depth understanding of our corporate culture and management philosophy. We have centralized our management, finance, human resources, and information technology capabilities to efficiently develop and operate multiple schools across campuses in different cities. We believe that our centralized operations improve our operating efficiency, facilitate our schools’ access to financial resources and governmental support, and are essential to our success.

### OUR STRATEGIES

Our goal is to maintain and further strengthen our position as the leading international school operator in China and expand our school network to major cities in China. We intend to pursue the following growth strategies to achieve our goal:

#### Further Expand Our School Network

We intend to continue to expand our school network with a particular emphasis on high schools. Once we enter into a new geographic market, we first focus on establishing a high school, and gradually build out one or more sets of middle and elementary schools to provide a pipeline of students for our high school and strengthen our position as a provider of comprehensive educational services. In cities where we already enjoy a strong market position through established high schools, we plan to leverage our brand and experience by building more schools. For example, in Shanghai and Zhenjiang, we plan to leverage our reputation as a premium high school operator and expand our elementary and middle schools to increase student enrollment across all grade levels. We also aim to explore opportunities in new geographic locations in China and abroad, where we see potential for our dual-diploma high school program. We take a variety of factors into account in selecting new school locations, including demographics, potential demand, income trends, regional economic conditions, the level of local government support, the availability of suitable sites and existing market competition.

We plan to continue to carry out part of our future expansion plan under an asset-light approach by partnering with third parties to develop new schools, which we believe will enable us to generate high returns on capital. In particular, with the growing reputation of our “Maple Leaf” brand, an increasing number of local governments in China are showing strong interest in cooperating with us to establish new Maple Leaf schools. Since 2012, we have entered into cooperation agreements with the local governments in Luoyang, Ordos, Tianjin, Yiwu, Pinghu and Xi’an to develop new schools offering a bilingual curriculum. In exchange, these local governments have undertaken to provide us the necessary land use rights to the campus sites and build necessary school facilities. See the section headed “Business — Our Schools — Maple Leaf Schools and Campuses Under Development” in this [REDACTED]. We may also expand our school network by purchasing land use rights and developing new schools, or acquiring established schools from independent third parties. As of the Latest Practicable Date, we had not identified any specific acquisition target.

#### Increase School Utilization

We intend to increase the utilization rate of our schools. Since a significant portion of our costs is fixed, we believe we can improve our financial results by increasing student enrollment in our existing campuses. We plan to continue to market our schools and recruit new students through our on-campus student recruitment offices and third-party recruiting agents. As of May 31, 2014, we had approximately 51 recruiting staff in more than nine on-campus recruiting offices and had engaged approximately 119 third-party individual recruiting agents and 36 third-party recruiting offices located throughout China. We also intend to continue to market our brand by

## **BUSINESS**

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inviting the media, officials from local educational authorities and the public to attend our recruitment fairs and other on-campus events and communicate with our students and teachers in person. For example, a number of reporters and government officials were invited to our ninth annual recruitment fair held in November 2013, which was covered by various newspapers and other media and promoted our high schools. In addition, we plan to utilize new and targeted marketing techniques, such as Internet marketing, targeting potential students and their parents and offering individual informational meetings. Furthermore, we plan to increase our school utilization by providing additional programs such as summer and winter offerings at our existing campuses outside regular school hours, which we believe will generate additional revenue.

### **Optimize Pricing at Our Schools**

A significant factor affecting our profitability is the tuition fees we charge. Historically, we focused on our market expansion instead of substantial fee increases. As we have established a solid reputation for providing quality education, we believe we can optimize our pricing without compromising our reputation for providing premium value education relative to our competitors. Subject to applicable government approval, we plan to raise tuition in the future for students in geographic regions where we have obtained a substantial market share and have built sufficient student and parent loyalty. We believe that our relatively low tuition level, high-quality services and track record of student performance coupled with the demand for our services, may allow us to further raise tuition fees at these or other schools in the future without a material adverse impact on the level of student enrollment.

### **Continue to Provide Premium Quality Education and Promote Our Brand Name**

We will continue to enhance our ability to provide premium quality education, which we believe is a foundation of our success and enables us to promote our Maple Leaf brand name. We plan to continue to track the academic performance of individual students and provide each student with customized advice and guidance through our academic advisors and teaching staff. We also intend to provide top students with scholarships and financial assistance, encouraging them to achieve better academic performance. We are also gradually enhancing a supplementary online learning environment, which is accessible to all of our students in grade 10 and above. We believe that such an Internet-based system complements our curricula and enables our students to interact and collaborate with each other online, which fosters independent and interactive learning beyond the classroom and prepares our students for future university study. In addition, we plan to increase the variety and quality of advanced courses for exceptional students and expanding our specialty class offerings, such as advanced fine arts and business courses, to all of our schools. Furthermore, we will continue to maintain a team of experienced and qualified principals, teachers and other teaching staff, who we believe are critical to the quality of our educational services. In particular, we intend to attract and retain more qualified teachers by providing better career advancement opportunities and continuous training, which are designed to prepare our teachers and other teaching staff for career progression and help continuously improve their performances. For example, we plan to continue to host visiting university professors from graduate schools to offer courses for credits to our teachers who wish to obtain a master’s degree in education.

## **EDUCATIONAL PHILOSOPHY**

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

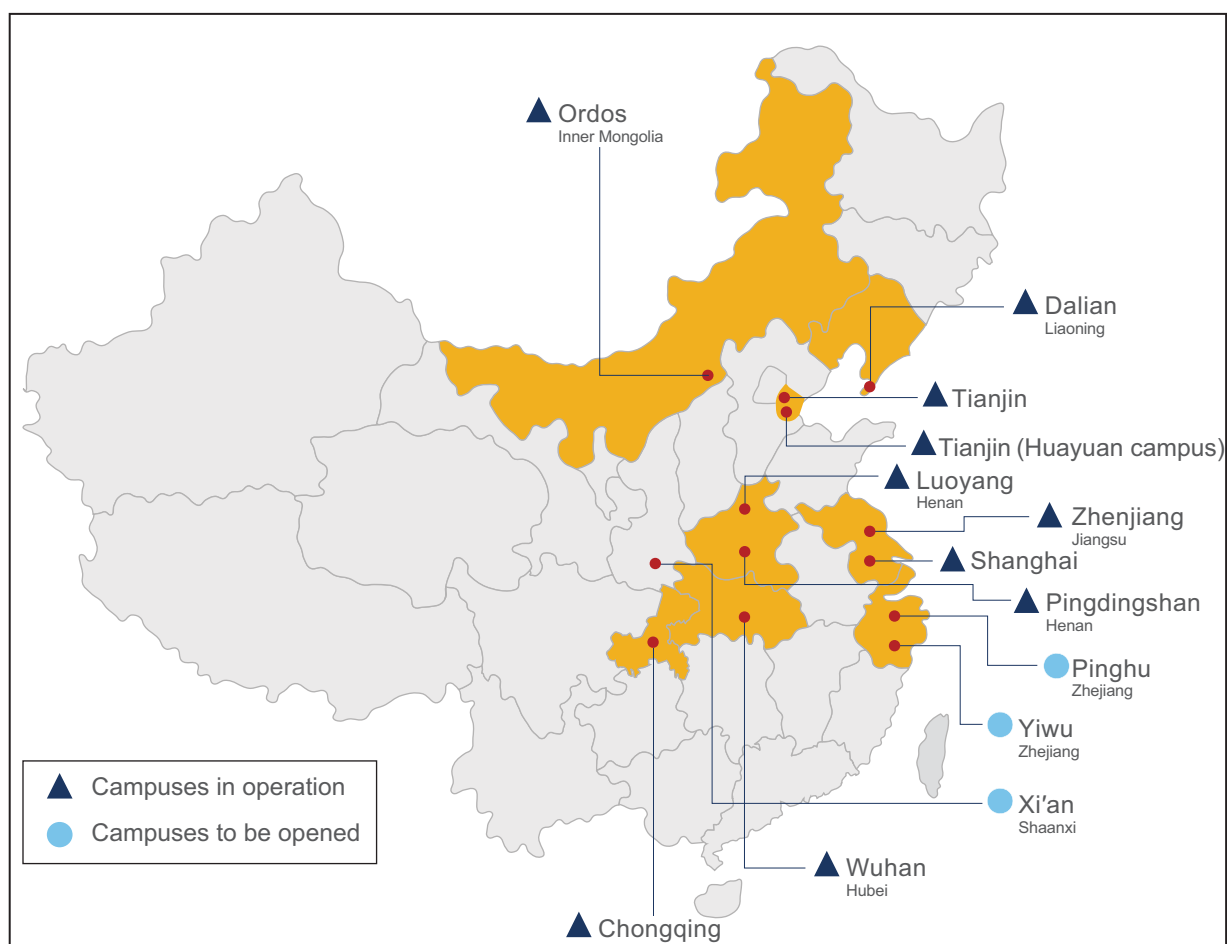


## BUSINESS

### OUR SCHOOLS

We operate all of our schools under our “Maple Leaf” brand. We have a variety of campus facilities, such as classrooms, administrative offices, staff apartments, laboratories, libraries, dance studios, gymnasiums, auditoriums, dormitories, cafeterias, outdoor playing fields and sport courts. In selecting school locations, we take various factors into consideration, including demographics in neighboring areas, availability of suitable sites, potential demand, income trends, regional economic conditions, the level of local government support and existing market competition. Our campuses are usually built to accommodate over 2,000 students with expansion possible to more than double that size in some cases.

The following map sets forth the geographical location and establishment information about our schools:



## BUSINESS

The following table sets forth information concerning the approximate student enrollment, capacity and utilization rate of each of our schools as of the dates indicated:

	Student Enrollment as of					Capacity for Students <sup>(2)</sup> as of		School Utilization Rate <sup>(3)</sup> as of	
	June 30 <sup>(1)</sup> ,		May 31,		June 30,	May 31,		June 30,	
	2011	2012	2013	2014	2014	2014	2014	2014	2014
<b>Dalian, Liaoning Province</b>									
High school	2,723	2,914	2,651 <sup>(4)</sup>	2,498	2,479 <sup>(5)</sup>	3,500	3,500	71.4%	70.8%
Middle school	1,211	1,248	1,308	1,171	1,182	1,300	1,300	90.1%	90.9%
Elementary school	840	884	899	918	928	850	850	108.0%	109.2%
Preschools <sup>(6)</sup>	1,613	1,702	1,704	1,510	1,582	1,800	1,800	83.9%	79.6%
Foreign national school	187	184	171	187	191	240	240	77.9%	87.9%
<b>Wuhan, Hubei Province</b>									
High school	1,106	1,246	1,332	1,404	1,392 <sup>(5)</sup>	1,500	1,500	93.6%	92.8%
Middle school	110	312	540	652	653	1,500	1,500	43.5%	43.5%
Elementary school	— <sup>(7)</sup>	—	—	501	501	400	400	125.3%	125.3%
Foreign national school	28	26	25	30	30	100	100	30.0%	30.0%
<b>Tianjin</b>									
High school	519	683	839	1,109	1,087 <sup>(5)</sup>	1,500	1,500	73.9%	72.5%
Middle school	278	401	512	607	602	750	750	80.9%	80.3%
Elementary school	350	508	684	835	844	750	750	111.3%	112.5%
<b>Chongqing</b>									
High school	155	331	349	444	434 <sup>(5)</sup>	1,000	1,000	44.4%	43.4%
Middle school	—	—	116	210	211	500	500	42.0%	42.2%
<b>Zhenjiang, Jiangsu Province</b>									
High school	—	70	163	259	256 <sup>(5)</sup>	400	400	64.8%	64.0%
Middle school	—	—	—	100	101	200	200	50.0%	50.5%
Elementary school	—	—	—	93	94	200	200	46.5%	47.0%
<b>Luoyang, Henan Province</b>									
High school	—	—	—	26	30	550	550	4.7%	5.5%
Middle school	—	—	104	140	145	1,150	1,150	12.2%	12.6%
Elementary school	—	—	100	244	243	1,000	1,000	24.4%	24.3%
<b>Shanghai</b>									
High school	—	—	—	163	158 <sup>(5)</sup>	2,000	2,000	8.2%	7.9%
<b>Ordos, Inner Mongolia Autonomous Region</b>									
Middle school	—	—	36	46	47	500	500	9.2%	9.4%
Elementary school	—	—	43	120	121	500	500	24.0%	24.2%
Preschool <sup>(6)</sup>	—	—	121	192	202	300	300	64.0%	67.3%
<b>Total</b>	<b>9,120</b>	<b>10,509</b>	<b>11,697</b>	<b>13,459</b>	<b>13,513</b>	<b>22,490</b>	<b>22,490</b>	<b>59.8%</b>	<b>60.1%</b>

- (1) Despite the fact that our financial year ends on August 31 of each year, our school year ends on June 30 of each year.
- (2) Except for our preschools and Foreign Schools, all of our schools are boarding schools. For these boarding schools, the capacity for students is calculated based on the approximate number of beds in their dormitories according to our calculations. For our Foreign Schools, the capacity for students is calculated based on the approximate number of desks in their classrooms according to our calculations. For our preschools, the capacity for students is calculated based on the approximate number of beds used for naps in the schools according to our calculations.
- (3) As of May 31, 2014 and June 30, 2014, the school utilization rates of our elementary schools in Dalian, Wuhan and Tianjin exceeded 100%. This was due to the fact that some of our students in those schools were commuter students who did not live on-campus and thus did not occupy beds in the dormitories of those schools.
- (4) The student enrollment at our Dalian Maple Leaf High School decreased significantly in the school year ended June 30, 2013 because we had a large number of high school graduates in the 2011/2012 school year. This was primarily due to the fact that starting from the 2011/2012 school year, we began to encourage our high school students to complete the BC curriculum in three years by offering summer course to students in the foundations program and bridging program.
- (5) The student enrollment at all of our high schools (except for our Luoyang High School, which did not have grade 12 students in the 2013/2014 school year) decreased slightly in June 2014 compared to May 2014. We believe that this was primarily because certain grade 12 students whose families moved or expect to move in the next school year overseas voluntarily withdrew from our high school program before the current school year ended.

## BUSINESS

- (6) *We had 10 preschools in Dalian and one preschool in Ordos as of May 31, 2014 and June 30, 2014. The student enrollment in each of our preschools is subject to monthly fluctuation.*
- (7) *Some of our schools were opened after June 30, 2011 and did not have student enrollment in certain periods during the Track Record Period.*

Our school network has been expanding during the Track Record Period and up to the Latest Practicable Date. The following table sets forth the numbers of our schools as of the dates indicated:

	August 31,			May 31,	The Latest Practicable Date
	2011	2012	2013	2014	
High schools .....	4	5	5	7	7
Middle schools .....	3	3	6	7	10
Elementary schools .....	2	2	4	6	9
Preschools .....	10	10	11	11	12
Foreign Schools .....	2	2	2	2	2
Total .....	21	22	28	33	40

We restrict classes to a maximum of 30 students, with a few exceptions. According to the Frost & Sullivan Report, the class sizes of our high schools and middle schools are smaller than those of average PRC public schools, which we believe allows our teachers to devote more time and attention to each student, improving student development. We also strive to identify the various learning styles of our students to ensure that each student receives an education tailored to maximize his or her learning potential. We believe all these factors contribute to the high quality of our education and high levels of student and parent satisfaction, which is reflected in our long student tenure and high retention rates.

An important element of our educational services is a bilingual learning environment. A majority of our students are native Chinese speakers and, as such, we have included comprehensive English immersion programs in our school curriculum. In addition to our English teachers, we have English-speaking staff who provide our students with additional English-language exposure. To help students master the English language, we design our classes according to the specific linguistic needs of the students at each grade level, building their English language skills as students progress from elementary school to middle school, with the aim of achieving English fluency by high school. We also offer ESL classes under the language elective program at our high schools, which is mandated under the BC certification requirements for students who require additional help to improve their English proficiency. In addition, we offer Chinese classes to our foreign national students using text books developed by us.

In addition to providing bilingual education, our schools offer courses we instituted under our overarching educational philosophy. As private schools, we have more flexibility in offering courses which are unavailable in public schools in response to popular student or parent demand. These courses, such as calligraphy, dance, debate and music, emphasize creativity, critical thinking and a deeper appreciation of traditional Chinese and Western cultures. Our schools also offer students the opportunity to participate in a variety of after-school programs and club events, including sports and life skills building projects that supplement classroom teaching. This provides our students with opportunities to interact with each other and serve the community. During the 2012/2013 school year, the students in our Model United Nations club attended six Model United Nations conferences in five cities in China researching and representing various countries and policies through debate and dialogue.

For all of our schools except our preschools, tuition includes a boarding fee for boarding students and is generally paid in advance prior to the beginning of each school year. We divide each school year of all of our schools, except our preschools, into 10 academic months. We offer full refunds for the remaining academic months to students of our high, middle and elementary schools and Foreign Schools who decide to withdraw from a program, but charge a fee which equals to 10% of the school year tuition.



## BUSINESS

The following table sets forth the tuition information about our schools for the 2012/2013, 2013/2014 and 2014/2015 school years:

	Tuition <sup>(1)</sup>		
	2012/2013 school year	2013/2014 school year	2014/2015 school year
High schools . . . . .	RMB42,400 – RMB49,000	RMB42,400-RMB71,500	RMB42,400-RMB71,500
Middle schools . . . . .	RMB21,000 – RMB31,000	RMB21,000-RMB38,000	RMB21,000-RMB43,000
Elementary schools . . . . .	RMB18,000 – RMB28,000	RMB18,000-RMB33,000	RMB18,000-RMB33,000
Preschools . . . . .	RMB14,400 – RMB21,600	RMB14,400-RMB21,600	RMB12,000-RMB21,600
Foreign Schools . . . . .	USD13,000 – USD15,600	USD13,000-USD15,600	USD13,000-USD15,600

(1) For our high schools, middle schools and elementary schools, tuition included a boarding fee ranging between RMB900 to RMB4,000 for the 2012/2013 school year, RMB900 to RMB5,000 for the 2013/2014 school year and RMB900 to RMB5,000 for the 2014/2015 school year. Except for our Foreign Schools, the tuition ranges set forth in this table do not apply to foreign students.

Tuition from all of our schools except for preschools, which accounted for 81.5%, 83.1%, 80.6% and 88.2% of our total revenue in the years ended August 31, 2011, 2012 and 2013 and the nine months ended May 31, 2014, respectively, is recognized proportionately over the relevant period when the educational services are provided. See the section headed “Financial Information — Critical Accounting Policies — Revenue Recognition” in this [REDACTED]. As a result, tuition from all of our schools except for preschools, is not subject to significant seasonal fluctuations.

For our preschools, tuition is paid in advance at the beginning of every month. We refund 50% of the tuition to students who decide to withdraw from our preschools, provided that less than eight calendar days of service have been delivered in a month. No refund is allowed if the withdrawing student has received eight days of service or more. We experience seasonality for tuition from our preschools. For example, revenue from our preschool decreased in the second quarter of each financial year during the Track Record Period due to the Chinese New Year holiday.

Historically we purchased land use rights and constructed premises for our schools. As a result, we own all the land use rights and premises for our schools in operation in Dalian, Tianjin, Wuhan, Chongqing, Zhenjiang and Shanghai, except for our preschools and Foreign Schools. With the growing reputation of our “Maple Leaf” brand, an increasing number of municipal governments in China are showing interest in cooperating with us to establish new Maple Leaf schools. We have developed our schools in Ordos and Luoyang jointly with the local governments in these two cities.

Under our cooperation agreement with the Ordos Dongsheng District government (the “**Dongsheng Government**”), the Dongsheng Government has granted us the right to use certain vacant school premises for free. The Dongsheng Government owns the land use rights to the campus site and school premises. The Dongsheng Government plans to provide us with land use rights to a new campus site for free after suitable land sites become available in the future. The Dongsheng Government also assisted us to obtain the requisite approvals, licenses and permits. In exchange, we are responsible for the maintenance, renovation and upgrade of the exiting school premises and the recruitment of teachers, other teaching staff and administrative staff. We are also responsible for building new school premises after the Dongsheng Government grants us the new campus site. Under the cooperation agreement, we are the sole sponsor of our schools and are in complete charge of the school operation.

Under our cooperation agreement with the Luoyang New District Administration Committee (the “**Luoyang Committee**”), the Luoyang Committee has purchased the land use rights and constructed the premises for our Luoyang schools. The Luoyang Committee owns such land use rights and premises and has granted us the right to use them in exchange for an administration fee, the calculation of which is based on our Luoyang school’s disposable profit in the prior financial year. The Luoyang Committee also assisted us to obtain the requisite

## BUSINESS

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approvals, licenses and permits. In exchange, we are responsible for the maintenance, renovation and upgrade of the school premises and the recruitment of teachers, other teaching staff and administrative staff. Under the cooperation agreement, we are the sole sponsor of our schools and are in complete charge of the school operation.

As of the Latest Practicable Date, for our high schools, middle and elementary schools, preschools, and foreign national schools, the average breakeven period was approximately 2.5 years, 1.5 years, 1.6 years and 2.5 years, respectively. The average investment pay-back period of our high schools, middle and elementary schools, and preschools was approximately 9 years, 2 years and 3.6 years, respectively. Such average breakeven periods and average investment pay-back periods only take into account those schools that have reached the breakeven point or had their investments paid back in full.

### Maple Leaf High Schools

As of the Latest Practicable Date, we operated seven high schools located in Dalian, Wuhan, Tianjin, Chongqing, Zhenjiang, Luoyang and Shanghai. As of May 31, 2014, our high schools had a total of approximately 5,903 students.

Our high schools are open to PRC citizens and foreign nationals and offer a dual-curriculum program. In order to make students eligible for both BC and PRC high school diplomas, each of our high schools must receive both BC and PRC certifications and obtain approvals from relevant provincial level educational authorities in China for delivering a dual-curriculum and dual-diploma program that enables our students to count the BC courses they take toward the PRC high school diploma. Each of our high schools has obtained PRC certification and the requisite approval from the relevant PRC provincial educational authority.

We have entered into a certification agreement with BC under the BC Global Education Program — Offshore Schools by going through the application process required under the BC Global Education Program. For each application, we presented to the BCMOE our compliance with the application requirements, our financial integrity and successfully passed a pre-certification onsite inspection. Our Dalian Maple Leaf International School (High School), which entered into a certification agreement with BC under the BC Global Education Program — Offshore Schools in the 1997/1998 school year, was the first offshore school with the authority to offer educational programs at the school leading to British Columbia Certificates of Graduation and served as BC’s pilot school for delivering the BC Global Education Program. For details about the requirements and processes of application to and pre-certification and certification by the BCMOE, see the section headed “BC Global Education Program Certification and Inspection Requirements” in this [REDACTED].

We undergo annual inspections from the relevant authorities which ensure that our schools comply with the guidelines provided by such educational authorities. In January 2013, the BCMOE implemented various new requirements for certification application and renewal inspection. We believe that we have taken all the necessary steps to fulfill these new requirements. For more information about the annual inspections, the new requirements and the measures we have taken or plan to take with respect to those new requirements, see the section headed “BC Global Education Program Certification and Inspection Requirements” in this [REDACTED]. As of the Latest Practicable Date, we had maintained all the certification status under the British Columbia Global Education Program — Offshore Schools in the annual inspections administered by the International Education Branch of the BCMOE. The annual inspections are mandatory under the BC Global Education Program, looking at various aspects of school operation, such as school facilities, student grades and teaching records. During the Track Record Period and up to the Latest Practicable Date, we had also passed all the inspections administered by the local educational authorities in China.

As schools that have been granted certification status under British Columbia Global Education Program — Offshore Schools, we conduct standardized BC provincial exams at our high schools throughout the school year

## BUSINESS

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in accordance with the schedule set by the BCMOE. These exams are marked by the BCMOE as required. We also have an agent who is responsible for contacting the BCMOE, as required by the BC Global Education Program.

For risks associated with our abilities to obtain and maintain PRC and BC certifications and obtain requisite approvals from relevant PRC educational authorities, see the section headed “Risk Factors — Risks Relating to Our Business and Our Industry — If we fail to obtain or renew PRC or BC certification 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” in this [REDACTED]. For a detailed description of the measures we have taken or plan to take in order to fulfill the new requirements of the BC Global Education Program, see the section headed “BC Global Education Program Certification and Inspection Requirements — Recent Reforms” in this [REDACTED].

### *Dual-Diploma Curriculum*

The core component of our business is a dual-curriculum and dual-diploma high school education that enables our high school graduates to receive a fully accredited BC high school diploma and a PRC high school diploma.

The curriculum we have developed for our high schools consists of two types of subjects — those required under the BC high school system and those required under the PRC high school system. We aim to design our curriculum to have the BC courses and PRC courses supplement one another, combining the strengths of both education systems. The subjects required under the BC education system encompass eight fields: (i) English; (ii) mathematics; (iii) sciences; (iv) humanities; (v) arts; (vi) physical education; (vii) applied skills and (viii) college-bound electives such as applied sciences, acting, psychology, economics, marketing and accounting. All these subjects are taught in English by our BC-certified teachers using BC teaching materials. The courses required by the PRC educational authorities are Chinese language and social studies (Chinese history, geography and politics), which are taught by our PRC-certified teachers in Mandarin using materials required by PRC educational authorities and supplementary materials developed by us and can be used to count toward the BC high school diploma. For students who are not ready for the English intensive environment of the full BC high school program, we offer ESL courses which allow them to earn elective credits towards their BC high school diploma while increasing their English proficiency in an academically-motivated environment.

In addition to developing language acquisition skills, the required English courses expose students to Western literature and culture. Elective courses in areas such as art and drama cultivate individual creativity in our students and are intended to broaden their exposure to Western culture, better preparing them for studying in universities and colleges abroad. We also encourage our students to explore and develop potential career interests while in school and provide a “personal planning” class to our grade 10 students so that they can begin to explore possible future avenues of study and career options.

### *Memoranda of Understanding with Universities and Colleges Abroad*

We currently have over 50 memoranda of understanding in place with different universities and colleges abroad to facilitate the admissions process for our high school graduates. We believe that each memorandum serves to help the partner university/college appreciate our solid bi-cultural academic program and the high level of our students’ English language proficiency and facilitate the early admissions process by encouraging early contacts between our high school students and the university/college. We also believe that these memoranda help overseas universities and colleges familiarize themselves with our schools and accommodate the advantages of recruiting our high school graduates for their entering first-year classes.

### *Assessment and Grading*

We tailor our assessment and grading system to ensure that the grades our students receive properly reflect their academic performances. The final grades of our students are a combination of marks given for classwork,

## BUSINESS

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homework, tests, quizzes, reports, the final exam results and the BC provincial exam results. As required by the BC Global Gradation Program, students must obtain a minimum grade of 50% to pass each course. We require our BC-certified teachers to strictly follow our policy that in marking school work and exams, our students must be assessed under the same grading standards applicable to native Canadian students.

### *Student Placements*

As the English skills of our admitted students vary significantly, we accommodate our students’ learning abilities by placing them into one of the three program streams based on the results of their English language assessments:

- *Foundations Program.* Students in the Foundations Program are typically able to communicate in English orally but need to develop the necessary language skills to read, write and communicate in an academic high school classroom. Students placed in this program take one BC course, one PRC course and three ESL courses every semester.
- *Bridging Program.* Students in the Bridging Program generally are able to read and write English, but need to develop the vocabulary and fluency necessary for success in the academic subjects in the BC high school program. Students placed in this program take two BC courses, one PRC course and two ESL courses every semester.
- *Full BC Program.* Students in the Full BC Program take four BC courses and one PRC course every semester.

After a period of study, some students in the Foundations or Bridging Program may show significant improvement in their learning abilities and language skills. We transfer such students to a more advanced program if we find that they are able to adapt to a more intensive class schedule.

### *Single Gender Education*

Beginning in the 2009/2010 school year, we introduced single-gender education programs in our Dalian high school and middle school. Such separation of genders is intended to improve the academic performance of our students by taking into account the subtleties of gender differences in learning, and designing tailored learning opportunities for male and female students. Some of our classes are offered exclusively to students in one gender. Some select classes, as well as social events, are co-educational. We believe that such single gender education programs will lead to improvements in student academic performances as measured by test scores, graduation rates, and are solutions to behavioral difficulties for both male and female students. Since their inception, our single-gender programs at the Dalian campus have been well received by a majority of our parents, especially parents of female students.

### *Counselors*

We have a team of counselors to provide care, support and guidance to our students. Our counselors are teachers that do not instruct, and they work with our students outside of the classroom, overseeing their independent study and their extracurricular activities. Our counselors communicate with BC-certified teachers regarding our students’ in-class performance and serve as a bridge between the students and the faculty. Our counselors also take care of our students’ daily life issues, resolving disputes between students and acting as liaison between schools and parents. Our counselors play an important role in helping to prepare our students to meet the challenges they will encounter when they go off to university and college studies overseas.

### *Academic Advising*

We provide academic advice and guidance to our students at each of our high schools. We believe that the success of our students in an overseas undergraduate program requires more than just earning a high school diploma from a Canadian program or getting the right score on an English proficiency test. We believe that success in a university or college takes preparation, understanding and academic development. We employ

## BUSINESS

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Canadian academic advisors on each of our high school campuses to meet one-on-one with our students regularly. Our academic advising begins in grade 10, with discussions about student interests and program selection. Our advisors supervise the academic performance of each student, identifying and resolving their concerns. They build strong relationships with our students throughout their high school years through regular discussions and follow-ups concerning their academic performance, grades and course selection. We also conduct surveys to enable our advisors to ensure that our students are aware of the processes and requirements necessary to graduate and receive the BC high school diploma.

### *Annual University and College Recruitment Fair*

We host a university and college recruitment fair in each of our high schools in November every year. We selectively invite about 60 foreign post-secondary institutions to tour our campuses in China and meet face-to-face with our students and their parents. The schools we select are varied, including some of the world’s top ranked large research universities, some small and medium sized undergraduate universities and colleges, and a number of renowned specialty institutions in the arts, technologies and hospitality. For example, approximately 57 post-secondary educational institutions from Canada, Australia, Denmark, Switzerland, the UK and the United States attended our ninth annual university and college fair held in Dalian, Wuhan, Tianjin, Chongqing and Zhenjiang in November 2013. To facilitate their candidacy at the visiting institutions, our grade 12 students will have received their first official BCMOE interim transcript showing their current academic standing before the recruitment fairs. We also encourage our grade 10 and 11 students to visit the fairs and start planning for their post-secondary paths upon graduation. We believe that our recruitment fairs provide an excellent opportunity for post-secondary institution representatives to begin a conversation with those of our students who will soon be seeking an undergraduate program.

### **Maple Leaf Middle Schools and Elementary Schools**

As of the Latest Practicable Date, we operated 10 middle schools which are located in Tianjin, Wuhan, Dalian, Chongqing, Zhenjiang, Luoyang, Ordos, Pingdingshan and Shanghai, and nine elementary schools in Tianjin, Dalian, Wuhan, Zhenjiang, Luoyang, Ordos, Pingdingshan and Chongqing. As of May 31, 2014, our middle schools had a total of approximately 2,926 students and our elementary schools had a total of approximately 2,711 students.

Our middle schools focus on nurturing positive personal and academic development by guiding our students to acquire good learning skills, good living skills and good personal conduct. We carefully tailor our middle school program in alignment with the BC program offered in our high schools, with a focus on the all-around development of students and an emphasis on academic English development. Our middle schools offer the full middle school curriculum required by the PRC compulsory education system as well as English enhancement classes taught by ESL teachers. We believe that our middle school program addresses students’ individual needs while setting a solid foundation for their academic development and ensuring smooth transition into our high schools.

Our elementary schools focus on developing a learning environment that leads to a lifelong desire to learn. We believe that our courses represent a combination of the solid academic foundation of the PRC compulsory education curriculum with our outstanding Maple Leaf English curriculum. Our elementary school program implements an active and engaging learning model that includes a focus on the arts and traditional Chinese culture. Our elementary school program provides our students the pathway to succeed through our middle schools and high schools. As our students in grades one to three are too young to fully adapt to the boarding environment, we assign child care supervisors to help them manage their daily life, ensuring that they gradually learn to take care of themselves and at the same time enjoy their time in our elementary school program. As our elementary and middle school course materials must fulfill the strict requirements imposed by the MOE as part of the nine-year compulsory education system, we have carefully designed our supplementary course materials to infuse Western educational philosophy into standard Chinese course offerings. We have developed our own set



## BUSINESS

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of supplementary course materials for use in our elementary and middle schools. With the help of various Chinese and Western education experts, we have combined the positive characteristics of Canadian elementary and middle school textbooks while, at the same time, taking into consideration the cultural and educational background of PRC students. We believe these materials are innovative, reader-friendly and content-rich; and they are adopted by our schools to supplement the education materials mandated under the PRC compulsory education system.

We emphasize an English-intensive education system throughout our school network. We have developed our own model for ESL teaching at the elementary and middle school levels and our own textbooks and learning materials, Maple Leaf English and Maple Leaf English for Young Learners. Our ESL model includes the important areas of listening, speaking, reading, writing and grammar. Through our teaching methods and our instructional materials we aim to teach our students to think in English as preparation for learning in English in their studies at our high schools. At the elementary and middle school levels our students take at least 12 English classes each week with half of those taught by native English speakers. Some of our ESL teachers hold education degrees.

### Maple Leaf Preschools

As of the Latest Practicable Date, we had 12 preschools, 10 of which are located in Dalian and the remaining two in Ordos and Pingdingshan. As of May 31, 2014, our preschools had a total of approximately 1,702 students. We select our preschool locations by considering certain criteria, including the size of the potential student pool and the number of target families in a given area, as well as the availability of reasonably priced rental space.

Our preschools focus on developing an active and healthy learning environment that helps develop an inquisitive mind and emphasize fun in the process of learning. In our preschools, we blend elements of traditional Chinese culture with western cultural awareness and attempt to immerse our students in the English language at an early age through English classes and activities designed to emphasize early and significant exposure to a bilingual environment. In addition, our preschools are designed to encourage creative thinking, building independent problem-solving skills and instilling confidence in children at an early age.

### Maple Leaf Foreign Schools

As of the Latest Practicable Date, we had two foreign national schools in Dalian and Wuhan, respectively. As of May 31, 2014, our Foreign Schools had a combined total of approximately 217 students. We believe that our Foreign Schools offer a positive and engaging learning environment in an all-English, Canadian education program. Enrollment at our Foreign Schools is open to all students from pre-school through grade nine who are foreign nationals. Our foreign national school program has been granted certification status under the British Columbia Global Education Program — Offshore Schools and all teachers and principals are BC-certified educators. Our Foreign Schools offer a diverse environment designed to enrich and support the development of students from international families living in China and students who are about to immigrate to a foreign country.

The core curriculum in our Foreign Schools includes math, science, social studies and language arts. In addition to the required second language, students must take courses in applied skills, health, career and personal planning, and fine arts, as well as meet the BC requirement of 30 minutes of physical activity each day. Learning is enhanced by offering small classes with 18 or fewer students, ensuring that each student receives a high level of individual attention. Teachers are also provided with teaching assistants to ensure enhanced learning opportunities for all students.

For some of our foreign national students, English is their second language and Chinese their third. We provide language tutoring for students tailored to their individual needs. Our quality educational program includes both ESL classes to support students who are not native English speakers and daily Chinese classes to help international students develop academic Mandarin proficiency. Our foreign national school students use teaching materials developed by our teachers in the ESL and Chinese classes.

## BUSINESS

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### Maple Leaf Schools and Campuses under Development

With an increasing demand of PRC parents for quality international education that paves a pathway to post-secondary educational institutions overseas, we have experienced significant growth and a pressure on certain schools’ capacities. As a result, we plan to expand operations in our existing campuses and establish schools in other geographic locations both in and outside of China.

To better identify new locations for the expansion of our schools, we formed a development committee that meets monthly to discuss potential new opportunities. The process we go through in identifying and deciding on a new school location includes ordering and conducting market research, discussing project feasibility, determining target school locations, deciding on whether to build our own schools or find local partners, discussing terms of school setup with any counterparties, signing agreements and appointing an operations team for the new school. Among the various factors we take into consideration in selecting school locations, the expansion potential of a school site is something that we view as a key issue. On some of our existing campuses we reserve undeveloped lands on which we plan to construct various types of facilities to increase the capacity of these campuses. For our recently established campuses, we usually divide the sites into two areas and only complete the construction on one area upon school opening. We will consider commencing construction on the other area following increase in the student enrollment on these campuses. For example, we have purchased land adjoining our exiting campuses in Shanghai and Zhenjiang and plan to start constructing new schools on such land once the existing Shanghai and Zhenjiang campuses approach their full capacity.

We also aim to explore opportunities in new geographic locations and gradually expand our operations to more cities in China and abroad. Once we enter into a new geographic market, we first focus on establishing a high school, and gradually build out one or more sets of middle and elementary schools to provide a pipeline of students for our high school. We assign experienced mid-level managers in our established schools, such as headmasters, curriculum chancellors and academic directors, to develop and operate our new schools. We usually transfer BC-certified teachers from our established schools to the new schools and hire other teachers and staff locally.

We have cooperated with third parties, in particular, local governments, to jointly develop new schools. Under the recent cooperation agreements we have entered into, the third parties are responsible for acquiring campus sites and building school premises.

On July 10, 2013 and April 1, 2014, we entered into a cooperation agreement and a supplemental agreement, respectively, with Henan Shangxuetang Co. Ltd. (“**Shangxuetang Co.**”) to jointly develop bilingual middle and elementary schools in Pingdingshan, Henan. Under the agreements, Shangxuetang Co. will construct the school premises with a capacity of 2,000 students for our Pingdingshan schools. Shangxuetang Co. will grant us the right to use the campus site and the school premises in exchange for an administration fee, the calculation of which is based on our Pingdingshan schools’ disposable profit in the prior financial year. Shangxuetang Co. also agreed to assist us to obtain the requisite approvals, licenses and permits. We are responsible for the recruitment of teachers, other teaching staff and administrative staff. Under the cooperation agreement, we are the sole sponsor of our schools and will be in complete charge of the school operation. We opened our middle school, elementary school and preschool in Pingdingshan in September 2014.

On April 25, 2014, we entered into a cooperation agreement with the Tianjin Binhai High-Tech Industrial Development Zone Administration Committee (the “**Tianjin Committee**”) to jointly develop bilingual middle school, elementary school and preschool in Tianjin. Under the agreement, the Tianjin Committee will construct the school premises with a capacity of 1,600 students for our new schools on the Huayuan Campus in Tianjin. The Tianjin Committee will grant us the right to use the campus site and the school premises in exchange for a rent, the calculation of which will be based on the number of students enrolled at our new schools in Tianjin. The cooperation agreement provides that we will enjoy a rent-free period of five years. We are responsible for the

## BUSINESS

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renovation and upgrade of the school premises and the recruitment of teachers, other teaching staff and administrative staff. Under the cooperation agreement, we are the sole sponsor of our schools and will be in complete charge of the school operation. We opened our middle school and elementary school on the Huayuan campus in Tianjin in September 2014.

On July 11, 2014, we entered into a cooperation agreement with the Shaanxi Xixian New District Administration Committee (the “**Xixian Committee**”) to jointly develop bilingual high, middle, elementary and foreign national schools in Xi’an, Shaanxi. Under the agreement, the Xixian Committee will construct the school premises and contribute the land use right to the campus site and the school premises to the Xi’an schools, and we are responsible for the recruitment of teachers, other teaching staff and administrative staff and the management of the schools. The Xixian Committee and we will coordinate to obtain the requisite approvals, licenses and permits. The Xixian Committee is entitled to receive an administration fee, the calculation of which is based on our Xi’an schools’ disposable profit in the prior financial year. Under the cooperation agreement, we are the sole sponsor of our schools and will be in complete charge of the school operation.

On July 18, 2014, we entered into a cooperation agreement with Zhejiang Pinghu Economic and Technical Development Zone Administration Committee (the “**Pinghu Committee**”) to jointly develop bilingual middle school, elementary school and preschool in Pinghu, Zhejiang. Under the agreement, the Pinghu Committee will construct the school premises with a capacity of 2,000 students to our Pinghu schools and contribute the land use right to the campus site and the school premises to the Pinghu schools. The Pinghu Committee also agreed to assist us to obtain the requisite approvals, licenses and permits. The Pinghu Committee is entitled to receive an administration fee, the calculation of which is based on our Pinghu schools’ disposable profit in the prior financial year. We are responsible for the recruitment of teachers, other teaching staff and administrative staff. Under the cooperation agreement, we are the sole sponsor of our schools and will be in complete charge of the school operation.

On September 25, 2014, we entered into a cooperation agreement with the Yiwu government to jointly develop bilingual schools on two campuses (one campus for a high school and a Foreign School, the other for a middle school, an elementary school and a preschool) in Yiwu, Zhejiang. Under the agreement, with respect to the high school and Foreign School, the Yiwu government will grant us the right to use the campus site and the school premises and obtain the requisite approvals, licenses and permits for us. The Yiwu government is entitled to receive an administration fee, the calculation of which is based on the disposable profit of our Yiwu high school and Foreign School in the prior financial year. With respect to the middle school, elementary school and preschool, the Yiwu government will provide us the land use right to the campus site for free and assist us to obtain the requisite approvals, licenses and permits. We will construct the school premises for the middle school, elementary school and preschool. Under the cooperation agreement, we are the sole sponsor of all of our Yiwu schools and will be in complete charge of the school operation.

We also plan to carry out part of our future expansion plan under an asset-light approach by partnering with third parties to develop new schools. We negotiated with local governments in South Korea to explore an expansion opportunity in Suncheon City, South Korea.

After deciding on the location and operating model of a new school, our operations team proceeds to design and construct the school, arrange for the necessary facilities and equipment, obtain the necessary licenses and approvals and formulate an effective teaching plan. The operations team typically consists of a headmaster, an academic director, an English teaching director, and admissions director, a general affairs director and a financial officer. Our marketing team formulates a tailored marketing plan for the school and provides training to our operations team to maximize local promotion and teachers and student recruitment for the school. It typically takes approximately 18 to 24 months for us to proceed from identifying a new school location to admitting our first students on campus.

## BUSINESS

The following table sets forth certain addition information about our new campuses that opened in September 2014:

School	Maximum capacity for students	Investment budgets <sup>(1)</sup> (RMB'000)	Costs incurred <sup>(1)</sup> (RMB'000)	Source of funds
Tianjin (Huayuan campus) Middle school and elementary school	1,600	9,100	600	Self-owned capital and proceeds from the [REDACTED]
Pingdingshan, Henan Province Middle school, elementary school and preschool	2,000	0	0	—

(1) Related to capital expenditure only.

The following table sets forth certain additional information about our new campuses to be opened as of the Latest Practicable Date:

School	Status	Estimated school commencement date	Estimated maximum capacity for students	Investment budgets <sup>(1)</sup> (RMB'000)	Costs incurred <sup>(1)</sup> (RMB'000)	Source of funds
Pinghu, Zhejiang Province Middle school Elementary school Preschool	Under planning Under planning Under planning	September 1, 2016 September 1, 2016 September 1, 2016	800 900 300	12,040	0	Self-owned capital and proceeds from the [REDACTED]
Yiwu, Zhejiang Province High school and foreign national school Middle school, elementary school and preschool	Under planning Under planning	September 1, 2015 September 1, 2016	1,400–1,800 1,800	14,160 137,900	0 0	Self-owned capital and proceeds from the [REDACTED]
Xi'an, Shaanxi Province High school, middle school, elementary school and foreign national school	Under planning	September 1, 2016– September 1, 2017	3,500–4,000	23,660	0	Self-owned capital and proceeds from the [REDACTED]

(1) Related to capital expenditure only.

In addition to expanding our existing campuses and developing new campuses, we also plan to make use of the vacant premises on some of our existing campuses by opening new schools. We opened a middle school on our Shanghai campus and an elementary school on our Chongqing campus in September 2014, which we believe will enable us to increase the utilization rates of these two campuses.

## OTHER SERVICES

We aim to provide an inclusive system of academic and outreach programs that are designed to work together to provide all of our students with access to a diverse range of experiences, including networking, character development and cultural exploration. We have put in place the following services to encourage and support the success of our students, as well as our innovative English intensive dual-diploma program.

Our revenue for other services is recognized when the related services are rendered. See the section headed “Financial Information — Critical Accounting Policies — Revenue Recognition” in this [REDACTED]. As a result, our revenue from other services is subject to seasonal fluctuations.

## Summer and Winter Camps

We believe that one of the greatest challenges for our students is to develop fluency in English, and that our students can learn English more effectively through an educational camp in Canada, Australia or the United

## **BUSINESS**

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States. We therefore have developed partnerships with foreign universities and colleges that tailor programs and activities to improve our students’ English communication skills, expand their knowledge and develop a familiarity with university and college environments and western cultural diversity. For our students in grades nine and below we organize English immersion camps overseas in Canada, Australia and the United States. These camps are typically two weeks long and take place on college or university campuses with classes, games and excursions. For our high school students we offer university tour camps that are usually also two weeks long. Participants will visit different universities during the tour. These visits help our student to get a feel for the campuses, talk with admissions officers and spend time with our alumni currently studying at each university.

Through our camps, many students have visited post-secondary institutions in different countries such as Canada, Australia and the United States. We have also recently added summer camps in South Korea. Some of the university tour camps include a homestay, which allows the participants to get an inside look at Western family dynamics and form supportive friendships while improving English fluency. We send our teachers to escort our students during their tours. By participating in the summer and winter camps, we believe that our students not only broaden their horizons and improve their English, but also clarify their academic goals and enhance their motivation.

### **Graduation Consulting Center**

We have graduation consulting centers and employ a team of graduation consultants. Our graduation centers provide an important link between our students, the universities and colleges they are applying to, and the embassies and consulates issuing student visas. Our on-campus consultants provide confidential services for our students and parents. They assist our high school students with their university and college applications and guide them through the admissions process for overseas post-secondary institutions. Our consultants maintain close relationships with many post-secondary institutions to which our students apply and arrange campus visits and information sessions for college and university representatives to facilitate their meetings with our student applicants. They also provide college/university and career counseling advice to help our students make informed decisions.

In addition, our academic advisors are in contact with admissions officers of overseas post-secondary institutions to which our students apply. They ensure completion of application documents and receipt of reference letters. They also help our students with the immigration process for overseas studies, and provide services such as obtaining visas, scholarships and off-campus housing. We believe that the services of our consultants ensure a smooth transition for our students from our high schools to post-secondary studies. In 2013, over 80% of our high schools students chose to use the services provided by our graduation consulting centers for their applications. We charge each student a fee based on the scope of consulting services requested by the student and enter into contractual arrangements with individual students and their parents requesting such services.

### **Orca Center**

In June 2013, we established the Maple Leaf Orca Center, which focuses on the development of high-end educational services and products. Our Orca Center offers the Orca program, which targets our students who aim to enroll in leading universities in the world. The Orca program provides them personalized college counseling services and helps them obtain offers and financial aid from top universities. We typically go through several rounds of interviews and evaluations of candidates recommended by our high schools and place no more than 10 students into the Orca program. For students admitted into the program, we assign mentors who design tailored extracurricular activities and advise them on their university/college applications to enhance their competitiveness. As of June 30, 2014, through the Orca program, we assisted one student in getting an offer from the University College London.

The Orca Center also cooperates with Ameson Education and Culture Exchange Foundation to select candidates for the University of Cambridge, and offers selected students opportunities to attend events organized by the



## BUSINESS

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world’s top 10 universities, such as the Harvard Summit for Young Leaders of China. Furthermore, our Orca Center provides on-campus SAT training and test taker escorting services to our students who are interested in applying universities/colleges in the United States.

### OUR STUDENTS

We seek students who are broad-minded, eager to embrace cultures and change, and enthusiastic about learning and expanding their academic horizons. For the financial years ended August 31, 2011, 2012 and 2013 and the nine months ended May 31, 2014, our revenue per student was approximately RMB37,949, RMB39,343, RMB40,286 and RMB27,160, respectively.

#### Our High School Students

We target our efforts to recruit high school students who seek a blend of Chinese and Western education and who are interested in attending colleges and universities outside of China. As of June 30, 2014, our high school students were primarily Chinese nationals, with the remaining approximately 3.6% being international students.

Our high school admissions process is selective and seeks to enroll students with strong English skills and high learning potential. We implement the same admissions standards in all of our high schools to ensure fair and consistent admissions results. Admissions to our high schools require successful completion of grade nine in the middle school program and passing the Entrance Exam with a high score. In general, applicants who received 75% or more on the Entrance Exam would be admitted into our high school program directly. Applicants who scored below 75% on the Entrance Exam will have to take admission tests designed by each school. The tests consist of one paper exam on English and one paper exam on math. For applications from transfer students, we test their English skills and take into account various other factors, especially their academic performances in the last attended high schools.

In the 2010/2011, 2011/2012 and 2012/2013 school years, based on our estimates, our high school graduates were admitted to over 239 universities and colleges in over 15 countries and regions around the world, primarily in Canada and the United States, which represents over 60% and 15% of our total high school graduates, respectively. Most of the Chinese national students of our high schools who graduated in these three school years chose to study abroad, but some of our international students applied to universities and colleges in China. In the same school years, based on our estimates, approximately 44%, 38% and 47% of our high school graduates, respectively, were admitted to the World Top 100 Universities.

As of May 31, 2014, we had over 5,903 high school graduates. We have established the Global Alumni Association of Maple Leaf International Schools. We strongly encourage our graduates to actively take part in the networking activities and other initiatives organized by our alumni association. We have established local branches of our alumni association in Toronto, Vancouver and Dalian. In addition, we plan to start new branches in more cities, such as Boston and Edmonton. With the annual increase in the number of our graduates, we believe that our alumni association will better serve and respond to the needs of our alumni globally. Our growing student alumni network also provides support to our schools in numerous ways, including in the areas of student recruitment and teaching staff recruitment.

#### Our Middle School and Elementary School Students

Our middle and elementary schools endeavor to enroll students who seek an interactive and vigorous learning environment with an emphasis on academic English development and who are interested in attending our high schools or high schools overseas. As of June 30, 2014, our middle school and elementary school students mostly consisted of Chinese nationals and had approximately 3.9% international students. We apply standardized admissions criteria in all of our middle and elementary schools, requesting applicants in grade three or below to go through an interview process and applicants starting from grade four to go through both interviews and written

## **BUSINESS**

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admission assessment exams. In each of the 2010/2011, 2011/2012 and 2012/2013 school years, over 70% of our elementary school graduates enrolled in our middle school programs, and over 70% of our middle school graduates chose to attend our high schools.

### **Our Foreign National School Students**

Our Foreign Schools have the authority to offer educational programs at the school leading to British Columbia Certificates of Graduation and provides a full K-9 curriculum to foreign students. As of May 31, 2014, we had approximately 200 students in our Foreign Schools that come from 36 countries and regions, including the United States, Canada, South Korea, Mongolia, Kazakhstan, Japan and Russia.

### **MARKETING AND STUDENT RECRUITMENT**

We employ a range of marketing and recruiting methods to attract students and increase enrollment at our schools. Historically, our student enrollment has been driven primarily by word-of-mouth referrals. We believe that one of the best student recruitment tools we have is a strong education program that consistently improves and challenges our students. We believe that parents who are satisfied with our services will naturally express their satisfaction to people around them, who are often have strong interest in sending their children to study overseas as well. Our student enrollment has benefited and will continue to benefit from referrals by our extensive network of students, parents and alumni satisfied with the high-quality education that we offer.

We promote our brand and recruit students through our on-campus student recruitment offices. As of May 31, 2014, we had more than nine on-campus student recruitment offices with a total of 51 recruiting staff. Each of our recruiting staff must go through marketing training sessions and is responsible for answering inquiries made by interested parents and holding promotional events to attract new students.

We also carry out our marketing activities through third-party recruiting agents. As of May 31, 2014, we had engaged approximately 119 third-party individual agents and 36 third-party recruiting offices located throughout China. These recruiting agents acted as independent contractors on a commission basis to market our schools in various geographic regions, introduce our schools to local parents and recruit new students. Under our agreements with them, each agent is paid a commission for every student who successfully passes through the interview process and enrolls at one of our schools.

We increase the awareness of our “Maple Leaf” brand by inviting our parents, the media, the officials of local educational authorities, the public and sometimes BC government officials to attend our annual university and college recruitment fairs and other on-campus events and communicate with our students and teachers face-to-face. For example, a number of reporters and government officials were invited to our ninth annual recruitment fair held in Dalian, Wuhan, Tianjin, Chongqing and Zhenjiang in November 2013, which was covered by various newspapers and other media and successfully promoted our high schools. We also plan to utilize new and targeted marketing techniques, such as Internet marketing, targeting potential students and their parents and offering individual informational meetings. In addition, we plan to increase our school utilization by providing additional programs such as summer and winter classes at our existing campuses outside regular school hours.

As of May 31, 2014, we had approximately 42 sales and marketing personnel who actively promoted and increased student enrollment in existing schools. Our sales and marketing personnel work on campus, answering inquiries of the parents who are interested in our schools and holding marketing events to present our programs to interested parents.

### **TEACHERS AND TEACHER RECRUITMENT**

We believe that our team of dedicated and capable teachers has been crucial to our success. Our BC-certified teachers form a core group within our teaching staff, allowing us to maintain the quality of our educational

## BUSINESS

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services while undergoing expansion. As an operator of private schools, we can provide better incentives to independently recruit qualified teachers who fit our hiring criteria and can thrive in our schools. Teachers are the key to maintaining high-quality educational programs and services as well as maintaining our brand and reputation. Our aim is to continue hiring teachers with a strong command of their respective subject areas who are open to innovative teaching methods.

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. Our BC-certified teachers accounted for about 70% of our high school teachers as of May 31, 2014. Most of our teachers are full-time teachers. As of the end of the 2010/2011, 2011/2012 and 2012/2013 school years and the nine months ended May 31, 2014, our part-time teachers accounted for approximately 5%, 5%, 4% and 3% of the total number of our teachers, respectively. For each of the financial years ended August 31, 2011, 2012 and 2013 and the nine months ended May 31, 2014, staff costs in relation to our part-time teachers amounted to less than 2% of our total staff costs. All of our courses required under the BC curriculum are taught by BC-certified teachers in English. All of our BC-certified teachers are certified by the BCMOE. They must submit their credentials for evaluation by either of the aforementioned BC certification bodies before becoming BC-certified. All of our courses required for PRC diplomas are taught by PRC-certified teachers in Chinese. Our PRC-certified teachers obtain certification with relevant local educational authorities in China after passing applicable tests. Our ESL teachers are neither PRC-certified nor BC-certified. They hold ESL certificates and train our students to improve their English proficiency.

We seek to employ teachers who have strong commands of the subject areas they teach, sound social and communication skills and who are open to new educational theories and creative teaching methods which we may implement from time to time. Before hiring each teacher, we usually consider his or her transcript, graduation certificate and reference letters as well as his or her performance in the interview. All of our PRC-certified teachers are recruited from within China by each school, and our BC-certified teachers are mainly recruited from Canada through third-party recruiters. We also conduct background checks for our candidates during the recruiting process and include the background check results in each candidate’s assessment report. Such assessment report will be reviewed by management at both the school level and the group level before a hiring decision is made.

We strive to attract teaching talent for our schools. 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. We offer a comprehensive benefits package, including return airfare, children tuition discount and orientation to attract BC-certified teachers. Our scale also allows us to provide our BC-certified teachers with the opportunity to work on different campuses within our school network and enjoy diversified experiences and cultural exposure during their stay in China. In addition, we endeavor to help our new BC-certified teachers to familiarize themselves with the daily life in China. Our employment agreements for BC-certified teachers have initial terms of two years. After the initial two years, each teacher may extend his or her contract by one year or negotiate and sign another two-year contract with us. We generally enter into a three-year employment contract with these teachers.

We provide orientation for our new BC-certified teachers which covers logistics of the schools we operate. We also implement ongoing monitoring and evaluation procedures for our teachers. During the school year, we monitor the teaching quality of our teachers and conduct evaluations of our teachers from time to time. Our teachers may meet with experienced staff members as well as each other to discuss ways to improve classroom teaching and student learning.

## BUSINESS

The following table sets forth the approximate numbers of our teachers as of the dates specified:

	June 30,			May 31,
	2011	2012	2013	2014
<b>High, middle and elementary schools and Foreign Schools</b>				
BC-certified teachers .....	211	246	266	306
PRC-certified teachers .....	404	528	651	834
ESL teachers .....	23	28	49	56
Subtotal .....	638	802	966	1,196
<b>Preschools</b>				
Teachers qualified in childcare .....	61	61	70	76
<b>Total</b> .....	<u>699</u>	<u>863</u>	<u>1,036</u>	<u>1,272</u>

## COMPETITION

The education sector in China is rapidly evolving, highly fragmented and competitive, and we expect competition in this sector to persist and intensify. We face competition in each geographic market in which we operate. In particular, we compete with public schools and other private schools that offer bilingual programs to students. We believe that the principal competitive factors in our relevant markets include the following:

- brand recognition;
- reputation of the BC high school diploma, the BC Global Education Program or BC education as a whole and popularity of the BC high school diploma;
- popularity of other international high school diplomas;
- foreign universities’ level of acceptance/recognition of the BC high school diploma and other high school diplomas;
- scope and quality of programs, services and product offerings;
- overall student experience;
- ability to effectively market programs, services and products to a broad base of prospective students;
- ability to attract and retain qualified certified teachers; and
- alignment of programs, services and products catering to specific needs of students, parents, educators and employers.

We believe that our primary competitive advantages are our well-known “Maple Leaf” brand, our innovative and inspirational instruction methods and the high quality of our programs, services and products. In the 2012/2013 school year, based on our estimates, approximately 47% of our high school graduates, respectively, were admitted to the World Top 100 Universities, which according to the Frost & Sullivan Report is the highest ratio among the top five international high schools in China in the 2012/2013 school year. However, some of our existing and potential competitors may have more resources than we do, and may be able to devote greater resources than we can to the development, promotion and sale of their programs, services and products and respond more quickly than we can to changes in student demands, testing materials, admissions standards, market needs or new technology. In addition, we face competition from a variety of smaller-sized organizations that focus on some of our targeted geographical markets, and they may be able to respond more promptly to changes in student preferences in these markets. See the sections headed “Risk Factors — Risks Relating to Our Business and Our Industry — 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” and “Industry Overview” in this [REDACTED].

## BUSINESS

### EMPLOYEES

We had approximately 2,528 employees as of May 31, 2014. All of our employees are located at our campuses in China.

The following table sets forth the approximate numbers of our employees categorized by function in each of the periods ended:

Types of Employees	June 30,			May 31,
	2011	2012	2013	2014
Management . . . . .	63	28	34	31
Administrators . . . . .	472	447	599	689
Sales and marketing . . . . .	25	31	63	51
Teachers and other teaching staff . . . . .	1,127	1,336	1,504	1,757
Total . . . . .	1,687	1,842	2,200	2,528

As required by regulations in China, we participate in various employee social security plans that are administered by municipal and provincial governments, including housing, pension, medical insurance and unemployment insurance. For more information about our compliance with the relevant social insurance and housing provident fund regulations, see the section headed “Business — Legal Proceedings and Compliance” in this [REDACTED]. We believe that we maintain a good working relationship with our employees, and we have not experienced any material labor disputes.

### INTELLECTUAL PROPERTY

Given the importance of the “Maple Leaf” brand to our business, our intellectual property is an important element of our business. As of the Latest Practicable Date, we had registered one trademark and two active domain names in the PRC and one trademark in Hong Kong. For detailed information about our intellectual property, see the section headed “Appendix VI — Statutory and General Information — Intellectual Property Rights of Our Group” to this [REDACTED].

We rely on trademarks and other intellectual property laws to protect our intellectual property rights. We send cease-and-desist letters to any instance of copyright infringement when we find where third parties make unauthorized use of our trademarks. The employment agreements with our employees also contain standard provisions for the confidential use of our intellectual properties and provided that we entitled to have the ownership of all the “work for hire” intellectual properties developed by its employees. For risks and uncertainties associated with our intellectual property, see the section headed “Risk Factors — Risks Relating to Our Business and Our Industry — 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” in this [REDACTED].

As of the Latest Practicable Date, we had not received any intellectual infringement-related complaints or claims against us. However, we cannot assure you that we will not encounter disputes from time to time over rights and obligations concerning intellectual property. See the section headed “Risk Factors — Risks Relating to Our Business and Our Industry — We may encounter disputes from time to time relating to the intellectual property of third parties” in this [REDACTED]. Copyright, trademark or trade name infringing activities by a teacher or employee is subject to disciplinary action and such behaviors would be considered in the annual evaluation of such teacher or employee.



## BUSINESS

### CUSTOMERS AND SUPPLIERS

Our customers primarily consist of our students and their parents or other sponsors. We did not have a single customer who accounted for more than 5% of our revenue for each of the financial years ended August 31, 2011, 2012 and 2013 and the nine months ended May 31, 2014.

Our suppliers primarily comprise of travel agencies, construction material providers, electronics vendors and technology system vendors. For each of the three years ended August 31, 2011, 2012 and 2013, and the nine months ended May 31, 2014, our five largest suppliers in aggregate accounted for 6.9%, 7.8%, 8.2% and 3.6%, respectively, of our cost of revenue. During the same periods, our largest supplier accounted for 2.6%, 2.6%, 3.8% and 0.9%, respectively, of our cost of revenue. None of our Directors, their respective associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, has any interest in any of our five largest suppliers during the Track Record Period and up to the Latest Practicable Date.

### PROPERTIES

We own all the land use rights to our campuses in Dalian, Wuhan, Tianjin, Chongqing, Zhenjiang, and Shanghai, which cover all of our schools in operation in these cities, except for our preschools and Foreign Schools and all the school premises in those campuses. The land use rights we have acquired are generally valid for a period of fifty years starting from the date of grant. In addition, we develop certain of our schools in accordance with cooperation agreements with third parties, under which the third parties have agreed to grant us the right to use the campus sites and the school premises. For more information about these schools, see the section headed “— Our Schools” in this [REDACTED]. For risks and uncertainties associated with our cooperation with local governments, see the section headed “Risk Factors — Risks Relating to Our Business and Our Industry — We develop certain of our schools in accordance with our cooperation agreements with third parties, under which the third parties grant us the right to use the campus sites and the school premise” in this [REDACTED]. We believe that our existing campuses and campuses under construction are adequate for our current and foreseeable requirements.

The following table sets out a summary of the site area and gross floor area of the campuses we owned as of May 31, 2014:

	Site area (sqm)	Gross floor area (sqm)
Dalian		
Main campus (high school and middle school) <sup>(1)</sup> . . . . .	232,554	160,723.68
Elementary school . . . . .	14,612	20,695.91
Wuhan (high school, middle school, elementary school and foreign national school) <sup>(2)</sup> . . . . .	225,549	105,259.54
Tianjin (high school, middle school and elementary school) . . . . .	104,689	75,655.63
Chongqing (high school and middle school) . . . . .	142,951	46,959.54
Zhenjiang . . . . .	60,226.6	41,091.92
Shanghai <sup>(3)</sup> . . . . .	87,973	37,672.94
Total . . . . .	868,554.6	488,059.16

(1) As of the Latest Practicable Date, we had not obtained the building ownership certificates for certain school premises on our Dalian campus, which have been put into use and cover an aggregate gross floor area of 34,814.56 square meters. In addition, we had not passed the environmental assessments, fire control assessments and construction completion inspections for certain premises on our Dalian campus, which have been put into use and cover an aggregate gross floor area of 327 square meters.

(2) As of the Latest Practicable Date, we had not passed the construction completion inspections for certain premises on our Wuhan campus, which have been put into use and cover an aggregate gross floor area of 32,173.6 square meters

(3) As of the Latest Practicable Date, we had not passed the construction completion inspections for all the school premises on our Shanghai campus, which have been put into use and cover an aggregate gross floor area of 37,672.94 square meters.

## BUSINESS

The following table sets out a summary of the gross floor area of the campuses that we had obtained the right to use as of May 31, 2014:

	Gross floor area (sqm)
Ordos (high school, middle school, elementary school and preschool) .....	20,237.35
Luoyang (middle school and elementary school) .....	81,067.84
Total .....	<u>101,305.19</u>

As of the Latest Practicable Date, we had not obtained the building ownership certificates for certain school premises on our Dalian campus, which have been put into use and cover an aggregate gross floor area of 34,814.56 square meters. Such failure was due to the relevant local government authorities’ delays in processing our building ownership certificate applications. Our PRC Legal Counsel does not find any major legal impediment to our ability to obtain building ownership certificates for these school premises on our Dalian campuses. Our PRC Legal Counsels has also advised us that, under applicable PRC laws and regulations, the fact that we do not have building ownership certificates for these school premises would not affect our usage of such premises as they have passed the construction completion inspection.

As of the Latest Practicable Date, we had not passed the environmental assessments, fire control assessments and construction completion inspections for certain premises on our Dalian campus, which have been put into use as mailroom and sewage treatment facilities and cover an aggregate gross floor area of 327 square meters. Such failure was due to our failure to obtain construction project planning permit or construction permit for those premises. In addition, as of the Latest Practicable Date, we had not passed the construction completion inspections for certain premises on our Wuhan campus, which have been put into use and cover an aggregate gross floor area of 32,173.6 square meters, and the construction completion inspections for all the school premises on our Shanghai campus, which have been put into use and cover an aggregate gross floor area of 37,672.94 square meters. Such failure was due to the relevant local government authorities’ delays in carrying out the assessments or inspections, or both. For risks and uncertainties associated with our failure to pass these assessments and inspections, see the section headed “Risk Factors — Risks Relating to Our Business and Our Industry — We are subject to extensive governmental approvals and compliance requirements for constructing and developing campuses and school premises” in this [REDACTED].

Our Directors are of the view that, our failure to obtain the environmental assessments, fire control assessments and/or construction completion inspections for the above school premises, either individually or collectively, is not material to our business operation, because (i) the affected school premises in Dalian have a very small gross floor area and are not used as teaching facilities or student dormitories; and (ii) the affected school premises in Wuhan and Shanghai will not be used during the summer break, which is between July 1 to August 31, 2014, and we expect to complete all the requisite assessments and inspections for these school premises by the end of 2014.

## BUSINESS

As of May 31, 2014, we leased school premises with an aggregate gross floor area of 20,030.9 square meters for our preschools in Dalian and Dalian Foreign School. The following table sets out a summary of properties we leased as of May 31, 2014:

	Gross floor area (sqm)
Dalian	
Dalian Foreign School	3,346.32
Jiabao preschool	1,045.8
Lanxi preschool	1,534
Fengqiao preschool	1,444
Jinhai preschool	1,440
Sunshine preschool	1,785.78
Xiangzhou Xincheng preschool	1,720
Qianshan Xincheng preschool	1,770.18
Kaifaqu preschool	2,344.82
Zhonghua Mingcheng preschool	2,400
Xianghe Huayuan preschool	1,200
Total	20,030.9

We have tried to verify the title and certification of each of our leased properties. However, some of the lessors refused to, or were unable to, provide us the valid land use rights certificates or building ownership certificates for the premises they leased to us. As of the Latest Practicable Date, we were unable to determine with complete certainty whether the lessors of Lanxi preschool, Xiangzhou Xincheng preschool, Jinhai preschool, Xianghe Huayuan preschool, Zhonghua Mingcheng preschool, Sunshine preschool and Dalian Foreign School hold good title and the right to lease those properties. The aggregate gross floor area of these properties is 13,426.1 square meters. 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. In addition, we have not registered most of our lease agreements with relevant government authorities. For a description of the risks and uncertainties associated with our leased properties, see the section headed “Risk Factors — Risks Relating to Our Business and Our Industry — Our legal right to lease certain properties could be challenged by property owners or other third parties” in this [REDACTED].

Our Directors are of the view that, these seven leased properties, either individually or collectively, are not material to our business operation, because (i) tuition from our preschools accounted for approximately 6.6%, 5.7%, 5.6% and 5.2% of our total revenue for the years ended August 31, 2011, 2012 and 2013 and the nine months ended May 31, 2014, respectively; and (ii) the aggregate student enrollment of the affected schools is less than 10% of the our entire student enrollment. Our Directors believe that we would not incur significant expenses if we are required to relocate the affected schools, and that our business operation would not be materially affected by such relocation.

## INSURANCE

We maintain various insurance policies to safeguard against risks and unexpected events. We purchased property insurance on the school facilities that we own legal titles to and the insurance policies cover losses due to fire, explosion and a wide range of human accidents. We also maintain school liability insurance for our schools and have procured student safety insurance coverage on behalf of students at our schools. We also provide social security insurance including pension insurance, unemployment insurance, work related injury insurance and medical insurance for our PRC employees. We consider our insurance coverage to be in line with that of other companies of similar size in the same industry in China. For risks associated with our insurance coverage, see the section headed “Risk Factors — Risks Relating to Our Business and Our Industry — We have limited insurance coverage” in this [REDACTED].

## BUSINESS

### HEALTH AND SAFETY MATTERS

We are dedicated to protecting the health and safety of our students. We have purchased insurance for our students as required under PRC laws and regulations. We also maintain a team of security guards at each of our campuses and require approvals from both counselors and parents before allowing our students to leave our schools. Our PRC Legal Counsel is of the opinion that, during the Track Record Period and up to the Latest Practicable Date, we had been in compliance with applicable PRC laws and regulations in all material respects relating to the protection of health or safety.

### LICENSES AND PERMITS

Our PRC counsel has advised us that, during the Track Record Period and up to the Latest Practicable Date, we had obtained most of the requisite licenses, approvals and permits from the relevant government authorities that are material for our business operations in China and such licenses, approvals and permits remained in full effect, and no circumstances existed that would render their revocation or cancellation. For risks and uncertainties associated with our licenses, approvals and permits, see the section headed “Risk Factors — Risks Relating to Our Business and Our Industry — 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” in this [REDACTED]. Our PRC counsel also advised that there was no legal impediment to renew such licenses, approvals and permits which had been obtained by us as of the Latest Practicable Date. The following table sets forth details of our material licenses and permits:

License/Permit	Holder	Granting Authority	Grant Date	Expiry Date
Private School Operating License	Dalian Maple Leaf High School	Liaoning Education Bureau	April 28, 2013	April 28, 2016
Private School Operating License	Dalian Maple Leaf International School (Middle School and Elementary School)	Dalian Jinzhouxin District Education Bureau	March 1, 2014	February 28, 2017
Private School Operating License	Wuhan Maple Leaf International School (High School)	Wuhan Education Bureau	March 31, 2010	N/A
Private School Operating License	Wuhan Maple Leaf School (Middle School and Elementary School)	Wuhan Donghu District Education Bureau	April 25, 2013	N/A
Private School Operating License	Chongqing Maple Leaf International School (High School, Middle School and Elementary School)	Chongqing Yongchuan District Education Bureau	March 27, 2014	May 31, 2018
Private School Operating License	Tianjin Taida Maple Leaf International School (High School, Middle School and Elementary School)	Tianjin Economic and Technical Development Zone Education Bureau	November 2012	December 2014

## BUSINESS

License/Permit	Holder	Granting Authority	Grant Date	Expiry Date
Private School Operating License	Henan Maple Leaf International School (High School, Middle School and Elementary School)	Luoyang Education Bureau	September 2014	September 2018
Private School Operating License	Inner Mongolia Ordos Maple Leaf International School (Middle School and Elementary School)	Ordos Dongsheng District Education Bureau	May 29, 2014	May 28, 2015
Private School Operating License	Shanghai Maple Leaf International School (High School and Middle School)	Shanghai Jinshan District Education Bureau	March 2, 2014	March 1, 2015
Private School Operating License	Zhenjiang Maple Leaf International School (High School)	Zhenjiang Education Bureau	January 4, 2013	January 3, 2015
Preschool Operating License	Dalian Maple Leaf Qianshan Xincheng Preschool	Dalian Ganjinzi District Education Bureau	March 6, 2013	March 5, 2016
Preschool Operating License	Dalian Maple Leaf Sunshine Preschool	Dalian Shahekou District Education Bureau	April 6, 2013	April 5, 2016
Preschool Operating License	Dalian Maple Leaf Fengqiao Preschool	Dalian Zhongshan District Education Bureau	April 5, 2010	N/A
Preschool Operating License	Dalian Maple Leaf Lanxi Wenyuan Preschool	Dalian Shahekou District Education Bureau	May 30, 2014	December 30, 2014
Preschool Operating License	Dalian Maple Leaf Jiabao Preschool	Dalian Zhongshan District Education Bureau	November 8, 2013	N/A
Preschool Operating License	Dalian Maple Leaf Jinhai Preschool	Dalian Xigang District Education Bureau	January 1, 2014	December 31, 2016
Preschool Operating License	Dalian Maple Leaf Xiangzhou Preschool	Dalian Shahekou District Education Bureau	May 29, 2014	December 30, 2014
Preschool Operating License	Dalian Maple Leaf Kaifagu Preschool	Dalian Development Zone Education Bureau	November 25, 2009	November 25, 2014



## BUSINESS

License/Permit	Holder	Granting Authority	Grant Date	Expiry Date
Preschool Operating License	Dalian Maple Leaf Xianghe Huayuan Preschool	Dalian Ganjinzi District Education Bureau	March 18, 2013	March 17, 2016
Preschool Operating License	Dalian Maple Leaf Zhonghua Mingcheng Preschool	Dalian Xigang District Education Bureau	April 28, 2011	April 27, 2015
Preschool Operating License	Ordos Maple Leaf First Preschool	Ordos Dongsheng District Education Bureau	May 29, 2014	May 28, 2015
Private School Operating License	Pingdingshan Maple Leaf International School (Middle School and Elementary School)	Pingdingshan Education Bureau	January 10, 2014	N/A
Private School Operating License	Pingdingshan Maple Leaf International School Preschool	Pingdingshan Xincheng District Education Bureau	October 21, 2014	October 20, 2018
Private School Operating License	Tianjin Huayuan Maple Leaf International School (Middle School and Elementary School)	Tianjin Binhai New District Education Bureau	August 29, 2014	August 29, 2018

**Note:**

To maintain each of our Private School Operating Licenses and Preschool Operating Licenses, the respective school is required to pass an annual inspection, regardless of whether such license bears an expiry date or not. As of the Latest Practicable Date, each of our schools had passed the latest annual inspection.

We are in the process of obtaining, renewing or updating the following licenses and permits:

License/Permit	Holder	Remark
Private School Operating License, Private Non-enterprise registration Certificates	Wuhan Foreign School	We obtained 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.

## BUSINESS

License/Permit	Holder	Remark
Fee Charge Permit	Henan Maple Leaf International School (Middle School and Elementary School)	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.
Fee Charge Permit	Ordos Maple Leaf First Preschool	We are in the process of renewing this permit, which expired in June 2014 and expect to obtain the updated Fee Charge Permit by the end of 2014.
Fee Charge Permit	Tianjin Huayuan Maple Leaf International School (Middle School and Elementary School)	We are in the process of obtaining the Fee Charge Permit.
Fee Charge Permit	Pingdingshan Maple Leaf International School Preschool	We submitted an application for the Private School Operating License, which must be obtained before we can apply for Fee Charge Permit, for Pingdingshan Maple Leaf International School Preschool in July 2014. We did not obtain the Private School Operating License until October 21, 2014, primarily due to the relevant local government authority’s delay in processing our application. We are in the process of applying for Fee Charge Permit for Pingdingshan Maple Leaf International School Preschool. For more information, see the section headed “— Legal Proceedings and Compliance” in this [REDACTED].

We are required to renew our licenses and permits from time to time. According to our PRC Legal Counsel, before the expiration of a license or permit, the school holding such license or permit should file requisite application documents to the relevant authority. Such authorities will inspect the school as required under relevant PRC laws and regulation before issuing the new license or permit. Our PRC Legal Counsel has advised us that, if a school has complied with relevant PRC laws and regulations in all material respects, there is no substantial legal impediment for such school to renew its licenses or permits. However, we cannot provide assurance that relevant governmental authorities will not hold up the renewal process at their sole discretion.

## BUSINESS

The following table sets forth a summary of our licenses and permits that will expire by the end of 2014:

License/Permit	Holder	Expiry Date
Private School Operating License	Tianjin Taida Maple Leaf International School (High School, Middle School and Elementary School)	December 2014
Private School Operating License	Dalian Maple Leaf Kaifangu Preschool	November 25, 2014
Private School Operating License	Dalian Maple Leaf Lanxi Wenyuan Preschool	December 30, 2014
Private School Operating License	Dalian Maple Leaf Xiangzhou Preschool	December 30, 2014

As of the Latest Practicable Date, the Company has not applied for the renewal of license and permits that will expire by the end of 2014, all of which are Private School Operating Licenses or Fee Charge Permits. According to the Company’s PRC Legal Counsel, within thirty (30) days before the expiration of a Private School Operating License or Fee Charge Permit or another period as may be requested by the relevant government authorities, the school holding such license or permit should file the requisite application documents with the relevant local government authority, and such authority would then inspect the school as required under relevant PRC laws and regulation before issuing the new license or permit. The Company’s PRC Legal Counsel has advised the Company that, if the school has complied with relevant PRC laws and has not materially changed its tuition level, there is no substantial impediment for such school to renew its Private School Operating License or Fee Charge Permit. Nonetheless, the Company cannot provide assurance that the relevant government authorities will not hold up the renewal processes at their sole discretion. The Company’s PRC Legal Counsel further advises the Company that, if a school fails to renew its permits according to relevant PRC laws and regulations, it would be ordered by the relevant government authorities to rectify the non-compliance within a specified period of time, and such school’s Private School Operating License or Fee Charge Permit would be renewed after it rectifies the non-compliance. A school that fails to carry out the rectification on time may be ordered to suspend operation.

As each of the Company’s schools has passed its annual inspection in 2013, the Company’s PRC Legal Counsel is of the opinion that there is no substantial legal impediment for the Company to renew the Private School Operating Licenses and Fee Charge Permits that will expire by the end of 2014, provided that the school has complied with relevant PRC laws and regulations in all material respects and has not materially changed its tuition level before the expiration of these permits.

## LEGAL PROCEEDINGS AND COMPLIANCE

From time to time, we are subject to legal proceedings, investigations and claims incidental to the conduct of our business. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or any of our Directors which, in the opinion of our management, could have a material adverse effect on our operations or financial condition. Our Directors have confirmed that, no member of our Group is currently engaged in any material litigation, arbitration or administrative proceeding.

During the Track Record Period and up to the Latest Practicable Date, other than disclosed, we did not experience any material non-compliance of the laws or regulations which taken as a whole, in the opinion of our Directors, is likely to have an adverse effect on our business, financial condition or results of operations. During the same periods, we also did not experience any non-compliance of the laws or regulations which taken as a whole, in the opinion of our Directors, reflects negatively on the ability or tendency of us, our Directors or our senior management, to operate in a compliant manner. Our PRC Legal Counsel is of the opinion that, other than disclosed, we have complied with all relevant PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

## BUSINESS

Set forth below is a summary of our material non-compliance matter during the Track Record Period and up to the Latest Practicable Date, as well as rectification actions and preventive measures that we have taken in respect of such matters, including obtaining confirmations from relevant regulatory authorities that they would not impose penalties or other measures on us:

Non-compliance Incident	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken to prevent future breach and ensure ongoing compliance	Senior management in charge of rectification	Potential impact on our operations and financial condition
<p>1. During the Track Record Period and up to the Latest Practicable Date, we breached the relevant requirements for making contributions to the social insurance plans and the housing provident fund for our employees, including our foreign employees. We estimate that the amounts of social insurance payments and housing provident fund contributions that we did not pay during the three years ended August 31, 2011, 2012 and 2013 and the nine months ended May 31, 2014 were approximately RMB5.7 million, RMB6.6 million, RMB7.7 million and RMB8.7 million (in respect of social insurance payments for PRC employees), RMB2.4 million, RMB2.8 million, RMB3.3 million and RMB3.3 million (in respect of housing provident fund contributions for PRC employees) and RMB1.7 million, RMB11.0 million, RMB14.2 million and RMB11.7 million (in respect of social insurance payments for foreign employees), respectively.</p>	<p>The non-compliance was primarily caused by administrative oversight and our local management being unfamiliar with relevant regulatory requirements, different levels of acceptance of the social insurance scheme by our employees and inconsistent implementation or interpretation by local authorities in the PRC of the relevant regulations.</p>	<p>Our PRC Legal Counsel has advised us that, under relevant PRC laws and regulations, late fees and fines will be imposed on an employer for not making full social insurance payments for employees in a timely manner. If any competent government authority is of the view that the social insurance payments we made for our employees could not satisfy the requirements under relevant PRC laws and regulations, it can order us to pay the outstanding balance to the relevant local authorities within a given period and a late fee of 5% of the total outstanding balance per day. If we fail to do so, we may be subject to a fine ranging between one to three times of the total outstanding balances.</p> <p>Our PRC Legal Counsel has also advised us that, if any competent government authority is of the view that the housing provident fund contributions for housing provident fund could not satisfy the requirements under relevant PRC laws and regulations, it can order us to make the outstanding balance to the relevant local authorities within a given period.</p>	<p>As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by relevant government authorities with respect to this non-compliance incident, nor has any order been received by the Company to settle the outstanding amount of social insurance payments and housing provident fund contributions. We have engaged our PRC Legal Counsel to conduct interviews with 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 to determine the likelihood of any penalty being levied against us and the current practice of those authorities with respect to implementation and interpretation of the relevant regulations. We notified each of the authorities being interviewed of our non-compliance incident. Each of these authorities confirmed in the interview that:</p> <p>(a) it would not require us to pay the outstanding balance; and</p> <p>(b) it would not impose any penalty on us for such non-compliance.</p> <p>We have also obtained confirmations from relevant local human resources and social security bureaus and housing provident fund management centers in all of the cities in which we operate (other than the housing provident management fund center in Chongqing, which our PRC Legal</p>	<p>Ms. Jingxia Zhang</p>	<p>Our PRC Legal Counsel is of the view that although our contributions are not in strict compliance, on the basis of the confirmations from the competent authorities, the possibility of us being required to make outstanding payments by the competent authorities is relatively low.</p> <p>In light of the confirmations from the competent authorities and the advice from our PRC Legal Counsel, our Directors do not believe that we have to make any provision for the outstanding balance of social insurance payments and housing provident fund contributions.</p> <p>Furthermore, on the same bases, our Directors are of the view that this non-compliance incident has no material impact on our operations and is not material to our business operation and does not reflect negatively on the ability or tendency of us, our Directors or our senior management, to operate in a compliant manner.</p>

## BUSINESS

Non-compliance Incident	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken to prevent future breach and ensure ongoing compliance	Senior management in charge of rectification	Potential impact on our operations and financial condition
			<p>Counsel has conducted an interview with the housing provident fund management center for our new schools on Tianjin Huayuan campus and the human resources and social security bureaus for our new schools on Tianjin Huayuan campus and Pingdingshan campus), to the effect,</p> <p>(a) that no penalties are expected to be imposed upon us; and</p> <p>(b) that they are of the view that we have complied with the relevant regulations.</p> <p>Our PRC Legal Counsel has also confirmed that the authorities that have been interviewed by our PRC Legal Counsel or have issued us written confirmations are the competent authority within their respective cities. In addition, our PRC Legal Counsel has advised us that, based on the interviews and written confirmations, it is of the view that:</p> <ul style="list-style-type: none"> <li>the risk of us being required by the relevant local human resources and social security bureaus to pay the outstanding social insurance balance for our PRC employees is relatively low;</li> <li>the risk of us being penalized by the relevant local human resources and social security bureaus for our failure to make full social insurance payments for our PRC employees is relatively low;</li> <li>the risk of us being required by the relevant local housing provident fund management centers to pay the outstanding housing provident fund balance for our PRC employees is relatively low;</li> <li>the risk of us being penalized by the relevant housing provident fund management centers for our failure to make full housing</li> </ul>		



## BUSINESS

Non-compliance Incident	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken to prevent future breach and ensure ongoing compliance	Senior management in charge of rectification	Potential impact on our operations and financial condition
			<p>provident fund contributions for our PRC employees is relatively low;</p> <ul style="list-style-type: none"> <li>the risk of us being required by the relevant local human resources and social security bureaus to pay the outstanding social insurance balance for our foreign employees is remote; and</li> <li>the implementation of the regulations governing foreign employees' social insurance scheme remains uncertain and these regulations have been rarely enforced, as such, the risk of us being penalized by the relevant local human resources and social security bureaus for our failure to make social insurance for our foreign employees is remote.</li> </ul> <p>We have established an internal control department to monitor our ongoing compliance with the social insurance and housing provident fund contribution regulations and oversee the implementation of any necessary measures and intend to make social insurance and housing provident contributions in accordance with applicable laws and regulations in each of the cities in which we operate as soon as practicable. We have communicated with the relevant PRC local government authorities regarding the applicable payment adjustments and have commenced taking active steps to comply with applicable laws and regulations in each of the cities in which it operates by adjusting the applicable payments. Our Directors undertake to use their best endeavors to comply with applicable laws and regulations and believe we will be in compliance in 2015.</p>		

## BUSINESS

Set forth below is a summary of certain additional non-compliance matters related to our properties during the Track Record Period and up to the Latest Practicable Date, as well as rectification actions and preventive measures that we have taken in respect of such matters, including obtaining confirmations from relevant regulatory authorities that they would not impose penalties or other measures on us. Our Directors are of the view that the non-compliance incidents disclosed in the table below are immaterial for the reasons stated in “potential impact on our operations and financial condition” column of the table.

Non-compliance Incident	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken to prevent future breach and ensure ongoing compliance	Senior management in charge of rectification	Potential impact on our operations and financial condition
2. 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, 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. This building is not on any of our campuses in Dalian and is not used as school premises for any of our educational programs.	This non-compliance incident occurred due to our management's lack of knowledge of the relevant PRC laws and regulations at the time.	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. As a result, our PRC Legal Counsel has advised us that the risk of us being ordered to rectify the situation or pay penalties is remote. We will not renew the leases after expiry.	Ms. Jingxia Zhang	In light of the confirmation we received from the relevant competent government authority and the advice from our PRC Legal Counsel, our Directors believe that this non-compliance incident will not have a material financial or operational impact on us in the future.
3. As of the Latest Practicable Date, we had pledged land use rights and buildings, which are restricted for educational purposes, to secure two bank loans in the aggregate amount of RMB88.5 million. Those two bank loans will be due on January 28, 2015 and April 24, 2015, respectively.	This non-compliance incident occurred due to administrative oversight and the fact that Donghu New Technology Development District Branch of Hankou Bank, the lending bank of both loans, only accepted land and buildings as collateral and was fully aware of the nature of the current collateral being pledged. Because all the land and buildings of the Company that carry significant value are restricted for educational, the Company is unable to replace the current collateral with other assets that comply with the relevant regulatory requirement.	Our PRC Legal Counsel is of the view that, under relevant PRC laws and regulations, 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. As a result, those pledges may be considered by the relevant government authorities to be in violation of applicable PRC laws if we and the lending bank have disputes with regards to	As of the Latest Practicable Date, we had not been aware of any actions or claims being contemplated by the relevant banks or any penalties being imposed by relevant government authorities with respect to this non-compliance incident. Going forward, we will not pledge properties, including land use rights and buildings, which are to be considered “public welfare facilities” pursuant to applicable PRC laws and regulations.	Ms. Jingxia Zhang	As a result of the foregoing, our Directors believe that this non-compliance incident is immaterial.

## BUSINESS

Non-compliance Incident	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken to prevent future breach and ensure ongoing compliance	Senior management in charge of rectification	Potential impact on our operations and financial condition
4. As of the Latest Practicable Date, we had not passed the construction completion assessments for certain premises on our Wuhan campus and Shanghai campus, which have been put into use and cover an aggregate gross floor area of 32,173.6 square meters and 37,672.94 square meters, respectively.	This non-compliance incident occurred due to the relevant local government authorities' delays in carrying out the environmental assessments and fire control assessments, which must be administered before applications for the construction completion assessments can be submitted.	Our PRC Legal Counsel has advised us that, under relevant PRC laws and regulations, for failure to pass construction completion assessments before putting the premises into use, we may be subject to a fine ranging between 2% to 4% of the contract price of the affected premises' construction contract and/or temporary suspension of the usage of the affected premises before the noncompliance is rectified.	<p>We have taken reasonable steps to rectify this non-compliance incident. According to our PRC Legal Counsel, we must pass the environmental assessments and fire control assessments for the affected premises before applications for the construction completion assessments can be submitted. We passed the environment assessments and fire control assessments for the affected premises on our Shanghai campus on May 26 and September 5, 2014, respectively. We passed the fire control assessments and environment assessments for the affected premises on our Wuhan campus on July 11 and September 11, 2014, respectively. Because it took the relevant local government authorities longer than we expected to process our applications for the environmental assessments and fire control assessments and carry out such assessments, applications for the construction completion assessments of the affected premises on our Wuhan and Shanghai campuses could not be submitted before the commencement of the 2014/2015 school year. However, the process of completing the construction completion assessments is underway and, as of the</p>	Ms. Jingxia Zhang	<p>As a result of the foregoing, our Directors take the view that this non-compliance incident will not have a material financial or operational impact on us in the future, because (i) the maximum amount of the fine to which we may be subject for this non-compliance incident is relatively small; and (ii) we expect to rectify this non-compliance incident by the end of 2014.</p> <p>As the student enrollment at our Wuhan schools remains substantially below their overall capacity, we have sufficient available alternative premises in Wuhan to use for our school operations. With respect to the Shanghai campus, as our student enrollment represented less than 3% of our overall student enrollments as of the Latest Practicable Date, to the extent that we are required to temporarily suspend use of the affected premises we do not believe it will have a material impact on our overall operations.</p>

## BUSINESS

Non-compliance Incident	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken to prevent future breach and ensure ongoing compliance	Senior management in charge of rectification	Potential impact on our operations and financial condition
5. As of the Latest Practicable Date, we had not been able to obtain the Fee Charge Permit for Pingdingshan Maple Leaf International School Preschool, which opened in September 2014. As of the Latest Practicable Date, Pingdingshan Maple Leaf International School Preschool had 15 students.	The non-compliance was primarily caused by the relevant local government authority's delay in processing our application for the Private School Operating License, which must be obtained before we can apply for the Fee Charge Permit.	Our PRC Legal Counsel has advised that under applicable PRC laws and regulations, Pingdingshan Maple Leaf International School Preschool may be ordered to refund the tuition fees collected, forfeit its revenue and/or suspend its operations before obtaining the relevant licenses. Our PRC Legal Counsel has also advised us that we cannot apply for the Fee Charge Permit before we obtain the Private School Operating License.  We have procured student safety insurance coverage on behalf of students at Pingdingshan Maple Leaf International School Preschool and our PRC Legal Counsel has advised that pursuant to relevant insurance contract, insurance coverage under the student safety insurance we have procured on behalf of students at the preschool will not be invalidated by the Pingdingshan Maple Leaf International School Preschool's lack of relevant	date of the Latest Practicable Date, the relevant local government authorities had not given any indication that they do not expect us to successfully pass the assessments. We expect to pass the requisite construction completion assessments for the affected premises on our Wuhan and Shanghai campuses by the end of 2014.  Our internal control department will monitor our ongoing compliance with the relevant PRC laws and regulations and oversee the implementation of any necessary measures.  We submitted an application for the Private School Operating License for Pingdingshan Maple Leaf International School Preschool in July 2014. After we discovered the relevant local government authority's delay, we immediately informed our in-house legal counsel of this issue and followed all the procedures required by our internal control measures and obtained the requisite internal approvals regarding the opening of Pingdingshan Maple Leaf International School Preschool. In particular, we conducted a number of consultations and carefully assessed the risks associated with opening Pingdingshan Maple Leaf International School Preschool without the Private School Operating License. As part of our internal control and risk management procedures, before Pingdingshan Maple Leaf International School Preschool opened, our in-house legal counsel consulted Pingdingshan Xincheng District Education Bureau, the local government authority in charge of issuing the Private School Operating License, which as confirmed by our PRC Legal Counsel is the competent	N/A	As a result of the foregoing, our Directors believe that this noncompliance incident is immaterial.

## BUSINESS

Non-compliance Incident	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken to prevent future breach and ensure ongoing compliance	Senior management in charge of rectification	Potential impact on our operations and financial condition
		<p>licenses. We will purchase the school liability insurance, which is not mandatory according to PRC laws and regulations, when the preschool obtained the relevant licenses, which is a condition to purchase the school liability insurance as requested by the insurance company. Therefore, to the extent that any liabilities or losses due to fire, explosions or other accidents materialize, our students will be able to seek coverage under their student safety insurance but we may not be able to seek insurance coverage for any losses or liabilities incurred directly by us as a result of these incidents.</p>	<p>authority on this matter. Our in-house legal counsel was informed that there was no impediment for us to obtain the Private School Operating License for Pingdingshan Maple Leaf International School Preschool, and that such authority had already approved the operation of Pingdingshan Maple Leaf International School Preschool. Our in-house legal counsel was also informed that such authority would issue the Private School Operating License as soon as practicable and did not consider the opening of Pingdingshan Maple Leaf International School Preschool without the Private School Operating License a non-compliance incident. After receiving the confirmation from the competent local government authority, we also consulted our PRC Legal Counsel regarding the maximum penalties we may face under PRC laws and regulations for opening Pingdingshan Maple Leaf International School Preschool before obtaining the relevant licenses. Because Pingdingshan Maple Leaf International School Preschool had only 15 students as of the Latest Practicable Date, to the extent that we are subject to any or all of the above penalties we do not believe it will have a material impact on our overall operations. As a result of the foregoing, we believe that the risk of us being penalized for opening Pingdingshan Maple Leaf International School without the Private School Operating License is remote and immaterial and decided to open the school in September 2014. Furthermore, after Pingdingshan Maple Leaf International School Preschool opened, we and our PRC Legal Counsel followed up on this matter by conducting an interview</p>		

## BUSINESS

Non-compliance Incident	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken to prevent future breach and ensure ongoing compliance	Senior management in charge of rectification	Potential impact on our operations and financial condition
			<p>with an official of the same local government authority. During the interview, the official confirmed that we had submitted the application materials and that there is no impediment for us to obtain the Private School Operating License for Pingdingshan Maple Leaf International School Preschool. The official also informed us that the authority acknowledged that Pingdingshan Maple Leaf International School Preschool opened in September 2014 and approved its operation and that the authority would issue the Private School Operating License before the [REDACTED]. On October 21, 2014, we obtained the Private School Operating License for Pingdingshan Maple Leaf International School Preschool. On November 3, 2014, we obtained the Private None-enterprise Registration Certificate. We are in the process of applying for the Fee Charge Permit for Pingdingshan Maple Leaf International School Preschool.</p>		



## BUSINESS

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### INTERNAL CONTROL OVER BUSINESS OPERATIONS

In preparation for the [REDACTED], we engaged an independent business consulting and internal audit firm (the “**Internal Control Consultant**”) to conduct an evaluation of our internal control system. We have consulted with our Internal Control Consultant to identify the factors relevant to enhancing our internal control system and the steps to be taken and the Internal Control Consultant made a number of recommendations. The work performed by the Internal Control Consultant, which did not involve an assurance engagement in relation to the Company’s internal control, was conducted in March 2014 and resulted in a number of findings and recommendations. We have taken corrective actions in response to the Internal Control Consultant’s findings and recommendations. The Internal Control Consultant performed follow-up procedures on the Company’s system of internal control with regard to those actions taken by the Company and reported further commentary in May 2014. In its follow-up reviews, the Internal Control Consultant noted that we had followed all of its recommendations and accordingly taken corrective actions to address its internal control deficiencies and weaknesses.

Below is a summary of the findings and recommendations made by the Internal Control Consultant in March 2014:

- high-level corporate management issues, including control environment, risk assessment and internal supervision and audit;
  - For example, the Internal Control Consultant identified in its initial review that we had not yet set up a comprehensive risk assessment system, including, among others, risk management strategies and policies and a risk reporting mechanism. The Internal Control Consultant recommended that the Company establish a comprehensive risk control and management system taking into account the business development strategy, risk strategy and risk preference of the Company. As of the follow-up reviews conducted in May 2014, we had established an internal audit department and appointed a department head. We had also commenced a full-scale internal audit and would further enhance its risk management following the internal audit;
- issues relating to sales, procurement and fixed asset management;
  - For example, the Internal Control Consultant identified in its initial review that records of management approvals for some projects on the Wuhan campus could not be located. The Internal Control Consultant recommended that we strictly implement its contract approval mechanism, under which no material contract can be signed without requisite written approvals. As of the follow-up reviews conducted in May 2014, the contract approval mechanism had been implemented as suggested.
- issues relating to investment management, human resources management, information system management, financial reporting and disclosure and cash flow management.
  - For example, the Internal Control Consultant identified in its initial review that written approvals for setting up, changing and closing bank accounts of schools on the Dalian, Wuhan, Henan and Tianjin campuses could not be located. The Internal Control Consultant recommended that we adopt a bank account management system under which applications for setting up, changing and closing bank accounts must be handled by the accounting department and approved by the management in writing. Up to the follow-up reviews conducted in May 2014, we had implemented a bank account management system as suggested and duly maintained records of the relevant internal approvals.

We have also established an internal control department to monitor our on-going compliance with the social insurance and housing provident fund contribution regulations and other relevant PRC laws and regulations and to oversee the implementation of any necessary measures. We also appointed an in-house legal counsel in June

## BUSINESS

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2014, who is responsible for updating the PRC laws and regulations applicable to our business operations and advising us on the compliance matters. In addition, we plan to provide our Directors, senior management and employees involved with continuing training development programs and/or updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identify any concerns and issues relating to potential non-compliance. Our Executive Director and senior vice-president, Ms. Zhang Jingxia, is responsible for ensuring our on-going compliance.

Taking into account the internal control measures implemented by us in connection with the non-compliance incidents disclosed under the section headed “Business — Legal Proceedings and Compliance” in this [REDACTED], the ongoing monitoring and supervision by our internal control department with the assistance and advice of professional external advisers where required, and the fact that, as confirmed by our Directors and our PRC Legal Counsel, the non-compliance incidents did not involve fraud or dishonesty, our Directors are of the view that our enhanced internal control measures are adequate and effective; the suitability of our Directors is compliant with [REDACTED] Rules 3.08 and 3.09; and the Company is suitable for [REDACTED] under [REDACTED] Rule 8.04. The Joint Sponsors concur with the views of our Directors.

### Risk Management

We recognize that risk management is critical to the success of our business operation. Key operational risks faced by us include changes in general market conditions and the regulatory environment of the PRC education industry, ability to offer quality education and dual diplomas, ability to increase student enrollment and raising tuitions, expansion risks relating to entering into new geographic regions, available financing to support our growth and competition from other school operators that offer a bilingual program. See the section headed “Risk Factors” in this [REDACTED] for a discussion of various risks and uncertainties we face.

In addition, we also face various market risks. In particular, we are exposed to credit, liquidity, interest rate and currency risks that arise in the normal course of our business. See the section headed “Financial Information — Quantitative and Qualitative Disclosure about Market Risk” in this [REDACTED] for a discussion of these market risks.

In order to meet these challenges, we have established the following structures and measures to manage our risks:

- at the board level, our Board of Directors is responsible and has general powers over the management and operation of our schools, and is in charge of the overall risk control of our Group. Any significant business decision involving material risks, such as decisions to expand into new geographic regions or to raise tuitions, are reviewed, analyzed and approved at the board level to ensure a thorough examination of the associated risks at our highest corporate governance body;
- we maintain insurance coverage which we believe is in line with the customary practice in the PRC education industry. We also adopt health and safety measures on our campuses to safeguard our students’ wellbeing; and
- we have made arrangements with banks to ensure that we are able to obtain credits to support our business operation and expansion.

We have also implemented a set of internal control and risk management measures to manage our risks related to investments in principal-guaranteed investment products. These measures were formulated by Mr. Sherman Jen, our Executive Director, Chairman of the Board and Co-CEO, Ms. Jingxia Zhang, our Executive Director, Senior Vice President and Co-CFO, Mr. Bin Xu, our Vice President and Co-CFO, and Mr. Yongtao Li, our financial controller. These measures have been reviewed by our Internal Control Consultant and approved by our Board. We receive most of our tuition fees in August every year, and we believe we can make better use of such cash by making appropriate investments in low-risk, principal-guaranteed and short-term investment products, which generates income without interfering with our business operation or capital expenditures. Before making a

## BUSINESS

proposal to invest in principal-guaranteed investment products, the head of the financial department of the relevant school or Group company must assess the cash flow and operational needs and capital expenditures of such school or company. If the cash flow exceeds its operational needs and an appropriate low-risk, principal-guaranteed and short-term investment opportunity is available, the head of the financial department will submit the investment proposal to the management of the Group for approval. According to our internal policies, regardless of the investment size, a proposal to invest in principal-guaranteed investment products must first be reviewed by our financial controller. Our financial controller is a Chartered Professional Accountant in Canada and was previously a finance manager at a publicly traded company. After the financial controller approves the proposal, the proposal must then be approved by the head of our internal audit department. The head of our internal audit department joined us in 1996 and has been managing our accounting and auditing issues since then. If the investment exceeds RMB10 million approval from Ms. Jingxia Zhang is required. If the investment exceeds RMB100 million, the proposal must be approved by our Board.

In assessing a proposal to invest in principal-guaranteed investment products, a number of criteria must be met, including but not limited to:

- the term of the principal-guaranteed investment products must not exceed three months;
- the proposed investment must not interfere with our business operation or capital expenditures;
- the principal-guaranteed investment products should be issued by a reputable bank with which we have a long-term relationship, preferably exceeding five years; and
- the investment portfolio of the principal-guaranteed investment products should generally bear minimum risk.

We believe that our internal policies regarding investment in principal-guaranteed investment products and the related risk management mechanism are adequate. We may make investments in principal-guaranteed investment products that meet the above criteria as part of our treasury management where we believe it is prudent to do so after the [REDACTED].

## AWARDS AND RECOGNITION

We have received numerous awards from various local governments and other sources that recognize our unique contribution to the private education industry in China. We were independently chosen for all of these awards and did not submit ourselves or pay for any of them. Some of our awards are as follows:

Award/Recognition	Award Date	Awarding Organization/Authority
Top Educational Group (最具綜合實力教育集團)	2013	Sina.com
Most Influential International High School (最具影響力國際高中)	2013	163.com
2013 Top 10 International School in China (中國十大國際學校)	2013	Xinhua Education Forum
Leading Education Group in China’s Education Industry (中國教育產業領軍集團金狐獎)	2013	Sohu.com