Application Proof of

China Maple Leaf Educational Systems Limited

中國楓葉教育集團有限公司*

(incorporated in the Cayman Islands with limited liability)

WARNING

The publication of this Application Proof is required by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")/the Securities and Futures Commission solely for the purpose of providing information to the public in Hong Kong.

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IMPORTANT

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China Maple Leaf Educational Systems Limited
中國楓葉教育集團有限公司*

(incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to adjustment)**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to adjustment [REDACTED])**
Maximum [REDACTED]	**:**	**[REDACTED]**
Nominal Value	**:**	**US$0.001 per Share**
Stock Code	**:**	**[REDACTED]**

Joint Sponsors

BNP PARIBAS
CORPORATE & INVESTMENT BANKING

CLSA
A CITIC Securities Company

[REDACTED]

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A copy of this **[REDACTED]**, having attached thereto the documents specified in the section headed "Appendix VII — Documents Delivered to the Registrar of Companies and Available for Inspection" to this **[REDACTED]**, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Predecessor Companies Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this **[REDACTED]** or any other document referred to above.

The **[REDACTED]** is expected to be fixed by agreement between the **[REDACTED]** and us on the **[REDACTED]**. **[REDACTED]** is expected to be on or around **[REDACTED]** and, in any event, not later than **[REDACTED]**. The **[REDACTED]** will be not more than **[REDACTED]** and is currently expected to be not less than **[REDACTED]**. If, for any reason, the **[REDACTED]** is not agreed by **[REDACTED]** between **[REDACTED]** and us, the **[REDACTED]** will not proceed and will lapse.

The **[REDACTED]** may, with our consent, reduce the number of **[REDACTED]** being offered under the **[REDACTED]** that stated in this **[REDACTED]** at any time on or prior to **[REDACTED]**. In such a case, an announcement will be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications **[REDACTED]**.

The obligations of the **[REDACTED]** are subject to **[REDACTED]** if certain grounds arise prior to 8:00 a.m. on the Listing Date. See the section headed **[REDACTED]**.

The **[REDACTED]** have not been and will not be registered under the U.S. Securities Act and may not be offered or sold, pledged or transferred within the United States except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The **[REDACTED]** are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

[REDACTED]

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[REDACTED]

[REDACTED]

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IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This [REDACTED] is issued by us solely in connection with the [REDACTED] and the Hong Kong [REDACTED] and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the [REDACTED] offered by this [REDACTED] pursuant to the [REDACTED]. This [REDACTED] may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a [REDACTED] of the [REDACTED] in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this [REDACTED] in any jurisdiction other than Hong Kong. The distribution of this [REDACTED] for purposes of a [REDACTED] and the [REDACTED] in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

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This summary aims to give you an overview of the information contained in this **[REDACTED]**. *As it is a summary, it does not contain all the information that may be important to you.* **[REDACTED]**

OVERVIEW

We are the largest international school operator in China, as measured by student enrollment at the end of the 2010/2011, 2011/2012 and 2012/2013 school years, according to the Frost & Sullivan Report. We have 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 certified by the BCMOE. As of the Latest Practicable Date, we operated seven high schools, seven middle schools, six elementary schools, 11 preschools and two foreign national schools across eight cities in China. We had an approximately 7.5% market share in the highly fragmented international school market in China, as measured by student enrollment at the end of the 2012/2013 school year, according to the Frost & Sullivan Report.

The core component of our business is a bilingual, dual-curriculum and dual-diploma high school education that enables graduates of our PRC and BC-certified high schools to receive both a fully accredited BC high school diploma and a PRC high school diploma. We 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. Our overall student enrollment was approximately 11,697 as of the end of the 2012/2013 school year and approximately 12,906 as of February 28, 2014. For the financial year ended August 31, 2013 and the six months ended February 28, 2014, our revenue amounted to RMB471.2 million and RMB242.9 million, respectively, and our gross profit was RMB202.5 million and RMB98.9 million, respectively.

We believe that our schools also 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 talent, 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 our agreements with local governments, the governments are responsible for acquiring campus sites and building school premises, which we believe enables us to achieve a higher return on capital.

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.

Our Schools

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

Maple Leaf High Schools

We operated seven high schools in Dalian, Wuhan, Tianjin, Chongqing, Zhenjiang, Luoyang and Shanghai, respectively, that had a total of approximately 5,871 students as of February 28, 2014. Our high schools are open to PRC citizens and foreign nationals and offer a dual-curriculum program that enables our students to count the BC courses they take toward the PRC high school diploma. In order to ensure that our students are 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. For more information about the BC and PRC certification status of our schools and the requirements and processes of application to and pre-certification and certification by the BCMOE, see the sections headed "Business — Our Schools — Maple Leaf High Schools" and "BC Global Education Program Certification and Inspection Requirements" in this **[REDACTED]**. 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. 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 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.

Maple Leaf Middle Schools, Elementary Schools, Preschools and Foreign Schools

We operated seven middle schools, six elementary schools, 11 preschools and two Foreign Schools in eight cities throughout China that had approximately 2,886 students, 2,650 students, 1,299 students and 200 students, respectively, as of February 28, 2014. Our middle schools and elementary schools offer full PRC curriculum required by the PRC compulsory education system as well as English enhancement classes taught by ESL teachers. We carefully tailor our middle school and elementary school programs in line 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 preschools focus on developing an active and healthy learning environment that helps develop an inquisitive mind and emphasize fun in the process of learning. Our Foreign Schools are certified by the BCMOE and offer K-9 education to foreign nationals.

We also have additional school campuses in various stages of development in Tianjin, Pingdingshan, Pinghu, Yiwu and Xi'an, respectively. For further details of our schools, including our schools under development, please refer to pages 117 to 128 of the **[REDACTED]**.

Other Services

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

- *Summer and winter camps and tours.* We organize English immersion camps in Canada, Australia and the United States for students in grades nine and below. We also offer high school students university tours overseas during the summer and winter breaks.
- *Graduation consulting center.* We assist our high school students with their university and college applications and guide them through the admissions process for overseas post-secondary institutions. We

also help our students with the immigration process for overseas studies, and provide services such as obtaining visas, scholarships and off-campus housing.

- *Orca Center.* We offer top students who aim to enroll in leading universities personalized college counseling services and help them obtain offers and financial aid from top universities. We also provide on-campus SAT training and test taker escorting services to our students who are interested in applying universities/colleges in the United States.

Our Students

We seek students who are broad-minded, eager to embrace cultures and change, and enthusiastic about learning and expanding their academic horizons. Our high school admissions process is selective and seeks to enroll students with strong English skills and high learning potential. In each of the 2010/2011, 2011/2012 and 2012/2013 school years, over 90% of our high school graduates were admitted to universities and colleges around the world, primarily in Canada and the United States. Our middle and elementary schools endeavor to enroll students who seek an interactive and rigorous learning environment with an emphasis on academic English development and who are interested in attending our high schools or high schools overseas. 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. We employ a range of marketing and recruiting methods to attract students and increase enrollment at our schools. See the section headed "Business — Marketing and Student Recruitment" in this **[REDACTED]**.

Our Teachers

As of February 28, 2014, we had a team of approximately 1,270 teachers, including approximately 300 BC-certified teachers, approximately 910 PRC-certified teachers and approximately 60 ESL teachers. 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. All of our BC-certified teachers are certified by the BCMOE.

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;
- Reputable brand and pathway into world class universities and colleges;
- Well-established bilingual, dual-curriculum and dual-diploma education;
- Full range of K-12 bilingual education creating high business visibility; and
- Centralized operation led by experienced management team.

Please refer to pages 114 to 116 of this **[REDACTED]** for details of our strengths.

OUR STRATEGIES

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

- Further expand our school network in China and abroad, in particular through cooperation;
- Increase school utilization;

- Optimize pricing at our schools; and
- Continue to provide premium quality education and promote our brand name.

Please refer to pages 116 to 117 of this **[REDACTED]** for details of our strategies.

Major Development Milestones

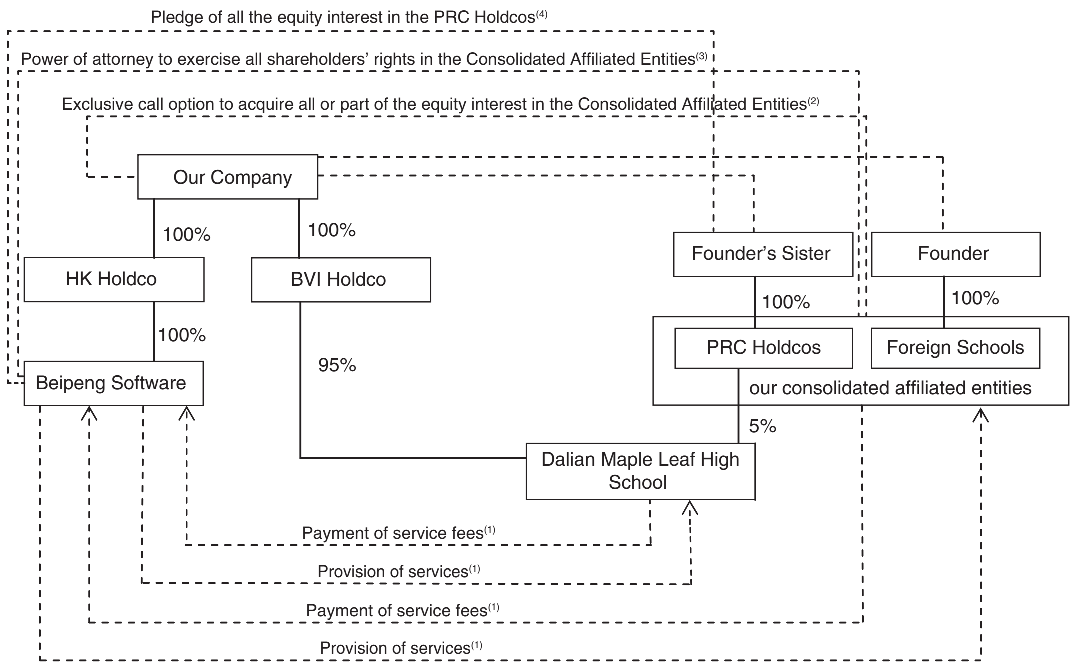
September 1996	Dalian Maple Leaf International School (Middle School and Elementary School) opened in Jinshitan, Dalian
April 1998	Dalian Maple Leaf High School was certified by the BCMOE
June 1999	The first graduating class from Dalian Maple Leaf High School received their high school diplomas
September 2007	Wuhan Maple Leaf International School (High School) opened
September 2008	Tianjin Taida Maple Leaf International School (High School, Middle School and Elementary School) opened
September 2012	Henan Maple Leaf International School (Middle School and Elementary School), our first schools jointly developed with a local government, opened

CONTRACTUAL ARRANGEMENTS

Overview of the Contractual Arrangements

PRC laws and regulations currently prohibit foreign ownership of elementary and middle schools in China. Furthermore, although PRC laws and regulations allow foreign investment in foreign national schools, preschools and high schools, government authorities either impose restrictions in this respect or, as a matter of policy, withhold approval for such ventures altogether. As a result, we conduct a substantial portion of our business through our consolidated affiliated entities in China. We do not hold any equity interests in our consolidated affiliated entities. Rather, through a series of Contractual Arrangements, we effectively control these consolidated affiliated entities and are able to derive substantially all of their economic benefits, and expect to continue to do so. See the section headed "Contractual Arrangements" in this **[REDACTED]**.

The following simplified diagram illustrates the flow of economic benefits from our consolidated affiliated entities to our Group stipulated under the Contractual Arrangements:



Note:

1. See the section headed "Contractual Arrangements — Exclusive Management Consultancy and Business Cooperation Agreements" in this **[REDACTED]**.
2. See the section headed "Contractual Arrangements — Call Option Agreements" in this **[REDACTED]**.
3. See the section headed "Contractual Arrangements — Powers of Attorney" in this **[REDACTED]**.
4. See the section headed "Contractual Arrangements — Equity Pledge Agreement" in this **[REDACTED]**.
5. "————" denotes direct legal and beneficial ownership in the equity interest and "................." denotes Contractual Arrangements.

Risks Related to the Contractual Arrangements

Our PRC Legal Counsel is of the opinion that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations. However, there can be no assurance that the Contractual Arrangements will be determined by the PRC government to be in compliance with applicable PRC laws, rules, regulations or policies in the future. If the Contractual Arrangements are found to be in violation of any applicable PRC laws or regulations, the relevant regulatory authorities may impose various sanctions that could have a material adverse impact on our business. See the section headed "Risk Factors — Risks Relating to Our Contractual Arrangements" for details of risks relating to the Contractual Arrangements.

OUR SHAREHOLDING STRUCTURE

The Controlling Shareholders

Immediately following the completion of the **[REDACTED]** and the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and no Shares are issued under the **[REDACTED]** Share Option Scheme, the **[REDACTED]** Share Option Scheme or the RSU Scheme), the Founder and Sherman Investment collectively will be our Controlling Shareholders directly and beneficially interested in approximately 53.81% of our issued share capital. Sherman Investment is a holding company incorporated in the BVI that is wholly-owned by the Founder. Our Board is satisfied that our Group is capable of carrying on its business independently of the Controlling Shareholders and their associates after the **[REDACTED]**. See the section headed "Relationship with our Controlling Shareholders" in this **[REDACTED]**.

[REDACTED] Investors

Our Company and Sequoia Capital China Growth Fund I, L.P. entered into the Preferred Share Purchase Agreement on February 29, 2008. Pursuant to the Preferred Share Purchase Agreement, Sequoia Capital China Growth Fund I, L.P., subject to certain terms and conditions, agreed to subscribe for 18,000,000 Preferred Shares for an aggregate consideration of RMB180,000,000. On May 9, 2008, Sequoia Capital China Growth Fund I, L.P. transferred 1,926,000 and 370,800 Preferred Shares to Sequoia Capital China GF Principals Fund I, L.P. and Sequoia Capital China Growth Partners Fund I, L.P. both for nil consideration. Our then Directors were of the view that our Company could benefit from the additional capital and the possibility that our Company could take advantage of the **[REDACTED]** Investors' knowledge and experience. Upon the completion of the **[REDACTED]** Investment, Sequoia held approximately 20% of the then-issued share capital of our Company. The net proceeds from the **[REDACTED]** Investment have been fully utilized for working capital, business expansion and other corporate purposes. Immediately after the completion of the **[REDACTED]** and the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and no Shares are issued under the **[REDACTED]** Share Option Scheme, the **[REDACTED]** Share Option Scheme or the RSU Scheme), Sequoia will hold approximately 17.18% of the total share capital in issue of the Company. See the section headed "History and Corporate Structure — **[REDACTED]** Investment" in this **[REDACTED]**.

Employee Share Incentive Plans

In order to incentivize our Directors, senior management and other employees for their contribution to the Group and to attract and retain suitable personnel to our Group, we adopted the **[REDACTED]** Share Option Scheme on April 1, 2008 and conditionally adopted the **[REDACTED]** Share Option Scheme and RSU Scheme on [●]. As of the Latest Practicable Date, 2,515,000 share options to subscribe for an aggregate of 26,927,387 Shares, as adjusted pursuant to the **[REDACTED]**, upon the full exercise of which representing approximately 1.98% of the enlarged issued share capital of our Company upon the completion of the **[REDACTED]** and the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and no further Shares are issued under the **[REDACTED]** Share Option Scheme or the RSU Scheme) had been granted to 52 grantees under the **[REDACTED]** Share Option Scheme, six of whom are Directors and three of whom are members of the senior management team of our Company. No consideration was paid by any of the grantees for any share options granted by us to them. As of the Latest Practicable Date, none of the grantees had exercised any of the options granted to them pursuant to the **[REDACTED]** Share Option Scheme.

See the sections headed "Appendix VI — Statutory and General Information — Further Information about Our Company — **[REDACTED]** Share Option Scheme", "Appendix VI — Statutory and General Information — Further Information about Our Company — **[REDACTED]** Share Option Scheme" and "Appendix VI — Statutory and General Information — Further Information about Our Company — RSU Scheme" to this **[REDACTED]**.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth a summary of our financial information for the financial years ended August 31, 2011, 2012 and 2013 and the six months ended February 28, 2014, and should be read in conjunction with our financial information included in the Accountant's Report set out in Appendix I to this **[REDACTED]**, including the notes thereto. The summary financial information has been prepared in accordance with the IFRS. Our revenue in the fiscal years ended August 31, 2011, 2012 and 2013 and the six months ended February 28, 2014 amounted to RMB346.1 million, RMB413.5 million, RMB471.2 million and RMB 242.9 million, respectively, primarily due to an increase in the number of student enrolled at our existing schools and the opening of new schools.

Consolidated Statements of Comprehensive Income

	For the Year Ended August 31,			For the Six Months Ended February 28,
	2011	2012	2013	2014
	(RMB'000)			
Revenue	346,091	413,459	471,219	242,924
Cost of revenue	(189,687)	(222,342)	(268,751)	(144,072)
Gross profit	156,404	191,117	202,468	98,852
Operating profit(1)	108,287	128,774	125,464	58,826
(Loss) profit for the year/period	(38,230)	93,968	33,182	61,769
Adjusted net profit(2)	88,123	106,265	105,343	46,646

Note:

(1) Operating profit is calculated as gross profit minus marketing expenses, and then minus administration expenses.

(2) The following table reconciles our adjusted net profit for the periods presented to net profit, the most directly comparable financial measure calculated and presented in accordance with IFRS:

	For the Year Ended August 31,			For the Six Months Ended February 28,
	2011	2012	2013	2014
	(RMB'000)			
(Loss) profit for the year/period	(38,230)	93,968	33,182	61,769
Add				
Share-based payments	353	72	31	—
Change in fair value on redeemable convertible preferred shares	104,040	10,440	63,720	23,692
Change in fair value on warrants	21,960	1,785	8,410	3,695
Gain on cancellation of warrants	—	—	—	(42,510)
Adjusted net profit	88,123	106,265	105,343	46,646

Selected Consolidated Balance Sheet Items

	As of August 31,			As of February 28,
	2011	2012	2013	2014
	(RMB'000)			
Current assets	248,186	309,519	425,559	209,576
Current liabilities	1,000,341	1,014,100	1,263,199	1,055,968
Total assets	1,328,284	1,470,390	1,827,888	1,633,970
Total liabilities	1,038,213	1,086,157	1,410,246	1,154,428
Share capital	511	511	511	511
Reserves	289,560	383,722	417,131	479,031
Total equity	290,071	384,233	417,642	479,542

Consolidated Statements of Cash Flows

	For the Year Ended August 31,			For the Six Months Ended February 28,
	2011	2012	2013	2014
	(RMB'000)			
Net cash from (used in) operating activities	235,667	216,782	250,274	(101,046)
Net cash used in investing activities	(154,498)	(74,256)	(227,201)	(66,002)
Net cash from (used in) financing activities	23,786	(80,379)	89,346	(49,369)
Cash and cash equivalents at end of the year/period, representing bank balances and cash	234,903	297,036	409,303	192,878

Key Financial Ratios

	For the Year Ended August 31,			For the Six Months Ended February 28,
	2011	2012	2013	2014
Return on equity(1)	-13.2%	24.5%	7.9%	12.9%
Return on total assets(2)	-2.9%	6.4%	1.8%	3.8%
Current ratio(3)	0.25	0.31	0.34	0.20
Gearing ratio(4)	80.5%	44.2%	65.8%	48.8%
Interest coverage ratio(5)	-1.05	7.77	3.65	8.69

Notes:

(1) Return on equity is calculated as (loss)/profit for the year/period divided by shareholders' equity for the respective year or period.

(2) Return on total assets is calculated as (loss)/profit for the year/period divided by total assets for the respective year or period.

(3) Current ratio is calculated as current assets divided by current liabilities as of the end of the respective year or period.

(4) Gearing ratio is calculated as total borrowings divided by total equity as of the end of the respective year or period.

(5) Interest coverage is calculated as profit before tax and interest expense divided by interest expense for the respective year or period.

NET CURRENT LIABILITIES AND WORKING CAPITAL SUFFICIENCY

As of August 31, 2011, 2012 and 2013 and February 28, 2014, we had net current liabilities of approximately RMB752.2 million, RMB704.6 million, RMB837.6 million and RMB846.4 million, respectively, primarily due to amounts relating to tuition fees being recognized as deferred revenue, amounts recognized as other payables and bank borrowings and the Preferred Shares we issued being recognized as a current liability. Our Preferred Shares will automatically convert into our Ordinary Shares upon **[REDACTED]**. We will use approximately 30% of the proceeds from the **[REDACTED]** to repay bank loans. In addition, we recorded negative operating cash flow of approximately RMB101.0 million in the six months ended February 28, 2014, primarily due to a decrease in deferred revenue and a decrease in other payables and accrued expenses, which represented the portion of deferred revenue and miscellaneous expenses received from students that were recognized over the period. For additional information on our liquidity position, see the sections headed "Financial Information — Net Current Assets and Liabilities" and "Financial Information — Liquidity and Capital Resources" in this **[REDACTED]**. Our Directors believe that our cash, the anticipated cash flow from operations, bank borrowings and the net proceeds from the **[REDACTED]** will be sufficient to meet our anticipated cash needs for at least twelve months from the date of this **[REDACTED]**.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our Directors confirm that since February 28, 2014 (being the date to which the latest audited consolidated financial information of our Group was prepared) and up to the Latest Practicable Date, there had been no material change in the industry in which we operate or to our business and financial condition that would materially affect the information shown in our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this **[REDACTED]**. During the same periods, our results of operations were largely in line with our expectations.

[REDACTED]

[PROFIT FORECAST FOR THE YEAR ENDING AUGUST 31, 2014

Our Directors believe that, on the bases and assumptions set out in the section headed "Profit Forecast" as set out in Appendix III to this **[REDACTED]**, and in the absence of unforeseen circumstances, our forecast consolidated net profit attributable to the equity holders of the Company for the year ending August 31, 2014 is expected to be not less than RMB40.0 million. The profit forecast is subject to adjustment of change in fair value on Preferred Shares, change in fair value on warrants, gain on cancellation on warrants and may be further updated.]

[REDACTED]

[REDACTED]

FUTURE PLANS AND [REDACTED]

The payment and the amount of any future dividends will be at the sole discretion of our Board of Directors and will also depend on factors such as our results of operations, cash flow, capital requirements, general financial condition, contractual restrictions, future prospects and other factors that our Board of Directors deem relevant.

[REDACTED]

DIVIDEND POLICY

We have never declared or paid any dividends on our Shares. We have no present plan to declare and pay any dividends on our shares or Shares in the near future. See the section headed "Financial Information — Dividend Policy" in this **[REDACTED]**.

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. Major risks we face include, among others, the following:

- Our business depends in large part on the number of students we are able to enroll in our schools;
- Our business depends on the market recognition of our "Maple Leaf" brand;
- Our business depends on our ability to maintain or raise the tuition levels we charge at our schools;
- 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;
- Parents and students may become less interested or lose interest in the BC high school diploma or the BC Global Education Program;
- 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;
- Our business depends on our ability to recruit and retain dedicated and capable teachers and other school personnel;

- If the PRC government finds that the agreements that establish the structure for operating our business in China do not comply with applicable PRC laws and regulations, we could be subject to severe penalties and our business may be materially and adversely affected; and
- Our contractual arrangements may not be as effective in providing control over our consolidated affiliated entities as equity ownership.

Please refer to pages 24 to 52 of this **[REDACTED]** for details of our risk factors.

PROPERTY VALUATION

According to the property valuation report prepared by DTZ Debenham Tie Leung Limited, an independent valuer, as contained in Appendix IV to this **[REDACTED]**, the value of the properties we owned and occupied in Dalian as at March 31, 2014 was approximately RMB113.0 million and the value of the properties held by us for investment in Dalian as at the same date was approximately RMB55.0 million. For detailed information on the valuation of our properties in Dalian, including major assumptions for the valuation, please refer to pages IV-1 to IV-9 of this **[REDACTED]**. For risks associated with the assumptions made in the valuation of our properties in Dalian, please refer to the paragraph headed "Risk Factors — Risks relating to our business and industry — The appraised value of our properties in Dalian may be different from their actual realizable value and are subject to change" on page 38 of this **[REDACTED]**.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period, we only partially complied with the relevant requirements for making contributions to the social insurance plans and housing provident fund for our employees. Please see the section headed "Business — Legal Proceedings and Compliance" in this **[REDACTED]** for further details.

DEFINITIONS

In this [REDACTED], unless the context otherwise requires, the following words and expressions shall have the following meanings.

"Administrative Measures"	the Interim Administrative Measures on the Operation of Schools for Children of Foreign Nationals promulgated by the State Education Commission (the former MOE) on April 5, 1995 and amended on December 13, 2010
"affiliate"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Amy Yan" or "Ms. Amy Yan"	Ms. Amy Mei Chen Yan (嚴美晨), a Hong Kong citizen and the spouse of the Founder

[REDACTED]

"Articles" or "Articles of Association"	the articles of association of our Company adopted on [●], as amended from time to time, a summary of which is set out in the section headed "Appendix V — Summary of the Constitution of the Company and Cayman Islands Company Law and Taxation" to this **[REDACTED]**
"associate(s)"	has the meaning ascribed thereto under the **[REDACTED]**
"Audited Financial Statements"	the audited consolidated financial statements of our Group for the financial years ended August 31, 2011, 2012 and 2013 and the six months ended February 28, 2014 as included in the section headed "Appendix I — Accountant's Report" to this **[REDACTED]**
"BC"	British Columbia, Canada
"BC-accredited"	accredited by the BCMOE
"BC-certified"	certified by the BCMOE
"BC certification"	certification under the BC Global Education Program
"BC Global Education Program"	an international education program administered by the BCMOE, under which qualified grade 12 schools which are located outside of Canada are permitted to issue BC high school diplomas to their eligible graduates
"BCMOE"	the Ministry of Education of British Columbia, Canada
"Bei Kai"	Bei Kai China Fund I, L.P., a limited liability partnership incorporated under the laws of the Cayman Islands on November 10, 2009, an Independent Third Party

"Beipeng Software"	Dalian Beipeng Educational Software Development Inc. (大連北鵬教育軟件開發有限公司), a company incorporated under the laws of the PRC on March 10, 2008 and an indirectly wholly-owned subsidiary of our Company
"Board" or "Board of Directors"	the Board of directors of our Company
"business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands

[REDACTED]

"CAD"	Canadian dollars, the lawful currency of Canada
"Cayman Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China and for the purposes of this **[REDACTED]** only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, Macau and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) effective from March 3, 2014, as amended, supplemented or otherwise modified from time to time
"Company", "our Company", or "the Company"	China Maple Leaf Educational Systems Limited, a company incorporated in the Cayman Islands on June 5, 2007
"connected person(s)"	has the meaning ascribed to it under the **[REDACTED]**
"connected transaction(s)"	has the meaning ascribed to it under the **[REDACTED]**

"consolidated affiliated entities" or "consolidated affiliated entity"	the entities that we control through the Contractual Arrangements, namely, Dalian Educational Group, Dalian Foreign School, and Wuhan Foreign School and the subsidiaries and affiliates controlled by those entities, namely, Dalian Maple Leaf International School (Middle School and Elementary School), Dalian Science and Education, Dalian Maple Leaf Fengqiao Preschool, Dalian Maple Leaf Lanxi Wenyuan Preschool, Dalian Maple Leaf Qianshan Xincheng Preschool, Dalian Maple Leaf Kaifaqu Preschool, Dalian Maple Leaf Xianghe Huayuan Preschool, Dalian Maple Leaf Sunshine Preschool, Dalian Maple Leaf Jiabao Preschool, Dalian Maple Leaf Jinhai Preschool, Dalian Maple Leaf Xiangzhou Preschool, Dalian Maple Leaf Zhonghua Mingcheng Preschool, Ordos Maple Leaf First Preschool, Wuhan Maple Leaf International School (High School) and Wuhan Maple Leaf School (Middle School and Elementary School), Zhenjiang Maple Leaf International School (High School), Tianjin Taida Maple Leaf International School (High School, Middle School and Elementary School), Chongqing Maple Leaf International School (High School), Inner Mongolia Ordos Maple Leaf International School (Middle School and Elementary School), Shanghai Maple Leaf International School (High School), Henan Maple Leaf International School (High School, Middle School and Elementary School) and Pingdingshan Maple Leaf International School (Middle School and Elementary School)
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, the Company, the Founder, Founder's Sister, Beipeng Software, Dalian Maple Leaf High School, Dalian Educational Group, Dalian Science and Education, Wuhan Foreign School and Dalian Foreign School, details of which are described in the section headed "Contractual Arrangements" in this **[REDACTED]**.
"Controlling Shareholders"	has the meaning ascribed to it under the **[REDACTED]** and, in the context of this **[REDACTED]**, means collectively the Founder and Sherman Investment
"CSRC"	the China Securities Regulatory Commission
"Dalian Educational Group"	Dalian Maple Leaf Educational Group Co., Ltd (大連楓葉教育集團有限公司), a company incorporated under the laws of the PRC on May 23, 2003 and a consolidated affiliated entity of our Company
"Dalian Foreign School"	Dalian Maple Leaf Foreign National School (大連楓葉外籍人員子女學校), an entity established under the laws of the PRC on May 1, 2004 and a consolidated affiliated entity of our Company
"Dalian Maple Leaf High School"	Dalian Maple Leaf International School (High School) (大連楓葉國際學校), a Sino-foreign joint venture private school between Sherman (Holdings) Limited and, initially, China

Shijiazhuang Yanshan Textile Corporation Limited established under the laws of the PRC on April 15, 1996

"Dalian Science and Education" — Dalian Maple Leaf Science and Education Co., Ltd (大連楓葉科教有限公司), a company incorporated under the laws of the PRC on January 9, 2003 and a subsidiary of Dalian Educational Group

"Director(s)" — the director(s) of our Company from time to time

"Foreign Investment Catalog" — the Foreign Investment Industries Guidance Catalog of 2011 (外商投資產業指導目錄 (2011), which was promulgated by NDRC and MOFCOM on December 24, 2011 and came into effect on January 30, 2012

"Foreign Schools" — Dalian Foreign School and Wuhan Foreign School

"Founder", "Mr. Sherman Jen" or "Mr. Jen" — Mr. Shu Liang Sherman Jen (任書良), a Canadian citizen and the founder, chairman and Co-CEO of our Company

"Founder's Sister" — Ms. Shu'E Ren, a PRC citizen and the sister of the Founder

"Frost & Sullivan" — Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market, research and consulting company which prepared the Frost & Sullivan Report

"Frost & Sullivan Report" — the report, written by Frost & Sullivan as commissioned by the Company containing an analysis of the PRC education industry and other relevant economic and statistical data, as referred in the section headed "Industry Overview" in this **[REDACTED]**

[REDACTED]

"Group", "our Group", "the Group", "we", "us", or "our" — the Company, its subsidiaries and the consolidated affiliated entities from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time

"HKFRS" — Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants

[REDACTED]

"Hong Kong" or "HK" — the Hong Kong Special Administrative Region of the People's Republic of China

"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

"Hong Kong Securities and Futures Ordinance" or "SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Hong Kong Takeovers Code" or "Takeovers Code"	The Codes on Takeovers and Mergers and Share Repurchases issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Hong Kong Underwriters"	the underwriters of **[REDACTED]** as listed in the section headed "Underwriting — Hong Kong Underwriters" in this **[REDACTED]**
"Hong Kong Underwriting Agreement"	the underwriting agreement, dated **[REDACTED]**, relating to the **[REDACTED]**, entered into among, inter alia, the **[REDACTED]**, the Hong Kong Underwriters and our Company, as further described in the section headed "Underwriting — **[REDACTED]**" in **[REDACTED]**
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Independent Third Party(ies)"	a party that is not a connected person or an associate of a connected person
"Investor's Rights Agreement"	the investor's rights agreement date March 12, 2008, and as amended pursuant to an amendment to the investor's rights agreement dated March 25, 2014, entered into, inter alia, among our Company, and the **[REDACTED]** Investors governing certain rights of the **[REDACTED]** Investors in relation to our Company

[REDACTED]

[REDACTED]

"International Underwriters"	the underwriters of the International Placing
"International Underwriting Agreement"	the international underwriting agreement relating to the International Placing and expected to be entered into by, among others, our Company, **[REDACTED]** and the International Underwriters on or about **[REDACTED]**, as further described in the section headed "Underwriting — International Placing" in this **[REDACTED]**

[REDACTED]

"Joint Sponsors"	BNP Paribas Securities (Asia) Limited and CLSA Capital Markets Limited
"Latest Practicable Date"	June 20, 2014, being the latest practicable date for ascertaining certain information in this **[REDACTED]** before its publication
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about **[REDACTED]**, on which the Shares are listed and on which dealings in the Shares are first permitted to take place on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"M&A Rules"	the Rules on Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者並購境內企業的規定), a regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that came into effect on September 8, 2006 and was amended on June 22, 2009
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Maple Leaf Educational Systems" or "BVI Holdco"	Maple Leaf Educational Systems Limited, a company incorporated under the laws of the BVI on April 28, 1992, and a wholly-owned subsidiary of the Company

"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company adopted on [●], as amended from time to time
"MOE"	the Ministry of Education of the PRC
"MOFCOM"	the Ministry of Commerce of the PRC
"NDRC"	the National Development and Reform Commission
	[REDACTED]
"Ordinary Share(s)"	ordinary share(s) with par value of US$0.001 each in the share capital of our Company
	[REDACTED]
"PBOC"	the People's Bank of China
"[REDACTED] Share Option Scheme"	the share option scheme conditionally approved and adopted by our Company on [●] to take effect from **[REDACTED]**, the principal terms of which are set out in the section headed "Appendix VI — Statutory and General Information — Further Information about Our Company — **[REDACTED]** Share Option Scheme" to this **[REDACTED]**
"PRC Holdcos"	Dalian Educational Group and Dalian Science and Education
"PRC Legal Counsel"	Tian Yuan Law Firm, a corporate law firm licensed to provide advice with respect to PRC laws headquartered in Beijing, China
"Predecessor Companies Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

"Preferred Shares"	the initial 18,000,000 redeemable convertible preferred shares with par value of US$0.001 each in the share capital of our Company issued in connection with the **[REDACTED]** Investment
"Preferred Share Purchase Agreement"	the agreement entered into by the Company and Sequoia Capital China Growth Fund I, L.P. dated February 29, 2008, as amended on March 25, 2014 pursuant to which Sequoia Capital China Growth Fund I, L.P., subject to certain terms and conditions, agreed to subscribe for the Preferred Shares, as further described in the section headed "History and Corporate Structure — **[REDACTED]** Investment" in this **[REDACTED]**
"[REDACTED] Investment"	the **[REDACTED]** investment in the Company undertaken by Sequoia pursuant to the Preferred Share Purchase Agreement, details of which are set out in the section headed "History and Corporate Structure — **[REDACTED]** Investment" in this **[REDACTED]**
"[REDACTED] Investment Agreements"	the series of transaction documents, as amended, entered into, among others, by Sequoia and the Company in connection with the **[REDACTED]** Investment
"[REDACTED] Share Option Scheme"	the share option scheme approved and adopted by our Company on April 1, 2008

[REDACTED]

"QS"	Quacquarelli Symonds, a higher education ranking agency

[REDACTED]

[REDACTED]

"RMB" or "Renminbi"	Renminbi, the lawful currency of China
"RSU Scheme"	the scheme adopted by our Company to grant RSUs to our directors, executive officers, senior managers and employees and those of our Subsidiaries to take effect upon **[REDACTED]**. See the section headed "Appendix VI — Statutory and General Information — Further Information about Our Company — RSU Scheme" to this **[REDACTED]**
"RSUs"	restricted share units
"Scheme Shares"	the Shares to be issued to and held on trust by the Scheme Trustee pursuant to the RSU Scheme
"Scheme Trustee"	the trustee to be appointed to administer the RSU Scheme
"SAFE"	State Administration of Foreign Exchange of the PRC
"September 2012 State Council Decision"	the Decision of the State Council on the Six Batch of Cancelled and Modified Administrative Examination and Approval Items (國務院關於第六批取消和調整行政審批專案的決定), which was published on September 23, 2012
"Sequoia" or "[REDACTED] Investor(s)"	collectively, Sequoia Capital China Growth Fund I, L.P., an exempted limited partnership registered in the Cayman Islands, Sequoia Capital China GF Principals Fund I, L.P., an exempted limited partnership registered in the Cayman Islands and Sequoia Capital China Growth Partners Fund I, L.P., an exempted limited partnership registered in the Cayman Islands
"Series A Warrant"	the warrant to purchase additional Preferred Shares entered into by the Company and Sequoia Capital China Growth Fund I, L.P. dated March 12, 2008, as amended on December 13, 2008 pursuant to the Preferred Share Purchase Agreement, as further described in the

	section headed "History and Corporate Structure — **[REDACTED]** Investment" in this **[REDACTED]**
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shareholder(s)"	holder(s) of our Share(s)
"Shareholders' equity"	Shares, retained earnings and accumulated other comprehensive income
"Share(s)"	Ordinary Share(s) and Preferred Share(s), and upon the completion of the **[REDACTED]**, Ordinary Share(s)
"Sherman Investment"	Sherman Investment Holdings Limited, a company incorporated under the Laws of the BVI on April 13, 2007 and wholly-owned by the Founder
"Sino-Foreign Regulation"	the Regulation on Sino-Foreign Cooperation in Operating Schools (中華人民共和國中外合作辦學條例), promulgated by the State Council in 2003 and amended on July 18, 2013

[REDACTED]

"State Council"	the State Council of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 2 of the Companies Ordinance
"substantial shareholder"	has the meaning ascribed to it in the **[REDACTED]**
"TBIG"	TBIG Education Holdings Limited, a company incorporated under the laws of the BVI on June 7, 2007, and an Independent Third Party
"Track Record Period"	the three financial years ended August 31, 2013 and the six months ended February 28, 2014

[REDACTED]

"United States", "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars" or "US$"	United States dollars, the lawful currency of the United States

"U.S. Securities Act"	United States Securities Act of 1933, as amended and supplemental or otherwise modified from time to time, and the rules and regulations promulgated thereunder

[REDACTED]

"World Top 100 Universities"	top 100 universities ranked by QS based on the QS World University Rankings 2011, 2012 and 2013
"Wuhan Foreign School"	Wuhan Maple Leaf Foreign National School (武漢楓葉外籍人員子女學校), an entity established under the laws of the PRC on December 9, 2006 and a consolidated affiliated entity of our Company
"%"	percent

Unless otherwise specified, statements contained in this **[REDACTED]** *assume no exercise of the* **[REDACTED]**. *See the section headed "***[REDACTED]***" in this* **[REDACTED]**.

Certain amounts and percentage figures included in this **[REDACTED]** *have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

Unless otherwise expressly stated or the context otherwise requires, all data in this **[REDACTED]** *is as of the date of this* **[REDACTED]**.

"compulsory education"	grade one to grade nine education, which all citizens in China must receive, according to the Compulsory Education Law of the PRC
"Entrance Exam"	the Senior High School Entrance Examination, the academic examination held annually in the PRC to distinguish junior high school graduates
"ESL"	English as a second language
"ESL certificate"	a certificate acknowledging the holder's competence in teaching ESL courses, which is usually issued by an educational institution that offers programs to train ESL teachers
"**elementary schools**"	schools that provide education for students in grade one through six
"high schools"	schools that provide education for students in grade 10 through grade 12
"international school"	a school that promotes education either by adopting a foreign curriculum or by following a national curriculum different from that of the school's country of residence
"K-9"	preschool to grade nine
"K-12"	preschool to grade 12
"middle class"	the broad group of people who fall socio-economically between the working class and upper class
"middle schools"	schools that provide education for students in grade seven through grade nine
"one-child policy"	China's population control policy implemented by the Population and Family Planning Law of the PRC, according to which a family can have only one child, with certain exceptions
"SAT"	the Scholastic Assessment Test, a standardized test for most college admissions in the United States
"school year"	except for our preschools, the school year for all of our schools, which generally starts on September 1 of each calendar year and ends on June 30 of the next calendar year
"preschools"	educational establishments offering early childhood education to children prior to the commencement of compulsory education
"private schools"	schools which are not administered by local, provincial or national governments
"public schools"	schools administered by local, provincial or national governments

FORWARD-LOOKING STATEMENTS

Certain statements in this **[REDACTED]** are forward looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "will" "expect", "anticipate", "estimate", "believe", "going forward", "ought to", "may", "seek", "should", "intend", "plan", "projection", "could", "vision", "goals", "objective", "target", "schedules" and "outlook") are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including the risk factors detailed in this **[REDACTED]**), uncertainties and other factors some of which are beyond our Company's control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our operations and business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our ability to develop and manage our operations and business;
- our ability to maintain or increase student enrollment in our schools;
- our ability to maintain or increase tuition fees;
- our ability to maintain or increase utilization of our facilities;
- our capital expenditure programs and future capital requirements;
- our future general and administrative expenses
- competition for, among other things, capital, technology and skilled personnel (including teaching staff);
- our ability to control costs;
- our dividend policy;
- changes to regulatory and operating conditions in the industry and geographical markets in which we operate;
- all other risks and uncertainties described in the section headed "Risk Factors" in this **[REDACTED]**.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made and, subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise, or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or references to our intentions or those of any of our Directors are made as of the date of this **[REDACTED]**. Any such intentions may change in light of future developments. All forward-looking statements in this **[REDACTED]** are expressly qualified by reference to the cautionary statements set out in this section.

[REDACTED] *The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations.* **[REDACTED]**

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

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

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

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

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

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

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

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

One of the most significant factors affecting our profitability is the tuition we charge at our schools. For the financial years ended August 31, 2011, 2012 and 2013 and the six months ended February 28, 2014, tuition fee constituted 88.0%, 88.8%, 86.2% and 92.7% of our total revenue, respectively. Our tuition rates are primarily based on the demand for our educational programs, the cost of our operations, the geographic markets where our schools are located, the tuition charged by our competitors, our pricing strategy to gain market share and general economic conditions in China and the regions in which our schools are located. Our tuition rates are also subject to the approval of the relevant government pricing authorities in the locations in which we operate. See the section headed "Risk Factors — Risks relating to Our Business and Our Industry — Governmental pricing authorities may limit our ability to increase the tuition we charge at our schools" in this **[REDACTED]**. In 2013, our high school tuition was lower than the average tuition fee for international high schools in China, according to the Frost & Sullivan Report. Tuition rates at our preschools, elementary schools and middle schools are also lower than the average tuition charged by international schools in China. In the future, we plan to raise tuition, subject to applicable government approvals, in geographic regions where we have obtained a strong presence and have built sufficient student and parent loyalty. However, there can be no assurance that we will be able to maintain or raise the tuition levels we charge at our schools in the future, and should this occur, our business, financial position and results of operations may be materially and adversely affected.

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

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

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

Our high schools are open to PRC citizens and foreign nationals and offer dual diplomas to students, subject to the relevant high schools having received the requisite PRC and BC certifications and PRC government approvals. For the years ended August 31, 2011, 2012 and 2013 and the six months ended February 28, 2014, we generated approximately 56.8%, 58.3%, 55.0% and 54.5%, respectively, of our revenue from tuition fees we charged at our high schools. Our ability to offer the PRC high school diploma depends upon our ability to obtain approvals from respective provincial educational authorities for our bilingual and dual-diploma curriculum and our ability to pass annual inspections administered by the local educational authorities. Similarly, our ability to offer the BC high school diploma depends upon our ability to obtain certification from the BCMOE and pass both annual on-site inspections and ad hoc inspections by representatives from the BCMOE and BCMOE's reviews of various provincial exams that our students take periodically. For more information, see the section headed "BC Global Education Program Certification and Inspection Requirements" in this **[REDACTED]**. However, we cannot assure you that these high schools will always be able to pass inspections conducted by the local PRC educational authorities or the BCMOE, or that we will always be able to maintain either PRC certification or BC certification for these high schools. If we fail to maintain either our PRC or BC certification, or if the relevant PRC educational authorities revoke the approvals we have received for our bilingual and dual-diploma curriculum, we will not be able to continue to offer the corresponding PRC or BC high school diplomas to our graduates, and our business and results of operations may be materially and adversely affected.

Our high schools in Luoyang and Shanghai are at the pre-certification stage in the BC certification process and will not have grade 12 students until the school year ending June 30, 2016. We expect that these two high schools will be certified by the BCMOE in July 2014 according to the letters issued by the BCMOE. However, we cannot assure you that we will be able to obtain BC certification for either of these two schools on a timely basis, or at all. If we fail to obtain BC certification for our high school in Luoyang or Shanghai, we will not be able to offer dual diplomas to our graduates of those schools, and our business and results of operations may be materially and adversely affected.

We may not be able to meet the new requirements the BCMOE has implemented in its recent reforms efficiently, or at all.

The BCMOE recently announced reforms of the BC Global Education Program and initiated further reviews of its administration of such program to protect its education brand. The BCMOE issued the Transition Guidelines for Offshore Schools (the "**Transition Guidelines**") in January 2013, which include various new requirements for certification applications and renewal inspections. For example, the Transition Guidelines require that 25% of the graduating offshore students complete a minimum of one semester's study at a K-12 public or certified independent school in BC by the end of the 2015/16 school year. See the section headed "BC Global Education Program Certification and Inspection Requirements" in this **[REDACTED]**. The BCMOE is also considering implementing additional requirements for the BC Global Education Program. We cannot assure you that we will be able to meet the new requirements the BCMOE has implemented or may implement in the future. In addition, our efforts to meet these new requirements may incur significant costs, or divert management attention and other resources. Failure to meet all or any of such requirements efficiently, or at all, could affect our ability to maintain, renew or obtain BC certification, which could adversely affect our high schools and our business operation.

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

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

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

For the years ended August 31, 2011, 2012 and 2013 and the six months ended February 28, 2014, we generated approximately 97.9%, 95.9%, 92.7% and 87.6%, respectively, of our revenue from our schools in Dalian, Tianjin and Wuhan. Dalian is particularly important to our overall business as it is the home of our largest campus in terms of the number of students and our headquarters and contributed approximately 69.2%, 63.8%, 57.2% and

46.4% of our revenue for the financial years ended August 31, 2011, 2012, 2013 and the six months ended February 28, 2014, respectively. We expect that our schools in Dalian, Tianjin and Wuhan will continue to generate a significant majority of our revenue for the foreseeable future even as our schools in Chongqing, Zhenjiang, Luoyang, Shanghai and Ordos will generate an increasing portion of our revenue and we expand our operations to other cities in and outside of China. If any of these cities experiences an event negatively affecting its education industry, such as a serious economic downturn, a natural disaster or an outbreak of a contagious disease, or if governmental authorities in any of these cities adopt regulations relating to private education that place additional restrictions or burdens on us, our overall business and results of operations may be materially and adversely affected.

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

We rely substantially on our teachers for the provision of educational services to our students. Our teachers are therefore critical to maintaining the quality of our programs and services and upholding our brand and reputation. As of February 28, 2014, we had a team of approximately 1,270 teachers, including approximately 300 BC-certified teachers, approximately 910 PRC-certified teachers and approximately 50 ESL teachers.

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

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

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

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

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

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

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

We have experienced steady growth and expansion that has placed, and continues to place, significant pressure on our management and resources. In particular, we have expanded our operations from six schools all located in Dalian in 2006 to 33 schools located in eight cities throughout China as of the Latest Practicable Date. We plan to continue to expand our operations in different geographic locations in China and abroad. This expansion has resulted, and will continue to result, in substantial increased demands on our management and teaching staff, as well as our operational and technological resources. Our planned expansion will also place significant demands on us to maintain the consistency of our teaching quality and our culture to ensure that our brand does not suffer as a result of any actual or perceived decline in our teaching or overall educational quality.

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

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

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

- we may fail to identify new cities with sufficient growth potential in which to establish new schools;
- we may fail to acquire or lease suitable land sites in new cities to which we plan to expand our operations;
- it may be difficult to increase our enrollment in cities where we already have established schools;
- we may lose local government support or fail to partner with local governments in cities where we already have established schools and in cities to which we plan to expand our operation;
- we may fail to effectively market our schools or brand in new markets or promote ourselves in existing markets;
- we may not be able to replicate our successful growth model in Dalian, Wuhan and Tianjin in other geographic markets;
- we may not be able to effectively integrate any future acquisitions into our education system;
- we may fail to obtain the requisite licenses and permits from local authorities necessary to open schools at our desired locations;
- we may fail to obtain BC certifications for our new high schools;
- we may not be able to continue to enhance our textbooks and teaching materials or adapt our course material to changing student needs and teaching methods; and
- we may fail to achieve the benefits we expect from our expansion.

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

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

We are required to obtain and maintain various approvals, licenses and permits and fulfill registration and filing requirements in order to conduct and operate our education and other services. For instance, to establish and operate a school, we are required to obtain approvals from competent educational authorities, a private school operation permit from the local education bureau and to register with the local civil affairs bureau to obtain a certificate of registration for a privately run non-enterprise unit, or legal entity. As of the Latest Practicable Date, we had obtained approvals from the relevant local educational authorities for the acquisition of Wuhan Foreign School and further application has been submitted to the Education Department of Hubei Province for final approval, but we have not yet obtained such approval from the Education Department of Hubei Province, as required by PRC laws and regulations. For the financial year ended August 31, 2013, the respective percentages of revenue attributable to Wuhan Foreign School was 0.4%. The aggregate revenue for this entity was approximately RMB1,741,000 for the financial year ended August 31, 2013. We expect to receive the necessary approvals from the Education Department of Hubei Province before the **[REDACTED]**. In addition, before we receive such approvals, we are unable to register with the relevant tax authorities for tax payments for our Wuhan Foreign School. Up to February 28, 2014, we were unable to pay enterprise income tax for our Wuhan Foreign School and we had made a full tax provision of RMB0.9 million. Under relevant PRC laws and regulations, relevant PRC tax authorities may order us to pay the outstanding amount and/or a penalty ranging between 50% to five times of the outstanding amount.

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

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

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

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

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

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

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

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

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

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

We are considering to expand our operations outside of China to supplement our existing school network and are currently negotiating with the local government in South Korea to explore a school expansion opportunity in Suncheon City. As of February 28, 2014, we had incurred costs of approximately US$1 million in connection with our expansion efforts in Suncheon City. We do not have previous experience in the education industries of the foreign countries in which we plan to establish our overseas schools, and we may encounter unforeseeable barriers and challenges upon entering into those foreign markets, which may result in a delay to or failure of our expansion plans. In addition, we may need to invest heavily in developing our overseas schools and may not be able to manage our costs or generate sufficient revenue to justify the investment we make. If our expansion into any foreign country is unsuccessful, our business operation and financial condition could be materially and adversely affected.

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

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

We develop certain of our schools in accordance with cooperation agreements with third parties, under which the third parties hold the land use rights to the campus sites and the title to all the premises.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Companies operating in China are required to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their businesses. During the Track Record Period, we did not make social insurance payments for our foreign employees. In addition, we only made partial social insurance payments and housing provident fund contributions for our PRC employees as required under the relevant PRC laws and regulations. So far, we have not received any notice from the local authorities or any claim from our current and former employees regarding our non-compliance in this regard. We estimate that the amount of social insurance payments and housing provident fund contributions that we did not make during the Track Record Period was approximately RMB71.4 million, of which approximately RMB25.5 million related to social insurance payments for PRC employees, approximately RMB10.7 million related to housing provident fund contributions for PRC employees, and approximately RMB35.3 million related to social insurance payments for foreign employees. See the section headed "Business — Legal Proceedings and Compliance" in this **[REDACTED]**. Our PRC Legal Counsel has advised us that, based on the interviews we conducted with and the written confirmations issued by the competent local human resources and social security bureaus and housing provident fund management centers in cities covering a significant majority of the amount we did not pay, the risk of us being penalized for making partial social insurance payments and housing provident fund contributions is relatively low. However, we cannot assure you that the relevant local government authorities will not require us to pay the outstanding amount within a specified time limit and impose late fees or fines on us, which may materially and adversely affect our financial conditions and results of operations.

We have limited insurance coverage.

We carry property insurance and liability insurance. However, our insurance coverage is still limited in terms of amount, benefit and scope. The insurance industry in China is still in an early stage of development, and our existing insurance may not be sufficient to cover us for all accidents and potential liabilities. For example, one of our students died while walking on campus in our elementary school in Dalian in 2009. We paid damages to the student's family because the accident fell outside the scope of our insurance coverage. If we were held liable for amounts and claims exceeding the limits of our insurance coverage or outside the scope of our insurance coverage, our business, results of operations and financial condition may be materially and adversely affected. In addition, we do not have any business disruption insurance coverage for our operations to cover losses that may be caused by natural disasters or catastrophic events, such as epidemics or earthquakes, so that any business disruption or natural disaster could result in substantial costs and a diversion of resources, which would have a material adverse effect on our business and results of operations.

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

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

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

Some of our properties were pledged as collateral to secure certain bank loans. As of April 30, 2014, we had pledged land use rights to an aggregate site area of 225,549.05 square meters and buildings with an aggregate gross floor area of 73,085.94 square meters that were being used by our Wuhan campus as security for our bank loans in the amount of approximately RMB89 million. Those loan agreements are: (i) a loan agreement with the Donghu New Technology Development District Branch of Hankou Bank under which we pledged land use rights to an aggregate site area of 31,255.7 square meters and buildings with an aggregate gross floor area of 26,086.94 square meters as security for loans amounting to RMB59 million and (ii) a loan agreement with the Donghu New Technology Development District Branch of Hankou Bank under which we pledged land use rights to an aggregate site area of 194,293.35 square meters and buildings with an aggregate gross floor area of 46,999 square meters as security for a loan of RMB30 million.

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

We had net current liabilities as of August 31, 2011, 2012 and 2013 and February 28, 2014, and require a high level of working capital to sustain our operations, expansion and overall growth.

As of August 31, 2011, 2012 and 2013 and February 28, 2014, we had net current liabilities of approximately RMB752.2 million, RMB704.6 million, RMB837.6 million and RMB846.4 million, respectively. In addition, we recorded negative operating cash flow of approximately RMB101.0 million in the six months ended February 28, 2014. For additional information on our liquidity position, see the sections headed "Financial Information — Net Current Assets and Liabilities" and "Financial Information — Liquidity and Capital Resources" in this **[REDACTED]**. Historically, we financed our working capital through cash generated from our operations and short-term and long-term bank loans. As at August 31, 2011, 2012 and 2013 and February 28, 2014, our outstanding bank loans amounted to RMB233.5 million, RMB170.0 million, RMB275.0 million and RMB234.0 million, respectively, all of which were short-term bank borrowings, except in 2013, where RMB60.0 million were long-term bank borrowings. For additional information on our liquidity position, see the section headed Financial Information — Liquidity and Capital Resources" in this **[REDACTED]**.

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

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

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

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

We are disposing of a training institute.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A significant portion of our PRC students enroll in our schools for our bilingual programs and in particular, the dual-diploma curriculum we offer in our high schools because they wish to eventually apply for and attend universities in Canada, the United States, Australia, the United Kingdom and elsewhere outside of China. In addition, many of our non-PRC students attend our schools because they wish to study in universities in China. Terrorist attacks, geopolitical uncertainty and international conflicts involving China, the United States and elsewhere, and events with long-term impact upon international travel, such as those that took place on September 11, 2001 and more recently the Kunming rail station mass stabbing, which happened on March 1, 2014, can discourage students from traveling and studying abroad, which may result in an adverse effect on the enrollment figures at our schools by making international studies a less attractive option. Such attacks or international conflicts may discourage PRC students from studying in the United States and elsewhere outside of China and may discourage non-PRC students from pursuing studies in the PRC. These factors could cause a decline in the student enrollment at our schools, which could have an adverse effect on our overall business and results of operations.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

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

To avoid violation of PRC laws and regulations, we entered into a series of arrangements in which our wholly-owned subsidiary Beipeng Software receives full economic benefits from our consolidated affiliated entities. See the section headed “Contractual Arrangements” in this **[REDACTED]**.

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

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

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

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

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

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

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

We have relied and expect to continue to rely on contractual arrangements to operate the majority of our education business in China. For a description of these contractual arrangements, see the section headed "Contractual Arrangements" in this **[REDACTED]**. These contractual arrangements may not be as effective in providing us with control over our consolidated affiliated entities as equity ownership. If we had equity ownership of our consolidated affiliated entities, we would be able to exercise our rights as a direct or indirect shareholder to effect changes in the board of directors of our consolidated affiliated entities, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, as these contractual arrangements stand now, if our consolidated affiliated entities or their shareholders fail to perform their respective obligations under these contractual arrangements, we cannot exercise shareholders' rights to direct corporate actions as the direct ownership would otherwise entail. If the parties under such contractual arrangements refuse to carry out our directions in relation to everyday business operations, we will be unable to maintain effective control over the operations of our schools in China. If we were to lose effective control over our consolidated affiliated entities, certain negative consequences would result, including our being unable to consolidate the financial results of our consolidated affiliated entities with our financial results. Given that revenue from our consolidated affiliated entities constituted 42.0%, 45.2%, 50.7% and 71.1% of the total revenue in our consolidated financial statements for the financial years ended August 31, 2011, 2012, 2013 and the six months ended February 28, 2014, respectively, our financial position would be materially and adversely impacted if we were to lose effective control over our consolidated affiliated entities. In addition, losing effective control over our consolidated affiliated entities may negatively impact our operational efficiency and brand image. Further, losing effective control over our consolidated affiliated entities may impair our access to their cash flow from operations, which may reduce our liquidity.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RISKS RELATING TO DOING BUSINESS IN CHINA

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

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

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

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

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

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

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

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

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

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

As a holding company, our ability to pay dividends and other cash distributions to our Shareholders depends solely on our ability to receive dividends and other distributions from Beipeng Software. The amount of dividends and other distributions paid to us by Beipeng Software depends on the service fees paid to Beipeng Software from our consolidated affiliated entities and from Dalian Maple Leaf High School. Based on our discussions with the MOE, we do not believe that Beipeng Software's right to receive the service fees from our consolidated affiliated entities and Dalian Maple Leaf High School will be affected by our election, but if our judgment turns out to be incorrect, Beipeng Software's ability to make distributions or pay dividends to us may be impacted. If the government authorities believe that the service fees our schools pay to Beipeng Software are tantamount to reasonable returns distributed to the sponsors, they have the right to confiscate service fees paid and stop student enrollment, in which case it may be necessary for us to change our election with respect to our schools to schools of which the sponsors require a reasonable return, which would in turn result in us ceasing to enjoy certain preferential tax treatments.

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

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

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

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

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

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

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

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

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

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

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies (the "**Stock Option Rules**"). Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in stock incentive plan in an overseas publicly-listed company are required to register with the SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly-listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. We and our PRC employees who have been granted share options will be subject to these regulations upon the completion of the **[REDACTED]**. Failure of our PRC share option holders to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limited our PRC subsidiaries' ability to distribute dividends to us, or otherwise materially and adversely affect our business.

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

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

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

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

As substantially all of our management members are based in China, it remains unclear how the tax residency rule will apply to our case. We do not believe that China Maple Leaf Educational Systems Limited, or any of our

Hong Kong or BVI subsidiaries, should be qualified as a "resident enterprise" as each of our offshore holding entities is a company incorporated outside the PRC and we are not an offshore enterprise controlled by PRC individuals or domestic enterprises. As holding companies, each of these entities' corporate documents, minutes and files of the board and shareholders' meetings are located and kept outside of the PRC. Therefore, we believe that none of our offshore holding entities should be treated as a "resident enterprise" with its "de facto management bodies" located within China as defined by the relevant regulations for PRC enterprise income tax purposes. However, as the tax resident status of an enterprise is subject to determination by the PRC tax authorities, there are uncertainties and risks associated with this issue.

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

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

The change in the value of Renminbi against the Hong Kong dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. For instance, in the PRC from 1995 until July 2005, the conversion of the Renminbi into foreign currencies, including the Hong Kong dollar and US dollar, has been based on fixed rates set by the PBOC. The PRC government, however, has, with effect from July 21, 2005, reformed the exchange rate regime by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. On June 20, 2010, the PBOC announced that it intends to further reform the Renminbi exchange rate regime by enhancing the flexibility of the Renminbi exchange rate. On April 16, 2012, the PBOC enlarged the previous floating band of the trading prices of the Renminbi against the US dollar in the inter-bank spot foreign exchange market from 0.5% to 1% in order to further improve the managed floating Renminbi exchange rate regime based on market supply and demand with reference to a basket of currencies. On March 15, 2014, the PBOC further enlarged the floating band of the trading prices of the Renminbi against the US dollar in the inter-bank spot foreign exchange market from 1% to 2%, effective from March 17, 2014. However, it remains unclear how this flexibility might be implemented. Further, there remains significant international pressure on the PRC government to adopt a substantial liberalization of its currency policy, which could result in a further and more significant appreciation in the value of Renminbi against the Hong Kong dollar.

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

RISKS RELATING TO THE [REDACTED]

[REDACTED]

[REDACTED]

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

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

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

[REDACTED]

[REDACTED]

[REDACTED]

Name	Address	Nationality
Executive Directors		
Shu Liang Sherman Jen (任書良)	Teachers Apartment, Educational Park, 9 Central Street, Jinshitan State Tourist and Vacational Zone, Dalian 116650, China	Canadian
Zhenwan Liu (柳振萬)	76 Chengren Street, Shahekou District, Dalian, Liaoning Province 116000, China	Chinese
Jingxia Zhang (張景霞)	4-3-1 Tian'an Haijing Huayuan Development Zone Dalian, China	Chinese
James William Beeke	10337 Woodrose Place Rosedale British Columbia Canada V0X 1X1	Canadian
Non-Executive Directors		
Howard Robert Balloch	8006 Ming Du Yuan Beijing 101300 China	Canadian
Yue Ji (計越)	Yingchun Road, Pudong New District, Shanghai, China	Chinese
Independent Non-Executive Directors		
Peter Humphrey Owen	#406, 1050 Park BLVD. Victoria BC Canada V8V 2T4	Canadian
Chak Kei Jack Wong (王澤基)	51A, Tower 6, Park Avenue 18 Hoi Ting Road Kowloon Hong Kong	Chinese
Lap Tat Arthur Wong (黃立達)	1208 Dragon Bay Villa, Hou Sha Yu, Shun Yi District, Beijing, China 101302	British

Further information is disclosed in the section headed "Directors and Senior Management" in this **[REDACTED]**.

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors	**BNP Paribas Securities (Asia) Limited** 59/F-63/F, Two International Finance Centre 8 Finance Street Central, Hong Kong **CLSA Capital Markets Limited** 18/F, One Pacific Place 88 Queensway Hong Kong

[REDACTED]

Legal Advisors to the Company	*As to Hong Kong law and United States law* **Skadden, Arps, Slate, Meagher & Flom and affiliates** 42nd Floor, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong *As to PRC law* **Tian Yuan Law Firm** 10th Floor, CPIC Plaza 28 Fengsheng Lane Xicheng District Beijing 100032 China *As to Canadian law* **Miller Thomson LLP** 600-60 Columbia Way Markham, Ontario, L3R 0C9 *As to Cayman Island law* **Maples and Calder** 53rd Floor, The Center 99 Queen's Road Central Hong Kong
Legal Advisors to the Joint Sponsors and the [REDACTED]	*As to Hong Kong law and United States law* **Ashurst Hong Kong** 11/F, Jardine House 1 Connaught Place Central Hong Kong *As to PRC law* **Haiwen & Partners** 20/F Fortune Financial Center 5 Dong San Huan Central Road Chaoyang District Beijing 100020 China

Reporting Accountants and Independent Auditor	*Certified Public Accountants* **Deloitte Touche Tohmatsu** 35/F One Pacific Place 88 Queensway Hong Kong, China
Property Valuer	**DTZ Debenham Tie Leung Limited** 16/F Jardine House 1 Connaught Place Central, Hong Kong
Compliance Advisor	**Guotai Junan Capital Limited** 27/F Grand Millennium Plaza 181 Queen's Road Central Hong Kong

[REDACTED]

CORPORATE INFORMATION

Registered Office	Maples Corporate Services Limited PO Box 309, Ugland House Grand Cayman, KY1-1104 Cayman Islands
Headquarters and Principal Place of Business in China	Maple Leaf Educational Park 6 Central Street Jinshitan National Tourist Area Dalian, Liaoning Province 116650 China
Principal place of Business in Hong Kong Registered under Part 16 of the Companies Ordinance	Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Company Websites	www.mapleleafschools.com (*the information contained on this website does not form part of this* **[REDACTED]**)
Company Secretary	Wai Ling Chan *(HKICS; ICSA)* Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Authorized Representatives	Jingxia Zhang 4-3-1 Tian'an Haijing Huayuan Development Zone Dalian, China Wai Ling Chan Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Audit Committee	Lap Tat Arthur Wong (*chairman*) Peter Humphrey Owen Chak Kei Jack Wong
Remuneration Committee	Peter Humphrey Owen (*chairman*) Howard Robert Balloch Chak Kei Jack Wong
Nomination and Corporate Governance Committee	Shu Liang Sherman Jen (*chairman*) Peter Humphrey Owen Chak Kei Jack Wong

[REDACTED]

[REDACTED]

Compliance Advisor	Guotai Junan Capital Limited 27/F Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Principal Bankers	Bank of China Dalian Development Zone Branch No. 158, Jinma Road Dalian Development Zone Dalian, China
	China Merchants Bank Dalian Development Zone Branch No. 156, Jinma Road Dalian Development Zone Dalian, China

Certain information and statistics set out in this section and elsewhere in this **[REDACTED]** *relating to the education industry in China are derived from various government and other publicly available sources, and from the market research report prepared by Frost & Sullivan, an independent industry consultant which was commissioned by us (the "Frost & Sullivan Report"). The information extracted from the Frost & Sullivan Report should not be considered as a basis for investments* **[REDACTED]** *or as the opinion of Frost & Sullivan as to the value of any securities or the advisability of investing in our Company. We believe that the sources of such information and statistics are appropriate for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. Our Directors have further confirmed, after making reasonable enquires and exercising reasonable care, that there is no adverse change in the market information since the date of publication of the Frost & Sullivan Report or any of the other reports which may qualify, contradict or have an impact on the information in this section. No independent verification has been carried out on such information and statistics by us,* **[REDACTED]** *or their respective directors, officers, employees, advisers, agents, and no representation is given as to the accuracy or completeness of such information and statistics. Accordingly, you should not place undue reliance on such information and statistics.*

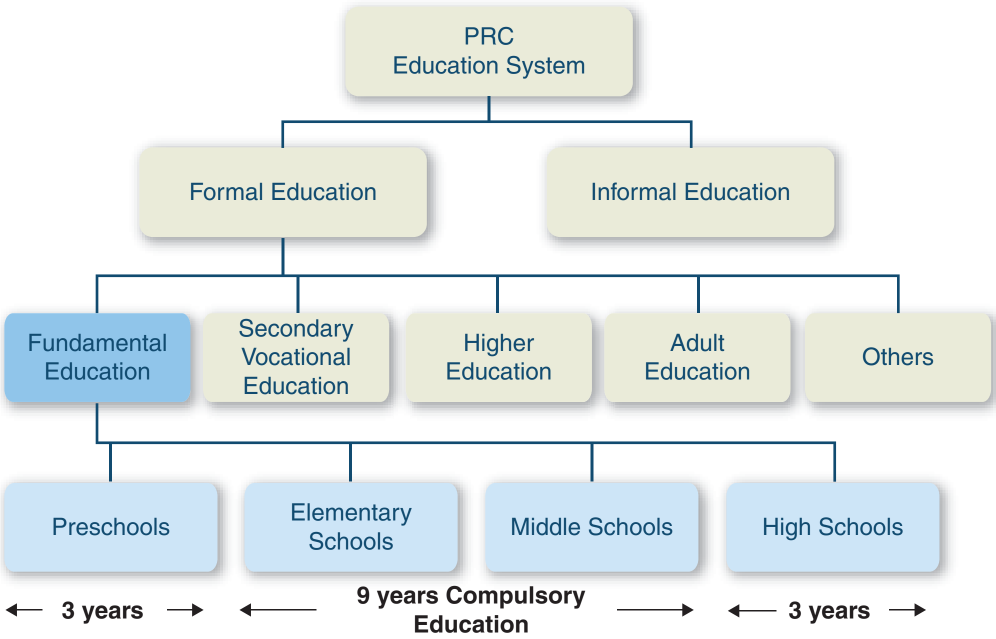
SOURCES OF INFORMATION

This section includes information from the Frost & Sullivan Report, a report commissioned by us as we believe such information imparts a greater understanding of the industry. Frost & Sullivan is a global consulting company and an independent third party. Founded in 1961, it has 40 offices worldwide with over 2,000 industry consultants, market research analysts and economists. We have agreed to pay a total of RMB780,000 in fees for the preparation of the Frost & Sullivan Report. Figures and statistics provided in this **[REDACTED]** and attributed to Frost & Sullivan or the Frost & Sullivan Report have been extracted from the Frost & Sullivan Report and published with the consent of Frost & Sullivan. In preparing the Frost & Sullivan Report, Frost & Sullivan conducted both primary and secondary research to obtain information from various sources. Primary research involved conducting interviews with leading industry participants and industry experts; and secondary research involved reviewing company reports, independent research reports and data from Frost & Sullivan's research database. In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan assumed that (i) the PRC's social, economic and political environment is likely to remain stable and (ii) key industry drivers are likely to continue to affect the market over the forecast period from 2014 to 2017. For the projection of total market size and student enrollment, Frost & Sullivan plotted available historical data against macroeconomic data as well as data with respect to related industry drivers.

OVERVIEW OF THE PRC EDUCATION INDUSTRY

The PRC formal education system is divided into five categories: fundamental education, secondary vocational education, higher education, adult education and others. The key difference between the formal and informal education system is that the formal system enables students to obtain official certificates from the PRC government, whereas the informal system, which includes different kinds of training and learning courses, merely enables students to obtain completion certificates, which may not be officially recognized. The diagram below sets forth the composition of the PRC education system.

Composition of the PRC Education System



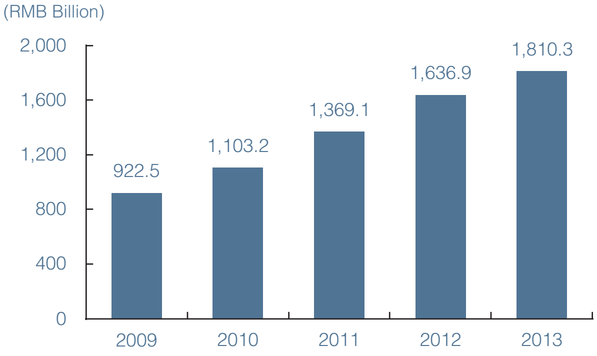
Source: Frost & Sullivan Report

Fundamental education (also known as K-12 education) in China includes three years of preschool, nine years of compulsory education at elementary and middle school, and three years of high school, which is a prerequisite for admission to college and postgraduate studies. Compulsory education is closely regulated by the MOE, including the curriculum and tuition, while preschools and high schools operate with a greater degree of flexibility. Whereas most high schools in China offer their graduates a PRC high school diploma, a small number offer international diplomas such as the International Baccalaureate (IB) diploma as well as Canadian, British and American diplomas. Very few high schools provide their graduates the opportunity to obtain a dual diploma and to be accredited under both the Chinese and the international school systems.

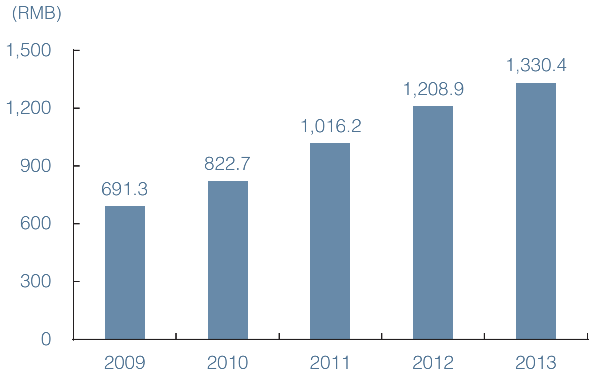
Market size and trends of the PRC fundamental education industry

The PRC fundamental education industry generated total revenues of approximately RMB1,810.3 billion in 2013, increasing from approximately RMB922.5 billion in 2009, representing a CAGR of approximately 18.4% over the period, according to the Frost & Sullivan Report. Total revenues for the PRC fundamental education industry have been calculated by aggregating total PRC government public expenditures allocated to schools in the PRC fundamental education industry, funding provided to private schools by investors, revenues generated from donations to and fundraising by schools, revenues generated by schools from teaching, research and other activities (such as tuition and school-run businesses), and other educational funding or school revenues, as reported in or derived from statistics compiled by the PRC National Bureau of Statistics of China and set forth in the Frost & Sullivan Report. PRC government public expenditure accounted for approximately 86.8% of the total revenues generated by the PRC fundamental education industry in 2013.

Total Revenues Generated by the PRC Fundamental Education Industry, 2009-2013



Per Capita Expenditure on Fundamental Education, 2009-2013



Source: Frost & Sullivan Report

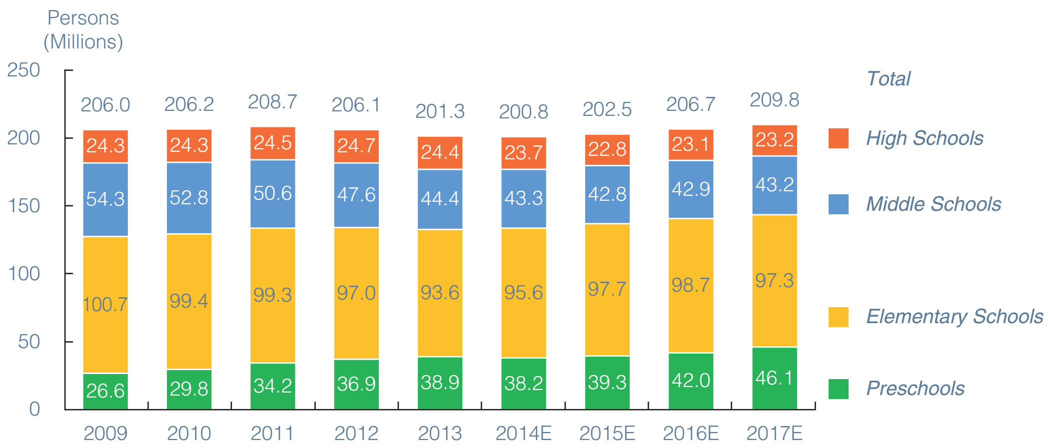
Despite the decrease in birth rate in China from approximately 1.8% in 1980 to approximately 1.2% in 2013 due to the "one-child policy" according to the National Bureau of Statistics of China, which resulted in a decreasing school-age population, the increase in total revenues generated by the PRC fundamental education industry over this period was primarily driven by increasing per capita expenditure on fundamental education. According to the Frost & Sullivan Report, per capita expenditure per annum on fundamental education has increased from approximately RMB691.3 in 2009 to approximately RMB1,330.4 in 2013, representing a CAGR of approximately 17.8% from 2009 to 2013.

Student enrollment in the PRC fundamental education industry

According to the Frost & Sullivan Report, the number of students enrolled in fundamental education in China reached approximately 201.3 million in 2013, representing a slight decrease of approximately 2.3% compared to 2012. Despite a declining school-age population, the students enrolled in fundamental education is forecasted to achieve moderate growth to approximately 209.8 million in 2017, which is mainly attributable to an increasing enrollment rate, according to the Frost & Sullivan Report.

The diagram below sets forth the number of students enrolled from 2009 to 2013, as well as the forecast of student enrollment from 2014 to 2017.

Total Student Enrollment in Fundamental Education, 2009-2017



Source: National Bureau of Statistics of China; Frost & Sullivan Report
Note: The data in the above diagram is based on statistics as of August 31 of each year.

The following trends are expected to drive student enrollment in the different segments of the PRC fundamental education industry:

- The preschool segment had approximately 38.9 million students enrolled in 2013. This segment has been growing at a CAGR of approximately 10.0% from 2009 to 2013, primarily due to the increase in enrollment rate driven by an increasing awareness among parents of the value that a quality preschool education can provide in enabling students' performance in elementary school and beyond. It is expected to grow further with a CAGR of approximately 4.3% from 2013 to 2017, according to the Frost & Sullivan Report.
- The elementary school segment had approximately 93.6 million students enrolled in 2013. This segment experienced a CAGR of approximately -1.8% decrease in student enrollment from 2009 to 2013 due to the overall decline in school-age population. However, the elementary school segment is expected to increase moderately with a CAGR of approximately 1.0% from 2013 to 2017 due to the increase of preschools enrollment over the past few years, according to the Frost & Sullivan Report.
- The middle school segment had approximately 44.4 million students enrolled in 2013. This segment experienced a CAGR of approximately -4.9% decrease in student enrollment from 2009 to 2013 due to the overall decline in school-age population. It is expected to continue decreasing slightly with a CAGR of approximately -0.7% from 2013 to 2017, according to the Frost & Sullivan Report.
- The high school segment had approximately 24.4 million students enrolled in 2013. This segment remained stable in relation to student enrollment from 2009 to 2013, and is expected to decrease slightly with a CAGR of approximately -1.2% from 2013 to 2017, according to the Frost & Sullivan Report.

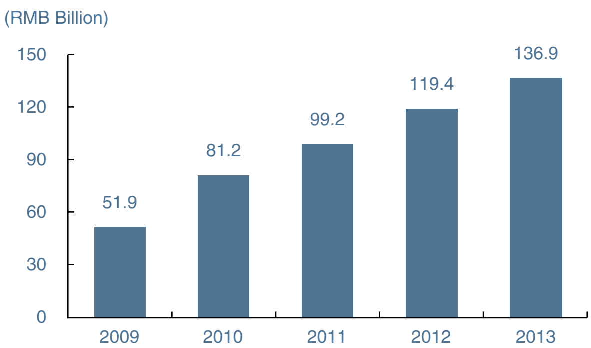
OVERVIEW OF THE PRC PRIVATE EDUCATION INDUSTRY

Private education was first allowed in China in the early 1980s. It experienced a phase of rapid growth in the 1990s, and has since become an important driver of growth in the PRC education industry overall. Private schools have a higher level of operational independence as they do not operate directly under the administration of the government unlike public schools. This allows them to have a broader and more diverse curricula offering, as well as greater flexibility in relation to funding options, such as the level of tuition they charge.

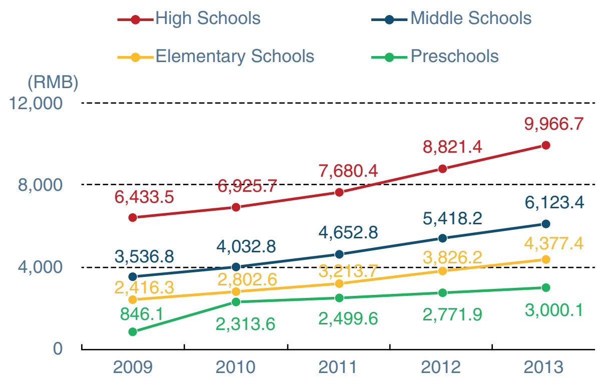
Market size and trends of the PRC private fundamental education industry

The PRC private fundamental education industry generated total revenues of approximately RMB136.9 billion in 2013, increasing from approximately RMB51.9 billion in 2009, representing a CAGR of approximately 27.4% over the period, according to the Frost & Sullivan Report. This rapid growth was primarily driven by parents' and students' rising preference for private schools, which resulted in increased enrollment in private schools as well as increased revenues from tuition fees and private investment.

Total Revenues Generated by the PRC Private Fundamental Education Industry, 2009-2013



Per Student Expenditure on Private Fundamental Education, 2009-2013



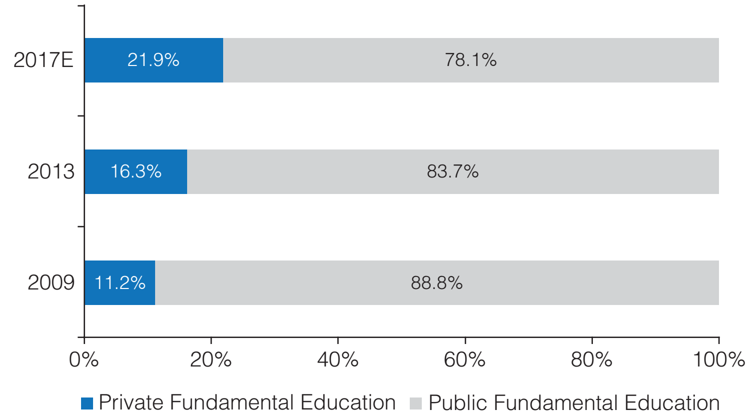
Source: Frost & Sullivan Report

According to the Frost & Sullivan Report, per student expenditure on private fundamental education increased significantly from 2009 to 2013 at a CAGR of approximately 37.2%, 16.0%, 14.7%, and 11.6% for preschools, elementary schools, middle schools and high schools, respectively.

Student enrollment in the PRC private fundamental education industry

According to the Frost & Sullivan Report, the number of students enrolled in private fundamental education in China reached approximately 32.9 million in 2013, representing an increase of approximately 4.8% over the previous year, despite a decrease in overall student enrollment. It is expected to further increase to approximately 45.8 million in 2017, at a CAGR of approximately 8.6% from 2013 to 2017, driven by favorable government policies for private schools and an increasing recognition among parents of the value of private schools. According to the Frost & Sullivan Report, the penetration of private schools in the overall fundamental education system based on student enrollment increased from approximately 11.2% in 2009 to approximately 16.3% in 2013, indicating that more students are choosing to attend private schools instead of public schools. This is expected to further increase to approximately 21.9% in 2017.

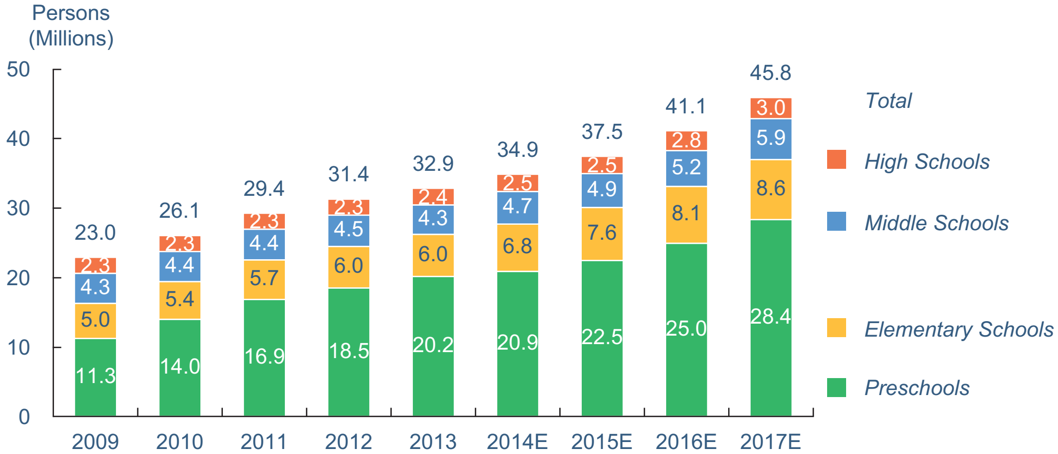
Penetration of Private Schools in the Overall Fundamental Education based on Student Enrollment



Source: Frost & Sullivan Report

The diagram below sets forth the number of students enrolled in private fundamental education from 2009 to 2013, as well as a forecast of student enrollment expected from 2014 to 2017.

Total Student Enrollment in Private Fundamental Education, 2009 to 2017E



Source: National Bureau of Statistics of China; Frost & Sullivan Report

The following trends are expected to drive student enrollment within the different segments of the PRC private fundamental education industry:

- The private preschool segment, as the largest segment of the private K-12 education based on student enrollment, grew to approximately 20.2 million students in 2013, representing a CAGR of approximately 15.5% from 2009 to 2013. It is expected to grow further with a CAGR of approximately 8.9% from 2013 to 2017, primarily driven by the significant shortage of public preschools and the relatively simple administrative requirements and funding sources from the PRC government. In addition, this segment had a penetration rate of approximately 51.9% in 2013.

- Student enrollment in the private elementary school segment grew to approximately 6.0 million in 2013, representing a CAGR of approximately 4.5% from 2009 to 2013. It is expected to grow further with a CAGR of approximately 9.3% from 2013 to 2017, primarily driven by the increasing disposable income in the PRC and the recognition of the value of private schools in early education. In addition, this segment had a penetration rate of approximately 6.4% in 2013.
- Student enrollment in the private middle school segment remained stable with approximately 4.3 million students in 2013, representing a CAGR of approximately -0.1% from 2009 to 2013. However, it is expected to grow with a CAGR of approximately 7.9% from 2013 to 2017, primarily driven by an increasing demand for high quality schools, especially those that provide students with a wide selection of courses, and extensive resources to prepare for overseas education in high schools or higher education. In addition, this segment had a penetration rate of approximately 9.7% in 2013.
- Student enrollment in the private high school segment grew to approximately 2.4 million in 2013, representing a CAGR of approximately 0.6% from 2009 to 2013. It is expected to grow further with a CAGR of approximately 6.5% from 2013 to 2017, primarily driven by an increasingly emphasis on the importance of high quality education and overseas education opportunities by parents who believe private schools can meet their needs. In addition, this segment had a penetration rate of approximately 9.8% in 2013.

Tuition fees of the PRC private fundamental education industry

Tuition fees in private fundamental schools are usually higher than those in public fundamental schools, as their operations are funded primarily by tuition fees.

In 2013, the average annual tuition fees in private preschools, elementary schools, middle schools and high schools were approximately RMB2,650.0, RMB2,920.0, RMB4,350.0 and RMB7,670.0 respectively, according to the Frost & Sullivan Report.

THE PRC INTERNATIONAL SCHOOL MARKET

According to the Frost & Sullivan Report, international schools are defined as schools that provide fundamental education with a set of foreign curricula or an integrated curriculum involving both Chinese and foreign curricula. They are broadly separated into two categories:

- International schools that cater to foreign students only, and offer foreign curricula including the International Baccalaureate, A-level, Advanced Placement, and official Canadian and Australian curricula; and
- International schools that cater to both Chinese and foreign students, which usually offer both Chinese and foreign curricula.

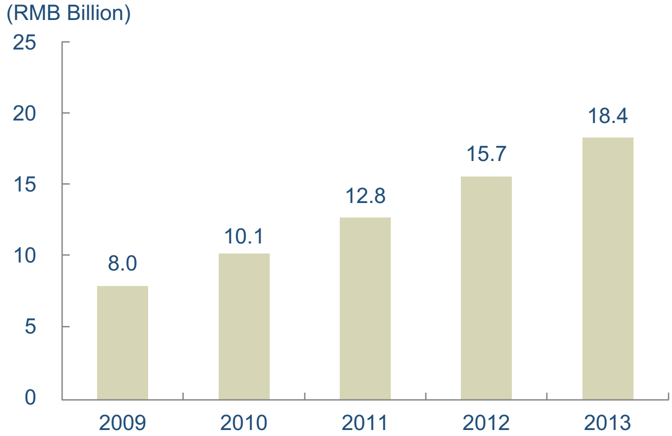
High school graduates from international schools can generally obtain either a British, Canadian, American or International Baccalaureate diploma. Diplomas from certain leading international schools in China are recognized by renowned foreign universities.

In 2013, over 90% of the international schools in China were private schools, according to the Frost and Sullivan Report. They mainly comprise offshore branches established by foreign school operators, or joint establishments between foreign education providers and Chinese domestic schools. International private schools that offer foreign curricula usually charge significantly higher tuition fees than local private schools.

Market size and trends of international schools in the PRC

The PRC international school market generated total revenues of approximately RMB18.4 billion in 2013, increasing from approximately RMB8.0 billion in 2009, representing a CAGR of approximately 23.0% over the period, according to the Frost & Sullivan Report. The rapid growth was primarily driven by the rising per student tuition fee per annum and the increasing student enrollment in the international school market. According to the Frost & Sullivan Report, the total revenue for the international school market is mainly attributable to tuition fees.

Total Revenues of International School Market, 2009-2013



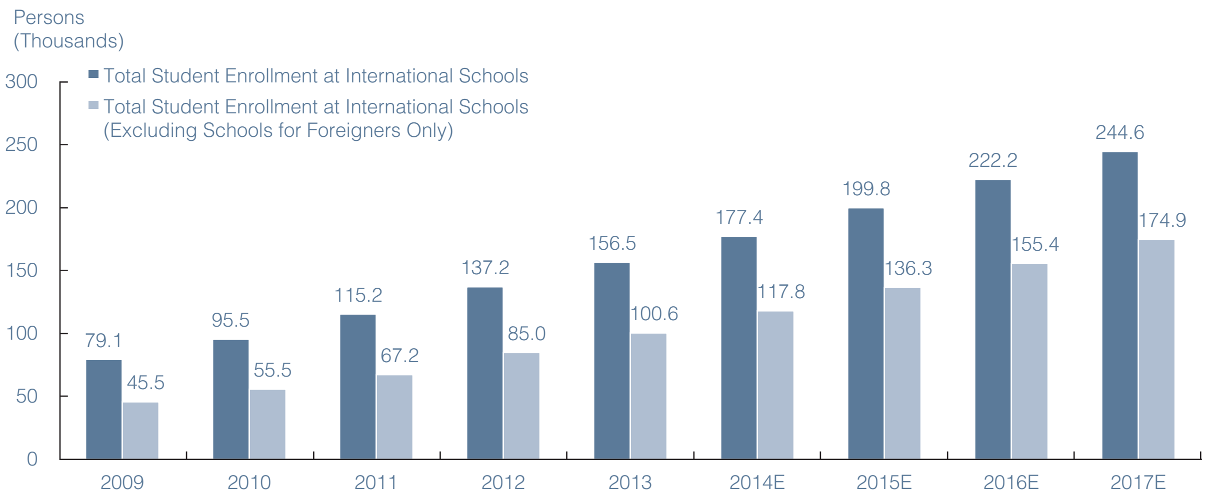
Source: Frost & Sullivan Report

Student enrollment in the PRC international school market

International schools in China have grown rapidly in recent years. The total number of students enrolled in international schools reached approximately 156,500 in 2013, nearly double of that from 2009, representing a CAGR of approximately 18.6% from 2009 to 2013, according to the Frost & Sullivan Report. Of the 156,500 international school students enrolled in 2013, approximately 100,600 were enrolled in international schools that admit both Chinese and foreign students.

The diagram below sets forth the students enrolled in international schools from 2009 to 2013, as well as the forecast of student enrollment from 2014 to 2017.

Total Student Enrollment in International Schools, 2009-2017E



Source: Frost & Sullivan Report
Note: The data in the above diagram is based on statistics as of August 31 of each year.

The rapid growth in students enrollment in international schools in China is mainly attributable to two key drivers: the increasing number of foreign expatriates in China since the late 1990s, and the strong intention of Chinese parents to send their children to study abroad. According to the Frost & Sullivan Report, these two trends are likely to continue in the coming years, and the international school market in China is anticipated to maintain rapid growth with a double-digit CAGR of 11.8% over the forecast period of 2013 to 2017, reaching approximately 244,600 students enrolled in 2017.

Competitive Landscape

According to the Frost & Sullivan Report, the international school market is fragmented in China with hundreds of school operators. The top five international schools, in aggregate, comprised approximately 18.0% of the market in 2013 in terms of student enrollment, representing a total of 28,208 students. There is no single school operator with a market share greater than 10.0%. Maple Leaf, an education group specialized in providing dual curriculum for high schools, is the largest international school operator in China. Its market share was approximately 7.5% in 2013, followed by Shanghai United and Dulwich, with market shares of approximately 3.0% and 2.6% respectively. Among the top 5 international schools, Maple Leaf, Shanghai United and Dulwich cater to both Chinese and foreign students, while Nord Anglia and Yew Chung cater to foreign students only.

Top 5 International Schools in the PRC, Ranked by Student Enrollment in 2012/2013 School Year

Ranking	School operator	Student Enrollment 2012/2013 school year (persons)	Market share 2012/2013 school year (%)
1	Maple Leaf	11,697	7.5%
2	Shanghai United	4,687	3.0%
3	Dulwich	4,110	2.6%
4	Nord Anglia	4,077	2.6%
5	Yew Chung	3,637	2.3%

Source: Frost & Sullivan Report

Note: The data in the above table is based on statistics as of August 31, 2013. The ranking is based on the student enrollment, which only takes into account the international sections of each school operator and excludes domestic or national sections which are beyond the definition of international schools set out in the industry overview section.

International schools generally charge higher tuition fees than local private schools, and hence most of them are located in cities with populations that have relatively higher annual disposable incomes. Beijing, Shanghai and Guangzhou are the three largest cities in the international school market, followed by emerging cities such as Dalian, Chongqing, Tianjin and Wuhan. The average tuition fees charged by the top 5 international schools in China in 2012/2013 school year were approximately RMB114,499.2, RMB138,913.4, RMB155,147.2 and RMB163,006.6 for preschools, elementary schools, middle schools and high schools, respectively. For more details on our tuition fees, please refer to the "Business — Our Schools" section of this **[REDACTED]**.

Key market drivers of the international school market

The increasing demand for international schools in China, in particular for premium international schools, is primarily driven by the following factors:

- Importance of a bilingual and multicultural education for overseas education

Demand for English-language education is growing rapidly in China, primarily due to the increasing desire of Chinese parents to send their children abroad for education, as they believe it provides their children with broader cultural exposure and improved future employment prospects. According to the Frost & Sullivan Report, the number of high school graduates going overseas for further studies grew from approximately 41,000 in 2009 to approximately 131,000 in 2013, representing a CAGR of approximately 33.7% over this period. Accordingly, the proportion of Chinese high school graduates going overseas for further studies has increased from approximately 0.5% in 2009 to approximately 1.6% in 2013.

International schools that place a strong emphasis on teaching English are seen as better for preparing children for overseas education in English-speaking countries. According to the Frost & Sullivan Report, the United States, the UK, Australia and Canada are the preferred countries for Chinese students looking to study aboard, accounting for a total of approximately 73.0% of Chinese students going overseas for studies in 2013. In addition, Chinese parents increasingly emphasize the pursuit of further education in top-ranked universities worldwide as one of the main paths to a successful career. Since obtaining a quality K-12 education in English significantly enhances the likelihood of admission to top-ranked universities, parents tend to be more inclined to send their children to international schools.

- Rising Income of Chinese Households

Along with the continued economic growth and urbanization in China, the per capita disposable income of Chinese urban households has increased rapidly to approximately RMB26,955.0 in 2013 from approximately RM17,174.7 in 2009, and is forecasted to increase to approximately RMB39,948.5 in 2017 with a CAGR of approximately 10.3% from 2013 to 2017, according to the Frost & Sullivan Report. Rising disposable income has become a key driver of demand for international schools, as many families are able to afford the higher tuition fees. According to the Frost & Sullivan Report, per capita expenditure per annum on fundamental education increased from approximately RMB691.3 in 2009 to approximately RMB1,330.4 in 2013, representing a CAGR of approximately 17.8% from 2009 to 2013.

In addition, according to the Frost & Sullivan Report, the total number of wealthy individuals (i.e. those with an annual disposable income above RMB100,000) was estimated to be approximately 38.0 million in China in 2013, up from approximately 17.0 million in 2009 with a CAGR of approximately 22.0% from 2009 to 2013. It is forecasted to increase to approximately 63.0 million in 2017 with a CAGR of approximately 14.0% from 2013 to 2017. Wealthy individuals generally have a strong tendency of sending their children overseas for studies, and are therefore potential customers of international schools.

- Growing expatriate population in China

China is continuously integrating into the world economy as it opens up its market to foreign investment. This has resulted in a growing expatriate population in China, as more people migrate there for business opportunities. According to the Frost & Sullivan Report, the number of expatriates has increased from approximately 223.0 million in 2009 to approximately 246.4 million in 2012. As most expatriates move to China with their families, expatriate demand for international schools will likely increase given their general preference to receive an education similar to that in their home countries.

- Favorable PRC government policies

Since the 1980s, the central and local governments in the PRC have launched a series of policies to encourage the development of private education. For example, public expenditure on private education increased at a CAGR of approximately 31.6% from 2009 to 2013. The PRC central government's recent policies have shown an increase in support for private education including international schools. For example, in the Summary of the 2013 National Conference on Education《2013年全國教育工作會議紀要》, the PRC central government stated its intention to abolish all discriminatory policies against private education and stated that private investment is encouraged for the development of the country's education system. In addition, in some regions, local governments have implemented favorable policies to attract well-known private schools to establish local branches such as granting free land and providing financial support for the development of campuses.

- Quality of public fundamental schools

The public fundamental education industry in China is characterized by standardized curricula that place a strong emphasis on test preparation as compared to other aspects such as creativity, social skills, psychological and physical health and self-care abilities. This lack of diversity in the public school curricula also means that students are given few options in relation to the selection of courses. In addition, public schools in China are funded and operated by the relevant governmental departments, which may affect the autonomy and normal operation of the schools. Furthermore, resources for public education are not evenly allocated across China, leading to a large disparity in the quality of schools and teachers across regions and even within the same city. For example, schools in urban areas are generally allocated more resources than those in rural areas, and thus typically have better facilities, larger campuses and higher-quality teachers.

Since the quality of public schools varies, many parents consider private schools as an alternate source of education that can better cater to students' needs. International schools in particular typically provide better infrastructure, smaller class sizes, a more diversified curriculum, and an English-language focused education.

Due to intense competition for fundamental education and higher education, demand for high-quality private educational services, in particular in international schools, is expected to continue to grow in China.

ENTRY BARRIERS FOR THE PRC EDUCATION INDUSTRY

Entry barriers for school operators in the PRC fundamental education industry

The PRC fundamental education industry has relatively high entry barriers, particularly the compulsory education which is closely regulated by the MOE. The following sets forth some of the key entry barriers for the PRC fundamental education industry:

- Regulatory approvals

The school operators in China are required to obtain and maintain a series of approvals, licenses and permits by the relevant governmental authorities, and comply with specific registration and filing requirements in order to operate education services.

The establishment of a school in China is also subject to the relevant governmental authorities' approvals, including the approvals under the Education Law of the PRC (中華人民共和國教育法), which stipulates the fundamental conditions that shall be fulfilled. In addition, the establishment of a private school in China will further subject to the approvals under the Law for Promoting Private Education (中華人民共和國民辦教育促進法) and the Implementation Rules for the Law for Promoting Private Education (中華人民共和國民辦教育促進法實施條例). The lengthy and complex application process has become a natural entry barriers for the industry, especially for the new school operators.

- Capital requirements

The establishment of a school in China requires large initial investment for the construction of campus and school facilities and other related expenses. The investment is also an on-going long term investment commitment on top of the initial investment. Therefore, the ability for school operators to secured sufficient capital will be critical as they will need to commit into all the investment requirements.

- Availability of land and relevant facilities

The availability of land and relevant facilities remain a challenge for new comers amid the tight supply of available land in certain Chinese cities and rising rental costs. Sufficient land and facilities not only are the basic requirements to operate schools, they also have direct impact to the class size and quality of education that school operators can offer. In general, it will take a considerable amount of time and resources for school operators to establish a new school in a new location.

- Availability of qualified teaching staffs

The quality of teaching staffs has a direct influence over the quality of the education provided by the school operators. Given the general demand for smaller class size and shortage of teaching staffs, schools operators who wish to expand their schools are facing more pressures. In addition, high quality teachers are usually employed by public schools and well-established private schools; hence, it is difficult for new entrants to attract the highly qualified teachers.

Entry barriers for school operators in the PRC international school market

According to the Frost & Sullivan Report, international school market in general has higher entry barriers. Firstly, the PRC-foreign cooperation in operating schools or training programs is specifically governed by the Sino-Foreign Regulation in accordance with the Education Law, the Occupational Education Law of the PRC (中華人民共和國職業教育法) and the Law for Promoting Private Education of the PRC, and the Implementing Rules for the Regulations on Operating PRC-foreign Schools (中華人民共和國合作辦學條例實施辦法). Secondly, any PRC-foreign cooperation school and cooperation program shall be approved by relevant education authorities and get the Permit for Chinese-foreign Cooperation in Operating School. Thirdly, the continuous and steady investment, multiple sources and channels of capital are essential for international schools so as to guarantee their operation, as the international schools invest significantly in the modern campus and facilities, international exchange programs, English-speaking teacher recruitment and English-language teaching materials.

International schools also require to maintain a long term good reputation and brand name associated with quality are essential for schools in recruiting students. Parents and students have preference for schools with long operating track record, well-established reputation, and relevant market rankings, which take years to establish.

Entry barriers for school operators to offer dual-diploma curriculum

The Directors believe that the ability to offer dual-diploma curriculum is one of the highest entry barriers for school operators in the industry. The complexity comes from the challenges in designing a curriculum that can offer courses that are accredited under both foreign and Chinese education systems and the course credits are required to be able to duly certify between the respective governments' educational authorities. The establishment for a dual-diploma curriculum is required to obtain approvals from both governments whereby each education system has its own specific requirements hence it is a highly complicated process to achieve mutual agreements from both systems. In addition, the school operator's ability to design a curriculum with courses that can combine the requirements from both systems and also minimize course overlaps for students is a key challenge. In terms of the operation, the school operator is required to recruit and maintain qualified teaching staffs from both systems and the Directors considered that the ability to manage two teaching teams with very different teaching methodologies and lifestyles are highly challenging. In conclusion, the Director believes that the lengthy and complicated approval process, together with the complexity in operating a dual-diploma curriculum schools are poised to be one of the highest entry barriers for new entrants.

REGULATIONS ON PRIVATE EDUCATION IN THE PRC

Education Law of the PRC

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

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

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

Under the above regulations, private schools have the same status as public schools, though private schools are prohibited from providing military, police, political and other kinds of education which are of a special nature. Public schools that provide compulsory education are not permitted to be converted into private schools. The operations of a private school are highly regulated. For example, a private school shall establish the executive council, the board of directors or any other form of the decision-making body and such decision-making body shall meet at least once a year. Furthermore, the textbooks selected by the private elementary schools and middle schools for teaching state fundamental classes should be approved in accordance with related laws and regulations, and the curriculum arrangements of the teaching courses should be in conformity with the provisions of the MOE. Teachers employed by a private school shall have the qualifications specified for teachers and meet the conditions for the post as provided for in the Teachers Law of the PRC (中華人民共和國教師法) and other relevant laws and regulations, and there shall be a definite number of full-time teachers in a private school, and in private schools offering academic qualifications education full-time teachers shall account for not less than one-third of the total number of the teachers. Except for our pre-schools and foreign national schools, each of our schools provides a diploma or certificate to students. In line with relevant regulations, all of our courses required for PRC diplomas are taught by teachers that are certified by the relevant city education bureaus after undergoing systematic training and passing standardized tests in the subject areas they teach.

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

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

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

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

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

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

Regulations on PRC -Foreign Cooperation in Operating Schools

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

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

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

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

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

Regulations on Compulsory Education

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

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

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

Regulations on the Operation of High Schools

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

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

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

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

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

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

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

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

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

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

Regulation on the Administration of Kindergartens

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

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

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

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

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

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

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

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

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

REGULATIONS ON SOFTWARE DEVELOPMENT ACTIVITIES

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

REGULATIONS ON COPYRIGHT AND TRADEMARK PROTECTION

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

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

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

Trademark. The PRC Trademark Law (中華人民共和國商標法), adopted in 1982 and revised in 2001 and 2013 (the 2013 revised version has been promulgated on August 30, 2013 and will become effective on May 1, 2014), protects the proprietary rights to registered trademarks. The Trademark Office under the SAIC handles trademark registrations and grants a term of ten years to registered trademarks and another ten years to trademarks as requested upon expiry of the prior term.

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

REGULATIONS ON FOREIGN EXCHANGE

Foreign Currency Exchange

Pursuant to the Foreign Exchange Administration Regulations of the PRC (中華人民共和國外匯管理條例) promulgated by the State Council on January 29, 1996 as amended on January 14, 1997 and August 5, 2008 and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (結匯、售匯及付匯管理規定) promulgated by the PBOC on June 20, 1996 and became effective on July 1, 1996 and other PRC rules and regulations on currency conversion, foreign-invested enterprises are permitted to convert their after tax dividends into foreign exchange and to remit such foreign exchange out of their foreign exchange bank accounts in the PRC. If foreign-invested enterprises require foreign exchange for transactions relating to current account items, they may, without approval of SAFE, effect payment from their exchange account or convert and pay at the designated foreign exchange banks, upon provision of valid receipts and proof. However, convertibility of foreign exchange in respect of capital account items, such as direct investment, loans and capital contributions, is still subject to restriction, and prior approval from SAFE or its relevant branches must be sought. On August 29, 2008, SAFE promulgated the Circular on the Relevant Operating Issues concerning Administration Improvement of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises (關於完善外商投資企業外 匯資本金支付結匯管理有關業務操作問題的通知) (the "**SAFE Circular 142**") to regulate the conversion of foreign currency into RMB by a foreign-invested enterprise by restricting the ways in which the converted RMB may be used. SAFE Circular 142 stipulates that the registered capital of a foreign-invested enterprise that has been settled in RMB converted from foreign currencies may only be used for purposes within the business scope approved by the applicable governmental authority and cannot be used for equity investments within the PRC. Meanwhile, the SAFE strengthened its oversight of the flow and use of the registered capital of a foreign-invested enterprise settled in RMB converted from foreign currencies. The use of such RMB capital may not be changed without the SAFE's approval, and may not in any case be repayment of RMB loans if the proceeds of such loans have not been used. Violations of SAFE Circular 142 may lead to severe penalties including heavy fines. As a result, SAFE Circular 142 may significantly limit our ability to transfer the net proceeds from this offering Beipeng Software through our consolidated affiliated entities, and thus may adversely affect our business expansion in China. We may not be able to convert the net proceeds into RMB to invest in or acquire any other PRC entities, or establish other consolidated affiliated entities in the PRC. Following the issuance of the SAFE Circular 142, on November 9, 2010, SAFE promulgated the Circular on the Relevant Operating Issues concerning Administration Improvement of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises (關於加強外匯業務管理有關問題的通知) (the "**SAFE Circular 59**") which was amended on April 16, 2012. The SAFE Circular 59 requires the authenticity of settlement of net proceeds from offshore offerings to be closely examined and the net proceeds to be settled in the manner described in the offering documents. Furthermore, in November 2011, SAFE issued the Circular on Further Clarifying and Regulating Matters Relating to Foreign Exchange Administration of Certain Capital Account Items (國家外匯管理局關於進一步明確和規範部分資本項目外匯業務管理有關問題的通知) (the "**SAFE Circular 45**"). SAFE Circular 45 requires SAFE's local counterparts to strengthen the control imposed by SAFE Circular 142 and SAFE Circular 59 over the conversion of a foreign-invested company's capital contributed in foreign currency into RMB. SAFE Circular 45 stipulates that a foreign-invested company's RMB funds, if converted from such company's capital contributed in foreign currency, may not be used by such company to (i) extend loans (in the form of entrusted loans), (ii) repay borrowings between enterprises, or (iii) repay bank loans it has obtained and on-lent to third parties.

Dividend Distribution

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

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

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

SAFE Circular No. 75

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

SAFE Regulations on Employee Share Options

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

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

REGULATIONS ON LABOR AND SOCIAL SECURITY

Employment contracts

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

Social Insurance

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

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

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

REGULATIONS ON TAXATION

Income tax

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

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

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

Business Tax

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

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

Dividend Withholding Tax

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

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

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

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

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

SAFE Regulations on Employee Share Options

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, or Circular 7, issued by SAFE in February 2012, employees, directors, supervisors and other senior management participating in any stock incentive plan of an overseas publicly listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. Failure to complete the SAFE registrations may subject them to fines and legal sanctions and may also limit our ability to contribute additional capital into our wholly foreign-owned subsidiaries in China and limit these subsidiaries' ability to distribute dividends to us. In addition, the State Administration for Taxation has issued certain circulars concerning employee share options or restricted shares. Under these circulars, the employees working in the PRC who exercise share options or are granted restricted shares will be subject to PRC individual income tax. The PRC subsidiaries of such overseas listed company have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If the employees fail to pay or the PRC subsidiaries fail to withhold their income taxes according to relevant laws and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC government authorities.

[REDACTED]

CANADIAN LAWS AND REGULATIONS

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

British Columbia's Governance of Education

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

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

School Act

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

Independent School Act

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

British Columbia Global Education Program

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

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

APPLICATION

According to the 2013/2014 BC Global Education Program Operating Manual for Offshore Schools (the "**Operating Manual**"), prospective offshore school operators interested in establishing a BC offshore school must submit applications to the BCMOE between September 1 and December 31 each year.

In determining whether to approve an application for a new offshore school, the BCMOE will take into account a range of factors, including the location of the proposed school (in relation to the number and location of existing BC offshore schools and the BC provincial international education priorities); the accuracy, validity, and completeness of information provided; whether the proposed plan for the school adheres to program requirements; and the suitability of the applicant (for operating a BC offshore school). In assessing applicant suitability, the BCMOE considers, among others, the following factors:

- compliance with application requirements;
- the reputation and character of the applicant;
- whether the applicant has previously used the BC curriculum or BC education "brand" without authorization;
- the financial integrity of the applicant, including sources of funding for the proposed school;
- whether any false or misleading information has been provided by the applicant during the application process; and
- any other factors that may be relevant to the BCMOE's interest in protecting the integrity of the program and/or BC's positive international education reputation.

If the BCMOE decides to accept an offshore school's application, the BCMOE will enter into a pre-certification agreement and an initial curriculum delivery agreement with the school operator, and, upon payment by the school operator of all applicable fees, the school is moved into the pre-certification phase. Both agreements are valid for one school year starting from July 1 and ending at June 30.

PRE-CERTIFICATION AND CERTIFICATION

A school in the pre-certification phase is permitted to deliver the BC curriculum for the following school year. During the pre-certification phase, the school operator is not permitted to advertise the school as "BC-certified" or indicate that students will be able to receive a BC high school diploma upon graduation.

The BCMOE will appoint a team of inspectors to perform an onsite inspection of the school in the spring, at the expense of the school operator. Once the inspection team has completed its evaluation of the school, required changes and/or follow-up items for the school operator will be identified and recommendations will be provided to the BCMOE for consideration. If the inspection team determines that all program requirements are met, the school is certified and the school operator will sign a one-year certification agreement with the BCMOE. In the event that the program requirements are not met, the BCMOE may either renew the initial curriculum delivery agreement for another year or advise the school operator that the initial curriculum delivery agreement will not be renewed, in which case the school operator may re-apply to the program at a later time.

Below is a summary of the key terms of the BCMOE's standard form of certification agreement:

Category	Description of key terms
Agreement term	The certification agreement commences on the first day of the school year (July 1) in the year in which the Agreement is executed and ends on the last day (June 30) of the school year. The certification agreement may be renewed at the Province's sole discretion if the Province is satisfied that the school operator continues to meet all the certification requirements.
Qualification criteria for school operators	The school operator represents and warrants as to the qualification requirements, including, but not limited to, the following: (i) it has satisfied all of the certification requirements, including without limitation an annual report submitted in accordance with the requirements of the BC Global Education Program, as may be modified from time to time by the Province of British Columbia (the "**Province**"); (ii) it is able to communicate orally and in writing with the Province in fluent English at a level acceptable to the Province; (iii) it has paid all fees; (iv) it has provided any additional information that the Province reasonably requests; (v) it is considered by the Province, at the Province's sole discretion, to be a suitable candidate in accordance with the certification requirements; (vi) it is, subject to the written approval of the Province, offering a BC educational program that commences between kindergarten and grade eight, with a minimum enrollment of 60 full-time students in each grade offered in the school; (vii) it has, subject to the written approval of the Province, ensured that students commence full-time enrollment in the school in or before grade eight; and (viii) it provides the Province annually with written confirmation from the appropriate government entity with paramount responsibility for education in the jurisdiction in which the school is located that the operator has obtained written approval or a letter of no objection to obtain certification for the school and operate the school under the certified agreement.
School operator's representations, warranties and obligations	All statements contained in any certificate, application or other document delivered before or during the continuation of the certification agreement, by or on behalf of the school operator to the Province under the certification agreement or in connection with the school and the provision of an educational program under the certification agreement will be deemed to be representations and warranties by the operator under the certification agreement. All representations, warranties, covenants and agreements made under the certification agreement and all certificates, applications or other documents delivered by or on behalf of the school operator are material and will conclusively be deemed to have been relied upon by the Province and will continue in full force and effect during the continuation of the certification agreement. The school operator must, if requested by the Province, provide evidence satisfactory to the Province that the representations and warranties are true and correct and that the operator's obligations under the certification agreement have been met. The school operator represents and warrants to the Province that: • there is no law or decision of a governmental entity, which would prohibit the operator from entering into the certification agreement with the Province; • the certification agreement has been legally and validly authorized and executed by the operator and is legally binding upon and enforceable against the operator in accordance with its terms; and

Category	Description of key terms
	• the operator: (i) will directly operate the school and is solely responsible for its operation; (ii) has the power and capacity to accept and execute the certification agreement; (iii) has the power and capacity to perform its obligations under the certification agreement and the certification agreement is binding upon and enforceable against the operator in accordance with its terms; (iv) does not know of any fact that adversely affects, or might adversely affect, in a material way, the operator's properties, assets, condition (financial or otherwise), business or operations or its ability to fulfill its obligations under the certification agreement; (v) has all the rights necessary to operate the school and use the facilities for the purposes of the school; and (vi) will operate the school in accordance with the laws of the country where the school is located.
Principals and teachers	The school operator must employ a principal for the school during the term of the certification agreement. The operator must not employ a principal who is employed as a principal for any other BC offshore school. The principal must be an individual who, at the time that the individual is hired by the operator as the principal and during the term of the certification agreement, meets all of the following requirements: (i) is fluent in English; (ii) holds a BC certificate of qualification; (iii) is not otherwise affiliated with the operator, other than through the principal's employment contract with the operator; and (iv) has experience working at a principal or vice-principal level and has a minimum of three years of teaching experience, preferably in a BC school, except where the Province has provided written approval to the operator for the use of modified criteria due to exceptional circumstances. The school operator must ensure that teachers employed to teach at the school: (i) hold a BC certificate of qualification prior to beginning teaching in the school and during the term of the certification agreement; (ii) provide to the operator police records checks from all Canadian jurisdictions in which they have previously resided; (iii) maintain their certification in good standing complying with all professional requirements under the Province's Teachers Act; (iv) provide consents for the disclosure of personal information to the Province as required under the certification agreement and for storing and accessing this information outside of Canada; (v) provide instruction in a competent manner to students in accordance with the requirements under the certification agreement and as identified in the requirements of the BC Global Education Program; (vi) teach the programs of study and educational programs that are prescribed, approved or authorized under the certification agreement; (vii) encourage and foster learning in students; (viii) regularly evaluate students and periodically report the results of the evaluation to the students, the students' parents and the school in accordance with the terms of the certification agreement; (ix) maintain, under the direction of the principal, order among the students while they are in the school or on the School grounds and while they are attending or participating in activities sponsored or approved by the school; and (x) carry out, subject to any applicable contract of employment, those duties that are assigned to the teacher by the principal.
Facilities	The school operator is responsible for (i) ensuring that local health and safety standards in respect of the operation of the school are met; (ii) ensuring that the facilities, grounds and equipment used in conjunction with the operation of the school meet local building code and health and safety standards; and (iii) any damages or compensation arising as a result of any liability related to facilities, grounds, equipment or operation of the school.
Indemnity	The school operator will indemnify and save harmless and forever releases and discharges the BCMOE, its employees and agents, from and against any and all

Category	Description of key terms
	losses, claims, damages, actions, causes of action, costs and expenses that any of them may sustain, incur, suffer or put to at any time either before or after the expiration or termination of the certification agreement, where the same or any of them are based upon, arise out of or occur, directly or indirectly, by reason of any act or omission of the operator, or of any agent, employee, officer, director or subcontractor of the operator pursuant to the certification agreement or in connection with the school.
Fees	The school operator must ensure that all communications, including publications and promotional materials, accurately set out the amount of fees and other monies payable under the certification agreement to the Province. Below is a summary of the fees for the BC Global Education Program: • initial application fee — CAD5,000, which is non-refundable and payable at the time of application; • curriculum usage fee — CAD10,000 per school/annum, which is payable on August 1 of each calendar year; • program administration fee — CAD5,000 per annum, which is non-refundable and payable on August 1st of each calendar year; and • student registration fee — CAD350 per student/annum, which is payable on November 30 of each calendar year.
Renewal	The Province at its sole discretion will determine whether the school operator may renew the certification agreement, after: (i) determining if the operator is in compliance with the terms and conditions of the certification agreement; (b) conducting an inspection of the school to assess whether, in the Province's opinion, the operator is eligible to apply to renew the certification agreement, with or without conditions; and (iii) assessing any other matters that the Province considers relevant to that determination. If the Province has notified the school operator that the school will not be certified, that the certification agreement will not be renewed, or that the certification agreement will be terminated, the operator must: (i) update the schools website; and (ii) notify, in writing, all students or applicants for enrollment in the school and their parents or legal guardians that the school will not continue to operate under the BC Global Education Program and will not be eligible to continue to deliver the BC Curriculum or offer a BC diploma.
Default and Termination	The following events will result in the school operator no longer being in good standing with the BCMOE, and, as a result, will constitute an event of default: • the operator fails to comply with any provision of the certification agreement, any request or direction of the Province made under the certification agreement, or any reasonable order from the Province; • any representation or warranty made by the operator in the certification agreement, or otherwise made, to the Province before or during the term of the certification agreement which is untrue or incorrect; • the operator fails to correct any deficiency noted in an inspection report within the time specified by the Province, and if no time was specified, within a reasonable time;

Category	Description of key terms
	• any information, oral or written statement, certificate, report or other document furnished or submitted by or on behalf of the operator pursuant to or as a result of the certification agreement which is untrue or incorrect; • the operator ceases, in the opinion of the Province, to operate; • a change occurs with respect to one or more of the following, including some or all, of the properties, assets, condition (financial or otherwise), business or operations of the operator which, in the opinion of the Province, materially adversely affects the ability of the operator to fulfill its obligations under the certification agreement; or • the operator does not, in the opinion of the Province, continue to provide a school in a manner that meets the Province's requirements. Upon the occurrence of any event of default and at any time thereafter the Province may, notwithstanding any other provision of the certification agreement, at its sole discretion, exercisable by written notice to the school operator, (i) require that the event of default be remedied within a time period specified by the Province; (ii) immediately terminate the certification agreement and cancel the authorization of the operator to use the BC Curriculum for purposes of operating the school; or (iii) pursue any remedy or take any other action available to it at law or in equity. The certification agreement may be terminated where there is no event of default, by either party if during that school year, the school operator or the Province receives a written request to terminate from the other party. Termination in such manner will become effective at the end of the school year during which notice is given, unless another date is agreed to by the parties in writing.
Damages	Where the certification agreement is terminated due to an event of default prior to the end of the term, the school operator shall pay, in a single payment, as liquidated damages and not as a penalty, the early termination charge of CAD10,000.
Dispute resolution	The certification agreement will be governed by and construed in accordance with the laws of the Province. Any matter regarding the interpretation and application of the certification agreement, and all disputes arising under or in connection with the certification agreement, that cannot be resolved between the parties, will be within the exclusive jurisdiction of the courts of BC.

In addition to the above, the BCMOE's standard form of certification agreement also contains provisions relating to (i) restrictions on the school operators ability to advertise, make public announcements or make statements about the school and its accreditation or certification; (ii) the operation of the school, including with respect to admissions, the location of the school and compliance with respect to directions, requests or enquiries by the Province; (iii) restrictions on the ability of the school operator to sub-contract its obligations thereunder; and (iv) inspections, audits and reviews by the Province. Reference should be made to the sample form of certification agreement which is attached as Appendix D to the Operating Manual available at http://www2.gov.bc.ca/assets/gov/topic/54BCE40BEF89C8DE4FAC8501CC63E384/internationaleducation/offshoreoperatingmanual.pdf.

MAINTAINING CERTIFICATION AND ANNUAL REPORTING

According to the Operating Manual, operators of BC-certified offshore schools are responsible for, among others:

- directly operating the school, including delivery of the BC curriculum in English;

- the financial management and administration of the school, including the payment of all applicable fees and relevant costs to the BCMOE;
- improving and maintaining student achievement and ensuring that there are no significant discrepancies between Provincial exam marks and course marks;
- ensuring that the education program provided at the school meets BC provincial education standards as described in program agreements (i.e. achieving Prescribed Learning Outcomes, using provincial Performance Assessment Standards, meeting instructional time requirements, adhering to exam invigilation instructions, meeting English language assessment and development standards, etc.);
- developing policies and procedures regarding student admissions, student discipline, parental appeals, evaluation of teachers and administrators, and dispute resolution;
- ensuring that only those students with sufficient English language capability are permitted to enter the program and that students studying in the program have access to adequate English language development supports as required;
- complying with all applicable laws, bylaws, orders, directions, rules, and regulations of any city, state, provincial, and national government body of the region/country in which the school operates;
- recruiting, hiring, compensating, and providing suitable accommodations for administrators and teachers;
- establishing and maintaining complete and accurate records for students, the school, and administrators and teachers;
- meeting the BCMOE data and annual reporting requirements; and
- supporting and participating in the BCMOE's inspections of the school as required.

Operators of BC-certified offshore schools must continuously demonstrate that all program requirements are being met. In order for a school's certification to be renewed on an annual basis, the school operator must submit a completed annual report to the BCMOE by September 30 of each year, which consists of an inspection catalog and an update of the school's business plan. The inspection catalog must include inspection documents prepared by the school operator in accordance with the requirements of the Global Education Program, which the operator must complete in support of the Province's inspection process. The business plan must include: (i) description of the school and its five-year plan; (ii) school operations and capacity, including audited financial statements; information on the management structure and approach to engaging staff, students, and parents; and school marketing and promotion; (iii) human resources, including the operator's plan for ensuring that all teachers and administrators are properly certified at all times; and (iv) student achievement and approach to delivering educational program(s) at the school.

Certified offshore schools must also pass annual onsite inspections, which take place between October and December of each year at the expense of the school operators. Once the inspection team has completed its evaluation of a certified school, required changes and/or follow-up items for the operator will be identified and recommendations will be provided to the BCMOE for consideration. Final inspection reports will also be made public on the BCMOE's website. The BCMOE will review the inspection results and follow-up with operators as required. Taking into consideration the results of the inspection process, any remedial action(s) taken by the operator to address concerns resulting from the inspection, and any other factors deemed relevant by the BCMOE at the time, the BCMOE will renew or discontinue its certification agreement with the operator.

Operators of certified offshore schools may submit a request to the BCMOE to move to a biennial inspection process when certain requirements are met. Schools approved for a biennial inspection process must still meet annual reporting requirements in order for their certification to be renewed on an annual basis. For schools on a biennial inspection cycle, the Ministry will still renew the certification agreements with their owner/operators on an annual basis provided that annual reporting requirements have been met and the most recent inspection process has been successfully passed.

At its discretion, the BCMOE may remove an operator's certification at any time during the school year if the operator is found to be out of compliance with the BCMOE's requirements, including if the operator fails to remain in "good standing" with the BCMOE. The BCMOE will consider the following criteria in assessing whether a school operator remains in good standing with the BCMOE:

- whether the operator is currently and has been consistently complying with agreement requirements;
- whether all applicable program fees have been paid and costs covered in full and on time;
- whether the operator and/or individual/entities acting on behalf of the operator are in compliance with relevant legislation of the country/region in which the school is operating;
- whether the operator and/or individuals/entities acting on behalf of the operator are currently or have recently acted in a manner that could negatively impact the integrity of the BC Global Education Program and/or BC's positive international education reputation; and
- any other criteria that the BCMOE considers relevant at the time.

RECENT REFORMS

The BCMOE announced reforms of its Global Education Program and initiated further reviews of its administration of such program to protect its high-quality education brand. It issued the Transition Guidelines for Offshore schools (the "**Transition Guidelines**") in January 2013, which include various new requirements for certification application and renewal inspection. The reforms in the Transition Guidelines are all included in the Operating Manual, and reflected in the certification agreement for the 2013/2014 school year. All of our BC-certified high schools have entered into such certification agreements with the BCMOE for the 2013/2014 school year and have taken or plan to take measures to meet the new requirements. Below is a summary of the measures we have taken or plan to take for certain important new requirements.

Requirement	Transition process	Measures we have taken or plan to take
School operator must have financial and organizational capacity to operate a BC school (as defined in the certification agreement and further outlined in the Operating Manual).	Applies to all schools effective immediately.	As of the Latest Practicable Date, we had been able to comply with this requirement for all of our high schools under operation.
Students must enter the BC education program on a full-time basis no later than grade eight. Students who have previously been instructed in English on a full-time basis may be admitted after grade eight, provided that they have passed the English language assessment and met all the other English language requirements specified in the Operating Manual.	Applies to all new applicant schools effective immediately. Not applicable to existing schools.	Our high schools in Shanghai and Luoyang are exempt from this requirement. We have obtained permission from the BCMOE to offer BC curriculum to students of these high schools from grade 10. The BCMOE views our foundations program and bridging program as substitutes for offering BC curriculum from grade 8. We also plan to obtain the same exemption for high schools we plan to open in the future.

Requirement	Transition process	Measures we have taken or plan to take
Students in offshore schools must pass an English language assessment, as described in the Operating Manual, prior to being enrolled in the BC program. Each school's principal is responsible for signing-off on all English language assessments and subsequent student admission decisions.	Applies to all schools effective beginning in the 2013/2014 school year.	As of the Latest Practicable Date, we had been able to comply with this requirement for our high schools under operation. The vice director of our English teaching center, who is a BC-certified teacher, has developed an English language assessment exam for applications to our high schools. The exam is strictly invigilated, and exam results are signed off by our BC principals. The exam results are also placed in the student's file for inspection by the BCMOE.
Each school must have a minimum of 60 full-time students within each grade. New applicant schools must be able to clearly demonstrate prospective enrollment of at least 60 full-time students per grade as part of the application process, and confirm that annual enrollment targets are being met through the annual reporting and inspection processes.	Effective immediately for all schools applying to enter the BC Global Education Program after January 2013. New schools will have a maximum of three years from the time the school opens to meet this requirement.	As of the Latest Practicable Date, we had been able to comply with this requirement for our high schools under operation. For high schools we plan to open in the future, we do not foresee any hardship in fulfilling this requirement within the first three years of operation.
Students in offshore schools must pass provincial exams in order to graduate, and are expected to write provincial exams for a specific grade during the year in which they are enrolled in that grade.	Applies to all schools effective in the 2014/2015 school year. Each school must submit to the BCMOE as part of its 2013/2014 annual report, a plan outlining the supports that will be in place to ensure student success in provincial examinations.	We are communicating with the director of the BC Global Education Program and expect to receive more information about this requirement before September 2014.
A school must implement the new program governance structure which consists of school operator, offshore program consultant (not mandatory), principal (and vice-principal), and teachers.	Applies to new applicant schools effective immediately. Applies to existing schools beginning in the 2013/14 school year.	As of the Latest Practicable Date, we had been able to comply with this requirement for all of our high schools under operation.
All courses are eligible to be delivered through distributed learning from the BCMOE-approved distributed learning providers identified in the certification agreements, with the exception of provincially-examinable subjects.	Applies to all schools effective beginning in the 2013/2014 school year.	As of the Latest Practicable Date, we had been able to comply with this requirement for all of our high schools under operation.

Requirement	Transition process	Measures we have taken or plan to take
All schools must establish a "twinning" relationship with a BC K-12 public or certified independent school.	Applies to all schools effective beginning in the 2013/2014 school year.	We are communicating with a superintendent of the BCMOE regarding an exemption from this requirement. We are also in the process of negotiating with the Comox Valley School District to establish a "twinning" relationship for our high school in Shanghai.
25% of graduating offshore students are expected to complete a minimum of one semester' study at a K-12 public or certified independent school in BC.	Applies to all schools. All schools must meet this requirement by the end of the 2015/2016 school year.	We are communicating with the BCMOE regarding an exemption from this requirement.
Exams will be invigilated by a BCMOE-appointed official during the first year a certified school has eligible students write the exam.	Effective immediately for all schools not currently certified under the BC Global Education Program. Not applicable to existing certified schools.	We are communicating with the BCMOE regarding whether this requirement applies to our high schools in Shanghai and Luoyang and to seek more information about this requirement.
The BCMOE has the ability to perform: (i) an unannounced inspection of any school at any time; and/or (ii) a learning audit of any school at any time if there are concerns about the quality of educational programming and/or student achievement.	Applies to all schools effective immediately.	Our high school in Wuhan was the first BC offshore school to undergo an unannounced inspection. The inspection occurred on March 17 and 18, 2014 and the results were very positive and are made public on the website of the BCMOE. We believe that we are able to pass such unannounced inspections in the future.

ESTABLISHMENT AND DEVELOPMENT OF THE GROUP

We commenced operations in 1996 with the establishment of our first school, Dalian Maple Leaf High School, in Dalian, China as a joint venture between Sherman (Holdings) Limited and China Shijiazhuang Yanshan Textile Corporation Limited ("**Shijiazhuang Textile**"), a company controlled by the Founder's brother. The Founder, Mr. Sherman Jen, funded our first school with his own financial resources accumulated from operating his own textile business since the 1980s. This school represented the vision of Mr. Jen to operate a high quality, externally accredited, international private school in China. We have expanded significantly since then, with the number of schools we operate growing to 33 as of the Latest Practicable Date, consisting of seven high schools, seven middle schools, six elementary schools, 11 preschools and two foreign national schools in eight cities throughout China. Over 12,906 students were enrolled in our schools as at February 28, 2014.

KEY MILESTONES

Set out below are some of the key milestones in our Group's history:

1994

May	A cooperation agreement was signed regarding the establishment of Dalian Maple Leaf High School as a Sino-foreign joint venture between Sherman (Holdings) Limited and Shijiazhuang Textile with a view to providing high quality international school education in China

1996

April	Liaoning Province Education Commission granted approval for the establishment of Dalian Maple Leaf High School

1996

September	Dalian Maple Leaf International School (Middle School and Elementary School) opened in Jinshitan, Dalian

1998

April	Dalian Maple Leaf High School was certified by the BCMOE to offer the first-ever BC Global Education Program

1999

June	The first graduating class from Dalian Maple Leaf High School received their high school diplomas and entered colleges and universities, including in Canada, the USA, the UK and South Korea

2004

May	Dalian Foreign School was established under the laws of the PRC to provide international high quality education for children of foreign nationals

2005

September	Dalian Foreign School opened in downtown Dalian Our first preschool, Dalian Maple Leaf Qianshan Xincheng Preschool, opened in downtown Dalian

2007

June	Our Company was incorporated in the Cayman Islands We acquired Dalian Maple Leaf Yuanjing Fengqiaoyuan Preschool, the name of which was later changed to Dalian Maple Leaf Fengqiao Preschool

	We acquired Dalian Lanxi Wenyuan Preschool, the name of which was later changed to Dalian Maple Leaf Lanxi Wenyuan Preschool
September	Wuhan Foreign School and Wuhan Maple Leaf International School (High School) opened
2008	
February	Sequoia subscribed for a total of 18,000,000 Preferred Shares in our Company
March	Beipeng Software, our PRC wholly-owned subsidiary, was incorporated under the laws of the PRC
	Dalian Maple Leaf Sunshine Preschool opened
May	We acquired Dalian Jiabao Sunshine Preschool, the name of which was later changed to Dalian Maple Leaf Jiabao Preschool
September	Tianjin Taida Maple Leaf International School (High School, Middle School and Elementary School) opened
2009	
April	Dalian Maple Leaf Xiangzhou Preschool opened
May	We acquired Dalian Jinhai Preschool, the name of which was later changed to Dalian Maple Leaf Jinhai Preschool
August	Chongqing Maple Leaf International School (High School) opened
September	Dalian Maple Leaf High School opened a new campus to provide for separate, single-gender educational facilities
December	Dalian Maple Leaf Kaifaqu Preschool opened
2010	
September	Wuhan Maple Leaf School (Middle School) opened
December	Dalian Maple Leaf Xianghe Huayuan Preschool opened
2011	
January	New elementary and middle school facilities opened in Tianjin leading to the establishment of the Tianjin Maple Leaf Educational Park
June	Dalian Maple Leaf Zhonghua Mingcheng Preschool
September	Zhenjiang Maple Leaf International School (High School) opened
2012	
May	Ordos Maple Leaf First Preschool opened
September	Inner Mongolia Ordos Maple Leaf International School (Middle School and Elementary School) opened
	Henan Maple Leaf International School (Middle School and Elementary School) opened
	Chongqing Maple Leaf International School (Middle School) opened

2013

September	Henan Maple Leaf International School (High School) opened
	Shanghai Maple Leaf International School (High School) opened
	Wuhan Maple Leaf School (Elementary School) opened leading to the establishment of Wuhan Maple Leaf Education Park
	Zhenjiang Maple Leaf International School (Middle School and Elementary School) opened

2014

January	Pingdingshan Maple Leaf International School (Middle School and Elementary School) was established

OUR CORPORATE HISTORY AND SHAREHOLDING CHANGES OF OUR GROUP

We are a holding company incorporated in the Cayman Islands and conduct our operations primarily through (i) a series of contractual arrangements among us, our wholly-owned PRC subsidiary, Beipeng Software and our consolidated affiliated entities in China, and (ii) Dalian Maple Leaf High School, our PRC subsidiary. The principal changes to the corporate structure of our Company, our subsidiaries and our consolidated affiliated entities since our establishment are described below. Further information regarding the contractual arrangements can be found in the section headed "Contractual Arrangements" in this **[REDACTED]**.

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on June 5, 2007. As at the date of incorporation, our authorized share capital was US$50,000 divided into 50,000 Shares of par value US$1.00 each. On June 5, 2007, our Company allotted and issued one Share to Offshore Incorporations (Cayman) Limited which was transferred to Sherman Investment. Our Company allotted and issued an additional 49,999 Shares to Sherman Investment on the same day.

On November 2, 2007, the authorized share capital of our Company was increased to US$200,000 divided into 200,000 Shares of a nominal or par value of US$1.00, and each Share of par value US$1.00 in the authorized share capital of our Company was then subdivided (the "**Share Subdivision**") into 1,000 Shares of par value US$0.001 each (the "**Subdivided Shares**") such that immediately following the Share Subdivision, the authorized share capital of our Company became US$200,000 divided into 200,000,000 Shares of a nominal or par value of US$0.001 each. On November 19, 2007, 10,627,100 and 3,190,900 Shares were allotted and issued to Sherman Investment as fully paid and to TBIG for a consideration of US$3.51 million, respectively. TBIG is incorporated in the BVI and an Independent Third Party which was 42.325% owned by Kazimir Investment Limited ("**Kazimir**"), 42.325% owned by Shipston Group Limited ("**Shipston**") and 15.35% owned by Balloch Investment Holdings Limited ("**BIH**"). BIH is controlled by one of our non-executive Directors, Mr. Howard Robert Balloch. Kazimir and Shipston are Independent Third Parties of the Company and of Mr. Balloch. On February 29, 2008, 7,772,900 and 409,100 Shares were allotted and issued to Sherman Investment and TBIG as fully paid. On March 5, 2008, the authorized share capital of our Company of US$200,000 divided into 200,000,000 Shares of a par value of US$0.001 each was designated and classified into 21,000,000 Preferred Shares of par value US$0.001 each and 179,000,000 Ordinary Shares of par value US$0.001 each (including all of the 72,000,000 then existing issued Shares). On March 12, 2008, 18,000,000 Preferred Shares were allotted and issued to Sequoia Capital China Growth Fund I, L.P. For more details on the **[REDACTED]** Investment, see the sub-section headed "**[REDACTED]** Investment" in this **[REDACTED]**.

On April 11, 2008, Sherman Investment transferred 1,000,000 Ordinary Shares to Shu Ling Jen, the Founder's cousin for nil consideration, 100,000 Ordinary Shares to James William Beeke, our executive Director and BC

Program Superintendent for a consideration of RMB1 million, 50,000 Ordinary Shares to Richard David Rabson, an Independent Third Party for nil consideration and 25,000 Ordinary Shares to Chong Yuen Sang, an Independent Third Party for nil consideration, representing 1.11%, 0.11%, 0.06% and 0.03% of the share capital of the Company, respectively. On November 9, 2010, Sherman Investment transferred 1,397,160 Shares to Bei Kai China Fund I, L.P. ("**Bei Kai**"), for a consideration of US$3 million, representing 1.56% of the share capital of the Company. Bei Kai is a limited liability partnership incorporated in the Cayman Islands. Its general partner is Bei Kai Capital Partners Limited which is owned 50% by Kazimir Bei Kai Holdings Limited, an Independent Third Party of the Company and of Mr. Balloch, and 50% by BIH, respectively. On January 12, 2011, Sherman Investment transferred 60,000 Shares to Chingching Yao, an Independent Third Party for a consideration of US$100,000, representing 0.07% of the share capital of the Company. On July 14, 2011, TBIG transferred its entire interest in our Company represented by 3,600,000 Ordinary Shares to Bei Kai for a consideration of RMB36 million, representing 4.00% of the share capital of the Company. On September 23, 2011, Chong Yuen Sang transferred her entire interest in our Company represented by 25,000 Ordinary Shares to Shu Ling Jen for nil consideration. On August 29, 2012 and September 24, 2012, Bei Kai transferred 1,067,275 and 213,455 Ordinary Shares to Sherman Investment for a consideration of US$2.75 million and US$550,000, respectively, representing 1.19% and 0.24% of the share capital of the Company, respectively. The consideration for each of the share transfers above was determined based on arm's length negotiations. On April 17, 2014, Bei Kai transferred 1,513,800 Ordinary Shares to Shipston Maple Leaf Holdings Limited, an affiliate of Shipston and an Independent Third Party, for nil consideration, and 2,202,630 Ordinary Shares to TBIG for nil consideration, representing 1.68% and 2.45% of the share capital of the Company, respectively. These transfers were for nil consideration because the beneficial ownership of the underlying shares pursuant to the transfers remains unchanged. Shipston and the beneficial owners of TBIG held their interests in the Company through Bei Kai for a period of time. When Bei Kai was wound up in 2014, those shares were transferred back to Shipston Maple Leaf Holdings Limited and TBIG for nil consideration. Bei Kai ceased to be our Shareholder following such transfers.

Our Subsidiaries

Dalian Maple Leaf High School

On May 18, 1994, Sherman (Holdings) Limited and Shijiazhuang Textile entered into a Sino-foreign joint cooperation agreement regarding the establishment of Dalian Maple Leaf High School. On April 15, 1996, Liaoning Province Education Commission granted approval for the establishment of Dalian Maple Leaf High School. Based on the asset appraisal report issued by Liaoning Xinxin Accounting Firm in November 1994 and the capital verification report issued by Dalian Yongjia Accounting Firm in May 2001, Dalian Maple Leaf High School had a registered share capital of US$5 million, 95% of which was contributed by Sherman (Holdings) Limited and 5% of which was contributed by Shijiazhuang Textile. On January 22, 2003, Shijiazhuang Textile and Dalian Science and Education (details of which are set out below) entered into an agreement to transfer the equity interest held by Shijiazhuang Textile in Dalian Maple Leaf High School to Dalian Science and Education for nil consideration. According to our PRC Legal Counsel, PRC laws do not prohibit share transfers for nil consideration. Such transfer was approved by the Department of Education of Liaoning Province (previously known as the Liaoning Province Education Commission) on February 20, 2003. On February 28, 2006, Sherman (Holdings) Limited changed its name to Maple Leaf Education (Holdings) Limited. On February 6, 2007, Maple Leaf Education (Holdings) Limited changed its name to Maple Leaf Educational Systems Limited.

The Hong Kong Subsidiaries

As of the Latest Practicable Date, we had two wholly-owned subsidiaries incorporated in Hong Kong, namely, Tech Global Investment Limited and Hong Kong Maple Leaf Educational Systems Limited. On June 7, 2007, Tech Global Investment Limited was incorporated with an authorized share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. Tech Global Investment Limited was set up for the purposes of establishing Beipeng Software. Hong Kong Maple Leaf Educational Systems Limited was incorporated on February 10, 2009 under the name of Broad Wisdom Enterprises Limited with an authorized share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. On March 3, 2009 Broad Wisdom Enterprises Limited changed its name to Hong Kong Maple Leaf Educational Systems Limited. Hong Kong Maple Leaf Educational Systems Limited is not currently engaged in any business activities. Since their incorporation and up to the Latest Practicable Date, our Company has held 100% shareholding interests in both Tech Global Investment Limited and Hong Kong Maple Leaf Educational Systems Limited.

Beipeng Software

Beipeng Software was incorporated on March 10, 2008 under the laws of the PRC as a limited liability company by Tech Global Investment Limited with an initial registered share capital of US$20 million. Since the date of incorporation and up to the Latest Practicable Date, Tech Global Investment Limited has held a 100% equity interest in Beipeng Software.

Our consolidated affiliated entities

Dalian Science and Education

Dalian Science and Education was incorporated on January 9, 2003 under the laws of the PRC as a limited liability company by Wanqing Li, Wansheng Zang and Jingxia Zhang, with an initial registered share capital of RMB1 million, 60% of which was contributed by Wanqing Li, and 20% of which was contributed by each of Wansheng Zang and Jingxia Zhang. Each of these individuals was an employee of the Group at the time Dalian Science and Education was incorporated and each of them held their respective interests in Dalian Science and Education on behalf of the Founder and Ms. Amy Yan, the Founder's spouse pursuant to a nominee arrangement. As of the Latest Practicable Date, Wansheng Zang was no longer an employee of the Group, having retired in November 2011. On June 17, 2003, Dalian Science and Education increased its registered share capital from RMB1 million to RMB2.05 million, 51.21% of which was contributed by Dalian Educational Group (details of which are set out below), 29.27% of which was contributed by Wanqing Li, 9.76% of which was contributed by Wansheng Zang and 9.76% of which was contributed by Jingxia Zhang. On June 23, 2003, Dalian Science and Education increased its registered share capital from RMB2.05 million to RMB8.5 million, 88.24% of which was contributed by Dalian Educational Group, 7.06% of which was contributed by Wanqing Li, 2.35% of which was contributed by Wansheng Zang and 2.35% of which was contributed by Jingxia Zhang.

On November 20, 2005, Dalian Educational Group transferred its entire interest in Dalian Science and Education to Wanqing Li for nil consideration. Subsequent to this share transfer, Wanqing Li became the largest shareholder of Dalian Science and Education with a 95.3% interest while Wansheng Zang and Jingxia Zhang each held a 2.35% interest.

On May 18, 2007, Wanqing Li transferred his entire interest in Dalian Science and Education to Dalian Educational Group for nil consideration. On the same date, Wansheng Zang and Jingxia Zhang transferred their entire interests in Dalian Science and Education to Ms. Amy Yan for nil consideration. Subsequent to these transfers Dalian Educational Group became the largest shareholder of Dalian Science and Education with a 95.3% interest and Ms. Amy Yan held the remaining 4.7% interest.

On July 20, 2010, Ms. Amy Yan transferred her entire interest in Dalian Science and Education to the Founder's Sister for nil consideration. According to our PRC Legal Counsel, the share transfers and the nominee arrangement above are legally complete and valid, and PRC laws and regulations do not prohibit share transfers for nil consideration.

Dalian Educational Group

Dalian Educational Group was incorporated under the name of Dalian Maple Leaf Educational Development Ltd. on May 23, 2003 under the laws of the PRC as a limited liability company by Dalian Maple Leaf High School and Dalian Science and Education with an initial registered share capital of RMB20 million, 97.5% of which was contributed by Dalian Maple Leaf High School and 2.5% of which was contributed by Dalian Science and Education. On June 27, 2003, Dalian Maple Leaf Educational Development Ltd. changed its name to Dalian Maple Leaf Educational Group Co., Ltd.

On November 17, 2005, Dalian Maple Leaf High School transferred its entire interest in Dalian Educational Group to Wansheng Zang for nil consideration. Mr. Zang held the interest in Dalian Educational Group on behalf of the Founder and Ms. Amy Yan pursuant to a nominee arrangement. On December 28, 2005, Zang Wangsheng transferred his entire interest in Dalian Educational Group to Ms. Amy Yan for nil consideration, and Ms. Amy Yan became the largest shareholder of Dalian Educational Group with a 97.5% interest. On May 7, 2007, Dalian Science and Education transferred its entire interest in Dalian Educational Group to Ms. Amy Yan for a consideration of RMB500,000, which was determined based on arm's length negotiations. On September 20, 2008, Beipeng Software entered into an investment agreement with Dalian Educational Group pursuant to which Beipeng Software invested RMB120 million into Dalian Educational Group bringing its registered share capital to a total of RMB140 million. On September 20, 2009, Beipeng Software transferred its entire interest in Dalian Educational Group to Ms. Amy Yan for a consideration of RMB120 million, which was determined based on the amount of capital contributed by Beipeng Software, and Ms. Amy Yan became the sole shareholder of Dalian Educational Group. According to our PRC Legal Counsel, the share transfers and the nominee arrangement above are legally complete and valid, and PRC laws and regulations do not prohibit share transfers for nil consideration.

On June 27, 2010, Ms. Amy Yan transferred her entire interest in Dalian Educational Group to the Founder's Sister for nil consideration, which was determined based on arm's length negotiations.

The Foreign Schools

As of the Latest Practicable Date, we have established two Foreign Schools in Dalian, Liaoning province and Wuhan, Hubei province, respectively, through the Founder, a Canadian citizen qualified to be the foreign investor of a foreign national school in China under PRC laws. The Founder is the sponsor for both of the Foreign Schools. Dalian Foreign School was established on May 1, 2004 under the laws of the PRC and obtained approval for its establishment from the MOE on August 31, 2005. Wuhan Foreign School was acquired by the Company on December 9, 2006 under the laws of the PRC. Wuhan Foreign School was acquired by the Founder from William Mao, an Independent Third Party, for a consideration of RMB3 million, which was determined based on arm's length negotiations. The approval of the change of sponsor from the Education Bureau of Donghu New Technology Development District in Wuhan was obtained on January 15, 2007 and a further application for the approval of the change of sponsor has been submitted to the Education Department of Hubei Province. It is expected we will obtain the approval from the Education Department of Hubei Province before **[REDACTED]**.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

Acquisitions

Although we have expanded our business operations primarily through organic growth, we have made six business acquisitions since mid-2006 to take advantage of the targets' existing student base and operating licenses. The acquisitions were:

- the acquisition of Dalian Maple Leaf Yuanjing Fengqiaoyuan Preschool, the name of which was later changed to Dalian Maple Leaf Fengqiao Preschool in June 2007, for a total consideration of RMB2.80 million;

- the acquisition of Wuhan Foreign School in December 2006 for a total consideration of RMB3 million;
- the acquisition of Dalian Lanxi Wenyuan Preschool, the name of which was later changed to Dalian Maple Leaf Lanxi Wenyuan Preschool in June 2007, for a total consideration of RMB1.2 million;
- the acquisition of Dalian Jiabao Sunshine Preschool, the name of which was later changed to Dalian Maple Leaf Jiabao Preschool in May 2008, for a total consideration of RMB2.2 million;
- the acquisition of Tianjin Binhai School, the name of which was later changed to Tianjin Taida Maple Leaf International School (High School) in September 2008, for a total consideration of RMB101.25 million; and
- the acquisition of Dalian Jinhai Preschool, the name of which was later changed to Dalian Maple Leaf Jinhai Preschool in May 2009, for a total consideration RMB1.4 million;

All of these acquisitions were from Independent Third Parties and have been legally completed. The consideration for each of the acquisitions was based on arm's length negotiations and has been paid in full. Our PRC Legal Counsel has advised us that, other than disclosed in this **[REDACTED]**, we have obtained all relevant approvals from the competent regulatory authorities in the PRC under the applicable PRC laws and regulations for these acquisitions.

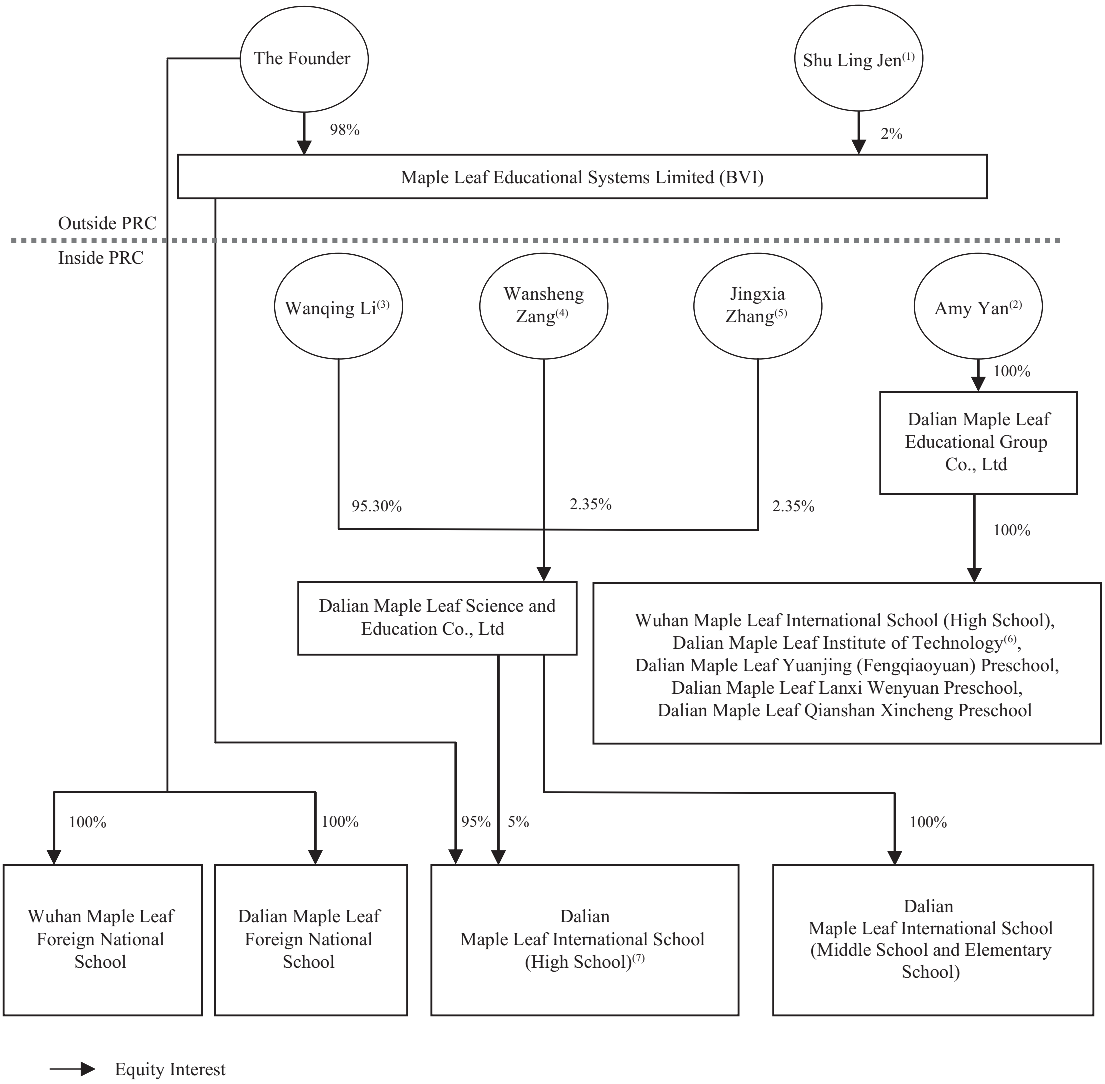
Disposition of Dalian Maple Leaf Institute of Technology

In 2009, we decided to focus on our core business of providing educational services and to divest our business of pre-occupation technical training, which we had conducted through Dalian Maple Leaf Institute of Technology (the "**Institute**"). As a result, we entered into an agreement with an Independent Third Party transferee (the "**Transferee**") on September 22, 2009 (the "**Original Agreement**"), and a supplemental agreement with the Transferee on November 1, 2013 (the "**Supplemental Agreement**", and together with the Original Agreement, the "**Agreements**"), pursuant to which we assigned the sponsorship licence of the Institute to the Transferee. Further, pursuant to the Agreements, we agreed to transfer all the assets, including all the buildings and land use rights in the old campus of Dalian Maple Leaf International School (Middle School and Elementary School) to the Transferee for a consideration of RMB110 million (subject to the completion of the transfer), which was determined based on arm's length negotiations. This transfer has not been completed because we are in the process of applying for reissued land use rights certificates. We have not been involved in the business of pre-occupation technical training since this disposal. According to relevant PRC laws and regulations, to complete the transfer of an educational institution, we are required to register the transfer with the local education governmental authority and change the sponsor of this training institution from us to the Transferee. As the transfer has not been finalized, the consideration has not been paid in full and we have registered the Transferee as a co-sponsor of the institute. Pursuant to the Supplemental Agreement, we may be required to repay the Transferee the deposit payments received if the transfer cannot be finalized by December 31, 2016.

OUR CORPORATE STRUCTURE

Our current corporate structure has been established since Sequoia's investment in our Company in early 2008. For details on the **[REDACTED]** Investment, see the sub-section headed "**[REDACTED]** Investment" in this **[REDACTED]**. In 2007, our Company underwent an offshore and onshore restructuring in order to attract Sequoia to invest in our Company. Immediately prior to such restructuring, Dalian Maple Leaf High School was held as to 95% by Maple Leaf Educational Systems Limited, our BVI subsidiary, and 5% by Dalian Science and Education. The Founder and his cousin, Shu Ling Jen, were the Shareholders of Maple Leaf Educational Systems Limited. Dalian Science and Education was held by Wanqing Li, Wansheng Zang and Jingxia Zhang as to 95.3%, 2.35% and 2.35%. Ms. Amy Yan was the sole owner of Dalian Educational Group which in turn held our schools in operation at that time.

The corporate and shareholding structure of our Group immediately before the **[REDACTED]** Investment by the **[REDACTED]** Investors was as follows:



1. Shu Ling Jen is the Founder's cousin and a Hong Kong citizen.
2. Amy Yan is the Founder's wife and a Hong Kong citizen.
3. Wanqing Li is an employee of the Company.
4. Wansheng Zang was an employee of the Company at the time Dalian Science and Education was incorporated. As of the Latest Practicable Date, Wansheng Zang was no longer an employee of the Company.
5. Jingxia Zhang is a Director of the Company.
6. Dalian Maple Leaf Institute of Technology was disposed of to an Independent Third Party on September 22, 2009. For further details, see the section headed "History and Corporate Structure — Major Acquisitions, Disposals and Mergers — Disposition of Dalian Maple Leaf Institute of Technology" in this **[REDACTED]**.
7. Dalian Maple Leaf International School (High School) is a Sino-foreign joint venture private school.

[REDACTED] INVESTMENT

Overview of the [REDACTED] Investment

Our Company and Sequoia Capital China Growth Fund I, L.P. entered into the Preferred Share Purchase Agreement on February 29, 2008. Pursuant to the Preferred Share Purchase Agreement, Sequoia Capital China Growth Fund I, L.P., subject to certain terms and conditions, agreed to subscribe for 18,000,000 Preferred Shares for an aggregate consideration of RMB180,000,000. On May 9, 2008, Sequoia Capital China Growth Fund I, L.P. transferred 1,926,000 and 370,800 Preferred Shares to Sequoia Capital China GF Principals Fund I, L.P. and

Sequoia Capital China Growth Partners Fund I, L.P. both for nil consideration. The Preferred Shares are convertible into Shares of our Company based on the Conversion Rate (as defined in the amended and restated Memorandum and Articles of Association of our Company adopted in conjunction with the **[REDACTED]** Investment). The Conversion Rate is determined by dividing the original issue price, which is RMB10.00, by the conversion price which initially equalled the original issue price. Pursuant to an adjustment agreement (the "**Adjustment Agreement**") entered into on February 22, 2011 by our Company and the **[REDACTED]** Investors, among others, the conversion price was adjusted to equal RMB8.411477. Therefore, one Preferred Share shall be convertible into approximately 1.19 Shares. Any dividends shall be distributed to the **[REDACTED]** Investors in proportion to the number of Shares that would be held by such **[REDACTED]** Investor if all Preferred Shares were converted to Shares at the Conversion Rate. Each **[REDACTED]** Investor shall have the right to one vote for each Share into which such Preferred Shares could be converted. All Preferred Shares will be automatically converted into Shares upon **[REDACTED]**.

The fair value changes associated with the issuance of the Preferred Shares during each period of the Track Record Period were each recognized as a fair value loss of redeemable convertible preferred shares in our financial information. See the section headed "Financial Information — Key Components of Our Results of Operations — Change in Fair Value on Redeemable Convertible Preferred Shares" in this **[REDACTED]**.

Pursuant to the Preferred Share Purchase Agreement, on March 12, 2008, our Company and Sequoia Capital China Growth Fund I, L.P. entered into the Series A Warrant pursuant to which Sequoia Capital China Growth Fund I, L.P. was entitled, subject to the terms and conditions of the Series A Warrant, at any time and from time to time during the Exercise Period (as defined below), to purchase from our Company up to 3,000,000 Preferred Shares of our Company (the "**Warrant Shares**"), at the Exercise Price per Preferred Share (as defined above). The Series A Warrant was amended on December 13, 2008 such that each of Sequoia China GF Principals Fund I, L.P. and Sequoia Capital China Growth Partners Fund I, L.P. was added as a party to the Series A Warrant for all purposes provided therein. Upon the addition of new parties, each of Sequoia Capital China Growth Fund I, L.P., Sequoia Capital China GF Principals Fund I, L.P. and Sequoia Capital China Growth Partners Fund I, L.P. is entitled, subject to the terms and conditions of the Series A Warrant, as amended on December 13, 2008, at any time and from time to time during the Exercise Period, to purchase from our Company up to 2,617,200, 321,000 and 61,800 Preferred Shares of our Company, at the Exercise Price per Preferred Share. On January 15, 2014, our Company and the **[REDACTED]** Investors entered into a Termination Agreement (as defined below) to terminate the Series A Warrant in the manner described therein.

Information on the [REDACTED] Investors

Each of Sequoia Capital China Growth Fund I, L.P., Sequoia Capital China GF Principals Fund I, L.P. and Sequoia Capital China Growth Partners Fund I, L.P. is a limited liability partnership incorporated in the Cayman Islands. Their general partner is Sequoia Capital China Growth Fund Management I, L.P., whose general partner is SC China Holding Limited. SC China Holding Limited is wholly-owned by SNP China Enterprises Limited, a company wholly-owned by Nanpeng Shen. Prior to the **[REDACTED]** Investment, Sequoia was an Independent Third Party of our Group. As Sequoia will hold more than 10% of the total issued share capital of our Company immediately following the completion of the **[REDACTED]**, it will be a substantial shareholder of our Company upon **[REDACTED]** and hence a connected person of our Company. Accordingly, all shares held by Sequoia shall not be counted as part of the **[REDACTED]** for the purposes of Rule 8.08 of the **[REDACTED]**.

Preferred Shares

Name of **[REDACTED]** Investors:	Sequoia Capital China Growth Fund I, L.P., Sequoia Capital China GF Principals Fund I, L.P. and Sequoia Capital China Growth Partners Fund I, L.P.

Date of Preferred Share Purchase Agreement:	February 29, 2008
Date of Adjustment Agreement:	February 22, 2011
Number of shares held for by the **[REDACTED]** Investors:	A total of 18,000,000 Preferred Shares of par value US$0.001 each, of which, Sequoia Capital China Growth Fund I, L.P. held 15,703,200 Preferred Shares, Sequoia Capital China GF Principals Fund I, L.P. held 1,926,000 Preferred Shares and Sequoia Capital China Growth Partners Fund I, L.P. held 370,800 Preferred Shares, representing approximately 17.45%, 2.14% and 0.41% of the then total issued share capital of our Company upon the completion of the **[REDACTED]** Investment
Total consideration:	RMB180 million
Completion of the subscription and date of payment of consideration:	March 14, 2008
Cost per Preferred Share paid by each **[REDACTED]** Investor:	RMB10.00 (approximately RMB0.93 as adjusted pursuant to the **[REDACTED]**)
Basis of determination of the consideration:	The consideration was determined based on arm's length negotiations between our Company and Sequoia Capital China Growth Fund I, L.P. after taking into account the timing of the subscription and the illiquidity of our Shares as a private company when the Preferred Share Purchase Agreement was entered into

[REDACTED]

Use of proceeds from the **[REDACTED]** Investment:	We utilized the proceeds for working capital, business expansion and other corporate purposes. As of the Latest Practicable Date, the net proceeds from the **[REDACTED]** Investment had been fully utilized
Strategic benefits the **[REDACTED]** Investors brought to our Company:	At the time of the **[REDACTED]** Investment, our Directors were of the view that our Company could benefit from the additional capital that would be provided by Sequoia's investment in our Company and the possibility that our Company could take advantage of Sequoia's knowledge and experience
Shareholding of the **[REDACTED]** Investors in our Company immediately following the completion of the Capitalization Issue and the **[REDACTED]**:	On the basis that one Preferred Share is convertible into approximately 1.19 Shares of our Company, Sequoia Capital China Growth Fund I, L.P., Sequoia Capital China GF Principals Fund I, L.P. and Sequoia Capital China Growth Partners Fund I, L.P. shall

	hold approximately 14.99%, 1.84% and 0.35% of the total issued share capital of our Company, respectively, **[REDACTED]**

Series A Warrant

Date of Warrant to Purchase Preferred Shares:	March 12, 2008 (as amended on December 13, 2008)
Warrant Shares:	Up to 3,000,000 Preferred Shares with par value of US$0.001 each, of which, Sequoia Capital China Growth Fund I, L.P. was entitled to purchase 2,617,200 Preferred Shares, Sequoia Capital China GF Principals Fund I, L.P. was entitled to purchase 321,000 Preferred Shares and Sequoia Capital China Growth Partners Fund I, L.P. was entitled to purchase 61,800 Preferred Shares
Total consideration of the Warrant Shares:	Nil
Exercise Price:	RMB8.411477
Exercise Period:	the period commencing on March 12, 2008 and ending on the date of consummation of a qualified **[REDACTED]** (as defined in the Warrant)
Termination	The **[REDACTED]** Investors and our Company entered into a termination agreement (the "**Termination Agreement**") on January 15, 2014 pursuant to which the Series A Warrant was terminated with immediate effect and each party agreed to release and discharge each other from their respective duties, obligation and liabilities set out in the Series A Warrant. The Series A Warrant was not exercised as of the date of the Termination Agreement. Each of the parties also acknowledged and confirmed that it had no claim or demand whatsoever against the other parties for any fees, expenses, costs or otherwise arising out of or in connection with the Series A Warrant.

[REDACTED] INVESTORS' RIGHTS

Special Rights

The holders of Preferred Shares have been granted the following rights, each of which will terminate upon the **[REDACTED]** when all the Preferred Shares will be automatically converted into Shares:

Redemption rights

Pursuant to the amended and restated memorandum and articles of association of our Company adopted in conjunction with the **[REDACTED]** Investment, at any time and from time to time commencing from the fourth (4th) anniversary date of the March 12, 2008 (provided that there has not occurred a Qualified Public Offering or certain liquidation related events), each holder of the Preferred Shares shall be entitled to require and demand, by lodging a notice of redemption, our Company to redeem all of its Preferred Shares. The redemption price for each such Preferred Share shall be equal to the actual purchase price for such Preferred Share, plus 8% per annum return for each year the Preferred Share was outstanding measured from March 12, 2008. **[REDACTED]**

[REDACTED] Furthermore, as agreed by the Company and the **[REDACTED]** Investors on June 20, 2014 by way of a supplemental agreement to the Investor's Rights Agreement, the **[REDACTED]** Investors will suspend their rights to require the Company to redeem the Preferred Shares until December 31, 2015.

Right to elect director and participation in Board and Board committee

Pursuant to the Investor's Rights Agreement, the **[REDACTED]** Investors shall, for so long as they continue to hold 5% or more of the outstanding Shares, be entitled to appoint one director (the "**Series A Director**") to the Board. Moreover, the quorum of the Board meeting may be fixed by the Directors and unless so fixed shall be three, which shall include the director appointed by the **[REDACTED]** Investors. The right to elect the Series A Director will terminate upon **[REDACTED]**. Mr. Yue Ji, being the director appointed to the Board by the **[REDACTED]** Investors, **[REDACTED]**

Information and Inspection rights

Pursuant to the Investor's Rights Agreement, the **[REDACTED]** Investors have the right to receive certain financial statements and other information about our Company. Pursuant to the Investors' Rights Agreement, so long as the **[REDACTED]** Investors continue to hold no less than 1% of the shares in the share capital of our Company, the **[REDACTED]** Investors shall have the right to inspect the Group's properties, to examine its books of accounts and records and to discuss each Group company's affairs with its directors and officers. **[REDACTED]**

Veto rights

Pursuant to the Investor's Rights Agreement, certain matters require the approval of the holders of at least a majority of the Preferred Shares. These matters include, among others, the issuance of new securities by our Company, amendment of our Memorandum and Articles and any merger, consolidation or share acquisition in which 50% or more of our voting power is transferred. **[REDACTED]**

Pre-emptive right

Each holder of the Preferred Shares shall have the pre-emptive right to purchase up to a pro rata share of any new securities (other than certain excepted issuances, including but not limited to new securities issuance under the **[REDACTED]**) which our Company may propose to issue. **[REDACTED]**

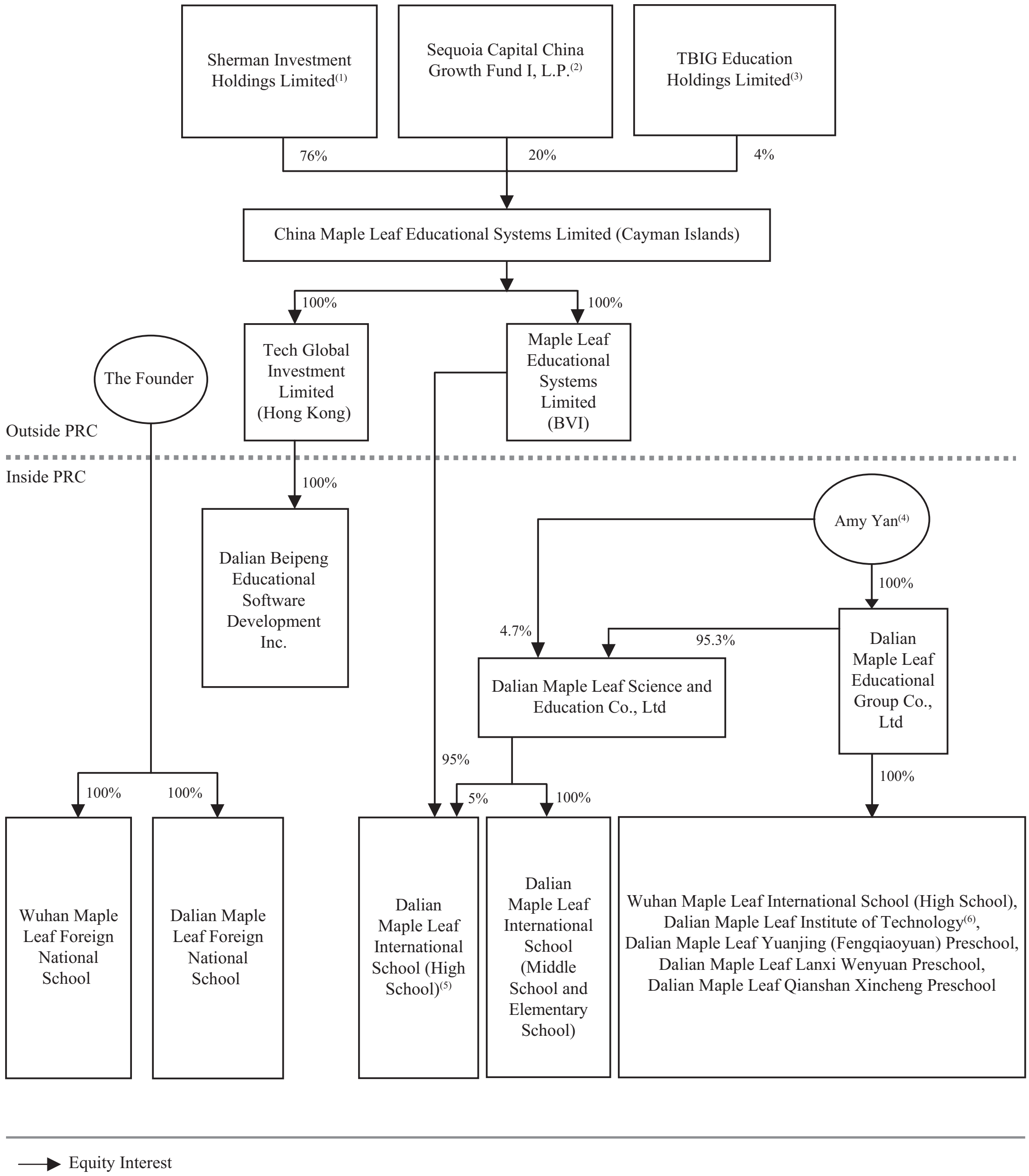
Right of first refusal and co-sale

Pursuant to the Investor's Rights Agreement, if any of Sherman Investment and Bei Kai (collectively, the "**Ordinary Shareholders**") proposes to transfer securities of our Company (the "**Offered Shares**"), our Company has the right of first refusal to purchase all the Offered Shares on the terms and conditions stated in the transfer notice given by the transferring Ordinary Shareholders. If our Company has not purchased any or all of the Offered Shares, the **[REDACTED]** Investors have a right of first refusal to purchase all of or the remaining Offered Shares on a pro rata basis, provided that the **[REDACTED]** Investors continue to hold no less than 1% of the Shares. If our Company and the **[REDACTED]** Investors do not exercise their respective rights of first refusal as to the Offered Shares, the **[REDACTED]** Investors have the right to participate in the sale of the Offered Shares by the transferring Ordinary Shareholder on the terms and conditions set forth in the transfer notice given by the transferring Ordinary Shareholder. **[REDACTED]**

[REDACTED]

[REDACTED]

The corporate and shareholding structure of our Group following the completion of the **[REDACTED]** investment by the **[REDACTED]** Investors is as follows:



1. Represents 68,400,000 Shares held by Sherman Investment, a company incorporated in the BVI that is wholly-owned by Mr. Jen.
2. Represents 18,000,000 Preferred Shares held by Sequoia Capital China Growth Fund I, L.P. Sequoia Capital China Growth Fund I, L.P. is a limited liability partnership incorporated in the Cayman Islands. Its general partner is Sequoia Capital China Growth Fund Management I, L.P., whose general partner is SC China Holding Limited. SC China Holding Limited is wholly-owned by SNP China Enterprises Limited, a company wholly-owned by Nanpeng Shen.

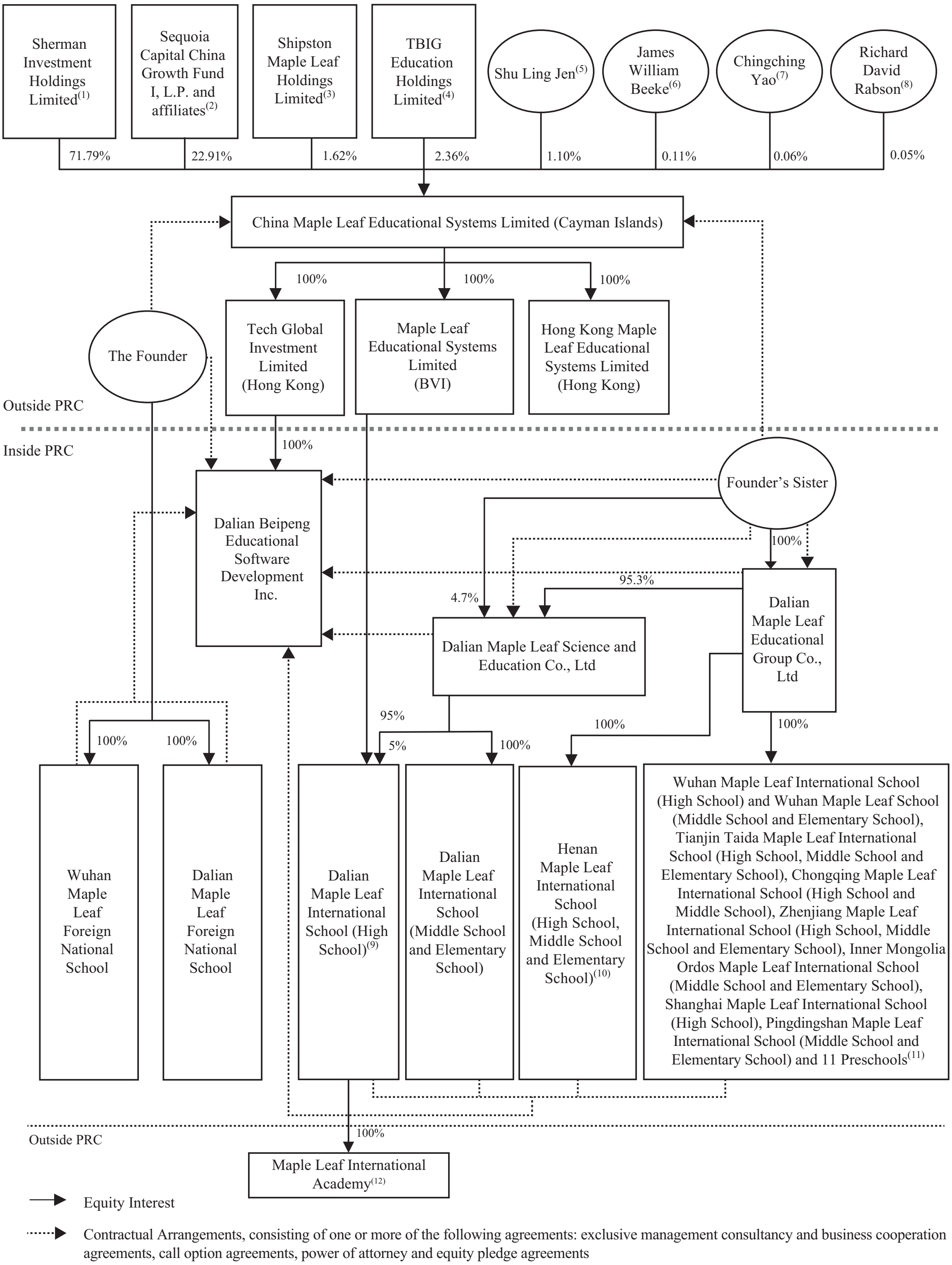
3. Represents 3,600,000 Shares held by TBIG, a Company incorporated in the BVI and an Independent Third Party.
4. Amy Yan is the Founder's wife and a Hong Kong citizen.
5. Dalian Maple Leaf International School (High School) is a Sino-foreign joint venture private school.
6. Dalian Maple Leaf Institute of Technology was disposed of to an Independent Third Party on September 22, 2009.

[REDACTED]

PREVIOUS LISTING ATTEMPT

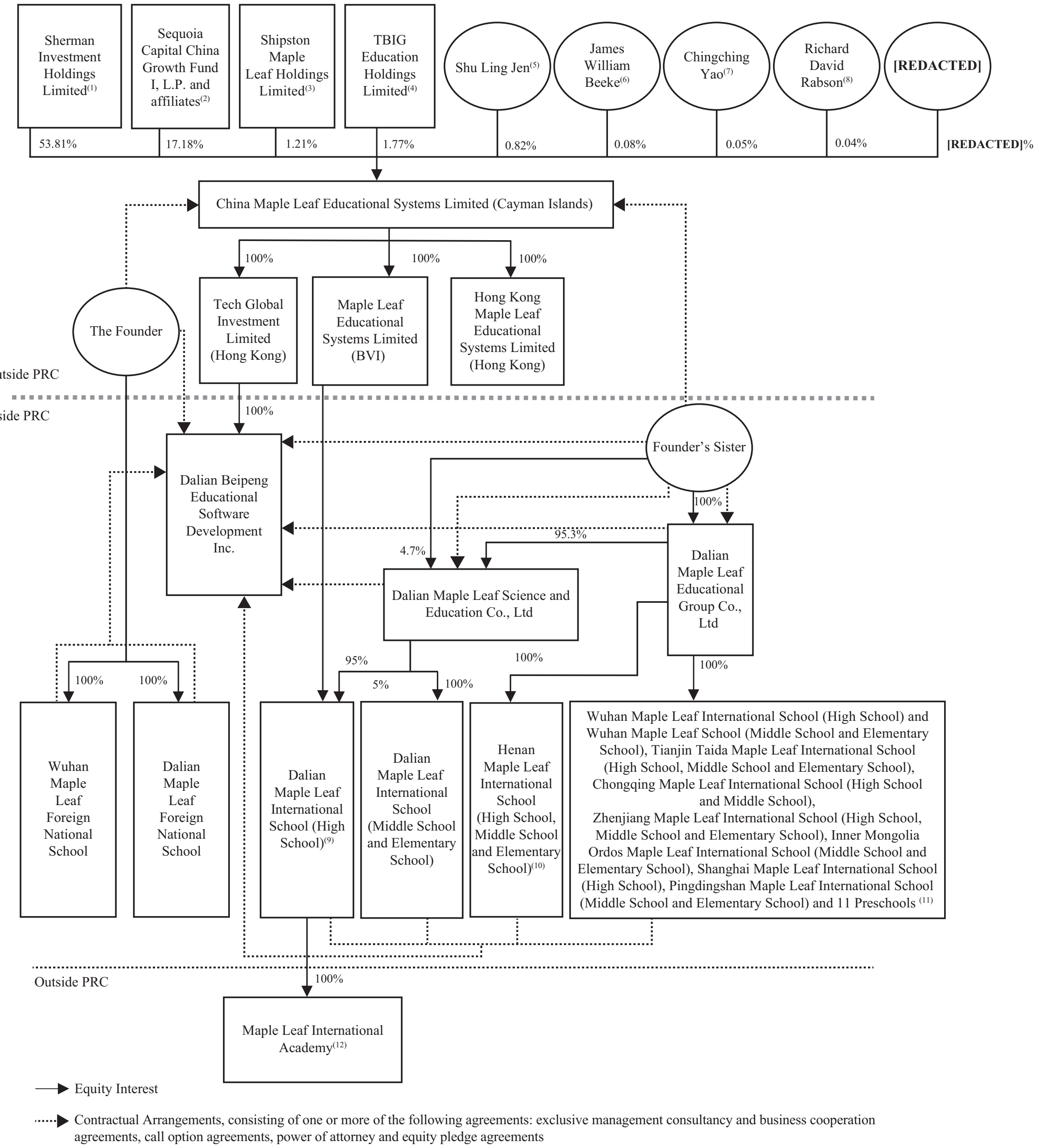
We submitted an application for the listing of its American depositary shares on the Nasdaq Global Market in 2011. We voluntarily suspended that attempt in October 2011 due to unfavorable financial market conditions in the United States at the time.

The corporate and shareholding structure of our Group immediately prior to the completion of the **[REDACTED]** and the **[REDACTED]** and without taking into account any Shares which may be issued upon the exercise of the options which were granted under the **[REDACTED]** Share Option Scheme:



1. Represents 67,048,570 Shares held by Sherman Investment Holdings Limited, a company incorporated in the BVI that is wholly-owned by Mr. Jen.
2. Represents 21,399,332 Shares issuable upon conversion of (i) 15,703,200 Preferred Shares held by Sequoia Capital China Growth Fund I, L.P., (ii) 1,926,000 Preferred Shares held by Sequoia Capital China GF Principals Fund I, L.P. and (iii) 370,800 Preferred Shares held by Sequoia Capital China Growth Partners Fund I, L.P. Each of Sequoia Capital China Growth Fund I, L.P., Sequoia Capital China GF Principals Fund I, L.P. and Sequoia Capital China Growth Partners Fund I, L.P. is a limited liability partnership incorporated in the Cayman Islands. Their general partner is Sequoia Capital China Growth Fund Management I, L.P., whose general partner is SC China Holding Limited. SC China Holding Limited is wholly-owned by SNP China Enterprises Limited, a company wholly-owned by Nanpeng Shen.
3. Represents 1,513,800 Shares held by Shipston Maple Leaf Holdings Limited, a company incorporated in Turks and Caicos Islands and an Independent Third Party.
4. Represents 2,202,630 Shares held by TBIG, a company incorporated in BVI and an Independent Third Party.
5. Represents 1,025,000 Shares held by Shu Ling Jen, the Founder's cousin.
6. Represents 100,000 Shares held by James William Beeke, our executive Director and BC Program Superintendent.
7. Represents 60,000 Shares held by Chingching Yao, an Independent Third Party.
8. Represents 50,000 Shares held by Richard David Rabson, an Independent Third Party.
9. Dalian Maple Leaf International School (High School) is a Sino-foreign joint venture private school.
10. Henan Maple Leaf International School (High School, Middle School and Elementary School) is a private school established and operated by Dalian Educational Group. The buildings and land use rights are provided by Luoyang New District Administrative Committee.
11. Our 11 Preschools are Dalian Maple Leaf Fengqiao Preschool, Dalian Maple Leaf Lanxi Wenyuan Preschool, Dalian Maple Leaf Qianshan Xincheng Preschool, Dalian Maple Leaf Kaifaqu Preschool, Dalian Maple Leaf Xianghe Huayuan Preschool, Dalian Maple Leaf Sunshine Preschool, Dalian Maple Leaf Jiabao Preschool, Dalian Maple Leaf Jinhai Preschool, Dalian Maple Leaf Xiangzhou Preschool, Dalian Maple Leaf Zhonghua Mingcheng Preschool, Ordos Maple Leaf First Preschool.
12. Maple Leaf International Academy, a legal entity that was formed on April 27, 2012, is a potential education facility currently under negotiation and, if it proceeds, will be based in Suncheon City, South Korea.

The corporate and shareholding structure of our Group following the completion **[REDACTED]** without taking into account any Shares which may be issued under the **[REDACTED]** Share Option Scheme, the **[REDACTED]** Share Option Scheme or the RSU Scheme will be as follows:



1. Represents **[REDACTED]** Shares held by Sherman Investment Holdings Limited, a company incorporated in the BVI that is wholly-owned by Mr. Jen.
2. Represents **[REDACTED]** Shares issuable upon conversion of (i) 15,703,200 Preferred Shares held by Sequoia Capital China Growth Fund I, L.P., (ii) 1,926,000 Preferred Shares held by Sequoia Capital China GF Principals Fund I, L.P. and (iii) 370,800 Preferred Shares held by Sequoia Capital China Growth Partners Fund I, L.P. Each of Sequoia Capital China Growth Fund I, L.P., Sequoia Capital China GF Principals Fund I, L.P. and Sequoia Capital China Growth Partners Fund I, L.P. is a limited liability partnership incorporated in the Cayman Islands. Their general partner is Sequoia Capital China Growth Fund Management I, L.P., whose

general partner is SC China Holding Limited. SC China Holding Limited is wholly-owned by SNP China Enterprises Limited, a company wholly-owned by Nanpeng Shen.

3. Represents **[REDACTED]** Shares held by Shipston Maple Leaf Holdings Limited, a company incorporated in Turks and Caicos Islands and an Independent Third Party.
4. Represents **[REDACTED]** Shares held by TBIG, a company incorporated in BVI and an Independent Third Party.
5. Represents **[REDACTED]** Shares held by Shu Ling Jen, the Founder's cousin.
6. Represents **[REDACTED]** Shares held by James William Beeke, our executive Director and BC Program Superintendent.
7. Represents **[REDACTED]** Shares held by Chingching Yao, an Independent Third Party.
8. Represents **[REDACTED]** Shares held by Richard David Rabson, an Independent Third Party.
9. Dalian Maple Leaf International School (High School) is a Sino-foreign joint venture private school.
10. Henan Maple Leaf International School (High School, Middle School and Elementary School) is a private school established and operated by Dalian Educational Group. The buildings and land use rights are provided by Luoyang New District Administrative Committee.
11. Our 11 Preschools are Dalian Maple Leaf Fengqiao Preschool, Dalian Maple Leaf Lanxi Wenyuan Preschool, Dalian Maple Leaf Qianshan Xincheng Preschool, Dalian Maple Leaf Kaifaqu Preschool, Dalian Maple Leaf Xianghe Huayuan Preschool, Dalian Maple Leaf Sunshine Preschool, Dalian Maple Leaf Jiabao Preschool, Dalian Maple Leaf Jinhai Preschool, Dalian Maple Leaf Xiangzhou Preschool, Dalian Maple Leaf Zhonghua Mingcheng Preschool, Ordos Maple Leaf First Preschool.
12. Maple Leaf International Academy, a legal entity that was formed on April 27, 2012, is a potential education facility currently under negotiation and, if it proceeds, will be based in Suncheon City, South Korea.

OVERVIEW

We are the largest international school operator in China, as measured by student enrollment at the end of the 2010/2011, 2011/2012 and 2012/2013 school years, according to the Frost & Sullivan Report. We 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 enables graduates of our PRC and BC-certified high schools to receive both a fully accredited BC high school diploma and a PRC high school diploma. We aspire to develop our students into well-rounded and academically excellent individuals that can function effectively in both Chinese and foreign environments. As of the Latest Practicable Date, we operated seven high schools, seven middle schools, six elementary schools, 11 preschools and two foreign national schools across eight cities in China. We had an approximately 7.5% market share in the highly fragmented international school market in China, as measured by student enrollment at the end of the 2012/2013 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 certified by the BCMOE. 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 certified by the BCMOE. 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. 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 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 RMB242.9 million for the six months ended February 28, 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 12,906 as of February 28, 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 six-month periods ended February 28, 2013 and 2014, our revenue amounted to RMB209.8 million and RMB242.9 million, and our gross profit was RMB83.6 million and RMB98.9 million.

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 and 2012/2013 school years, according to the Frost & Sullivan Report. As of the Latest Practicable Date, we operated seven high schools, seven middle schools, six elementary schools, 11 preschools and two foreign national schools in eight cities in China. We are also in the process of developing new campuses in five cities in China, namely Pinghu, Pingdingshan, Tianjin (Huayuan campus), 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 both BC and PRC educational authorities 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.

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 offer an offshore program certified by the BC government, 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. 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 30 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 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. Many 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 and Tianjin and memoranda of understanding with the local governments in 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 February 28, 2014, we had approximately 45 recruiting staff in 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 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.

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.

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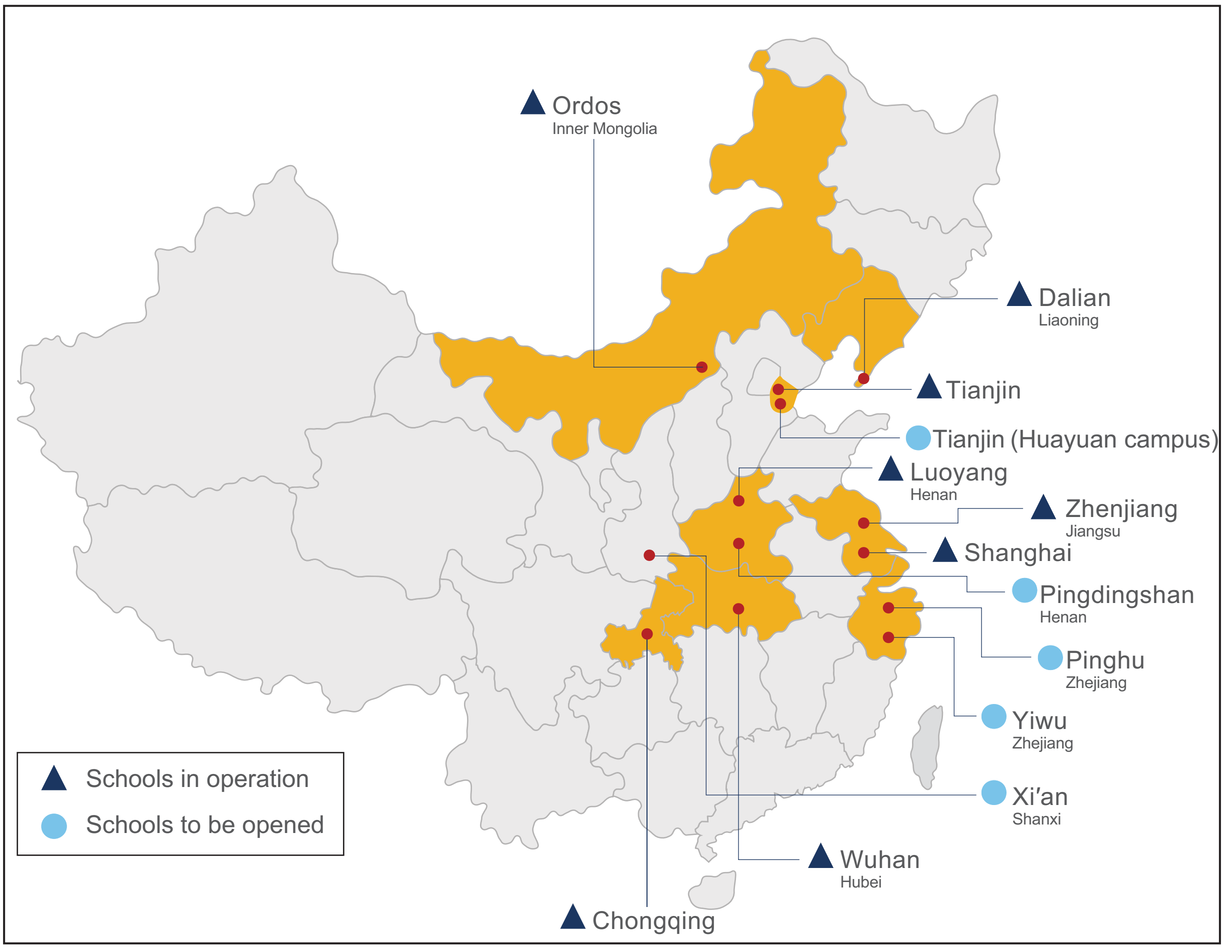
The following map sets forth the geographical location and establishment information about our schools:



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

	Student Enrollment as of				Capacity for Students[2] as of	School Utilization Rate[3] as of
	June 30[1],			February 28,		
	2011	2012	2013	2014	February 28, 2014	
Dalian						
High school	2,723	2,914	2,651[4]	2,501	3,500	71.5%
Middle school	1,211	1,248	1,308	1,161	1,300	89.3%
Elementary school	840	884	899	898	850	105.3%
Preschools[5]	1,613	1,702	1,704	1,118	1,800	62.1%
Foreign national schools	187	184	171	175	240	72.9%
Wuhan						
High school	1,106	1,246	1,332	1,409	1,500	93.9%
Middle school	110	312	540	650	1,500	43.3%
Elementary school	—[6]	—	—	498	400	124.5%
Foreign national school	28	26	25	25	100	25%
Tianjin						
High school	519	683	839	1,104	1,500	73.6%
Middle school	278	401	512	602	750	80.3%
Elementary school	350	508	684	826	750	110.1%
Chongqing						
High school	155	331	349	446	1,000	44.6%
Middle school	—	—	116	198	500	39.6%
Zhenjiang						
High school	—	70	163	243	400	60.8%
Middle school	—	—	—	88	200	44%
Elementary school	—	—	—	79	200	39.5%
Luoyang						
High school	—	—	—	25	550	4.5%
Middle school	—	—	104	142	1,150	12.3%
Elementary school	—	—	100	233	1,000	23.3%
Shanghai						
High school	—	—	—	143	2,000	7.2%
Ordos						
Middle school	—	—	36	45	500	9%
Elementary school	—	—	43	116	500	23.2%
Preschool[5]	—	—	121	181	300	60.3%
Total	9,120	10,509	11,697	12,906	22,490	57.4%

(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 February 28, 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) *We have 10 preschools in Dalian and one preschool in Ordos. The student enrollment in each of our preschools is subject to monthly fluctuation.*

(6) *Some of our schools were opened after June 30, 2011 and did not have student enrollement 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,			February 28,
	2011	2012	2013	2014
High schools	4	5	5	7
Middle schools	3	3	6	7
Elementary schools	2	2	4	6
Preschools	10	10	11	11
Foreign national schools	2	2	2	2
Total	21	22	28	33

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 at 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.

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

	Tuition(1)	
	2012/2013 school year	**2013/2014 school year**
High schools	RMB42,400 – RMB49,000	RMB42,400-RMB71,500
Middle schools	RMB21,000 – RMB31,000	RMB21,000-RMB38,000
Elementary schools	RMB18,000 – RMB28,000	RMB18,000-RMB33,000
Preschools	RMB14,400 – RMB21,600	RMB14,400-RMB21,600
Foreign Schools	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 and RMB900 to RMB5,000 for the 2013/2014 school year.*

Tuition from all of our schools except for preschools, which accounted for 81.5%, 83.1%, 80.6% and 87.8% of our total revenue in the years ended August 31, 2011, 2012 and 2013 and the six months ended February 28, 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. For our preschools, tuition is paid in advance at the beginning of every month. As a result, 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 purchased the land use rights and constructed the premises for our Ordos schools. The Dongsheng Government also owns such land use rights and premises and has granted us the right to use them for free. 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 also 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. Under both cooperation agreements, we are the sole sponsors of our schools and are in complete charge of the school operation.

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 February 28, 2014, our high schools had a total of approximately 5,871 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 obtained certifications from the BCMOE for our high schools in Dalian, Tianjin, Wuhan, Chongqing and Zhenjiang 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 received its initial certification in the 1997/1998 school year, was the first offshore school certified by the BCMOE and served as BC’s pilot school for delivering the BC Global Education Program. We are also in the process of applying for BC certification for our high schools in Luoyang and Shanghai, which started operation less than one year ago. Both high schools are at the pre-certification stage and will not have grade 12 students until the school year ending June 30, 2016. We believe that we have taken all the necessary steps to meet the certification requirements for these two high schools and expect to receive BC certification for them in July 2014, according to the letters issued by the BCMOE. 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 certifications 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 a BC-certified offshore school system, we conduct standardized BC provincial exams at our high schools throughout the school year 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, 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 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 seven middle schools which are located in Tianjin, Wuhan, Dalian, Chongqing, Zhenjiang, Luoyang and Ordos, and six elementary schools in Tianjin, Dalian, Wuhan, Zhenjiang, Luoyang and Ordos. With the exception of our Dalian elementary school, the high school, middle school and elementary school we operate in the same city share the same campus. As of February 28, 2014, our middle schools had a total of approximately 2,886 students and our elementary schools had a total of approximately 2,650 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 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. All of our ESL teachers hold education degrees.

Maple Leaf Preschools

As of the Latest Practicable Date, we had 11 preschools, 10 of which are located in Dalian and the remaining one in Ordos. As of February 28, 2014, our preschools had a total of approximately 1,299 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 February 28, 2014, our Foreign Schools had a combined total of approximately 200 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 is certified by the BCMOE 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.

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.

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 June 20, 2013, we entered into a cooperation agreement with Henan Shangxuetang Co. Ltd. ("**Shangxuetang Co.**") to jointly develop bilingual middle and elementary schools in Pingdingshan, Henan. Under the agreement, Shangxuetang Co. has purchased the land use rights and constructed the premises for our Pingdingshan schools. Shangxuetang Co. also owns such land use rights and premises and will grant us the right to use them in exchange for an administration fee, the calculation of which is based on our Pingdingshan schools' disposable profit in the prior financial year. 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 and elementary schools in Tianjin. Under the agreement, the Tianjin Committee has purchased the land use rights and constructed the premises for our new schools on the Huayuan Campus in Tianjin. The Tianjin Committee also owns such land use rights and premises and will grant us the right to use them, subject to us meeting certain requirements, in exchange for a rent, which will be based on the number of students enrolled at our new schools in Tianjin. The cooperation agreement also provides that we will enjoy a rent-free period of five years. Under both cooperation agreements, we are the sole sponsors of our 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 are in the process of negotiating similar arrangements with the local governments in Pinghu and Yiwu, Zhejiang. We entered into a non-binding memorandum of understanding with the Zhejiang Pinghu Economic and Technical Development Zone Administration Committee on September 27, 2013 regarding opening bilingual schools in Pinghu. We also entered into a memorandum of understanding with the Shanxi Xixian New District Administration Committee on November 27, 2013 regarding opening bilingual schools in Xi'an. In addition, we entered into a memorandum of understanding with the Yiwu government on June 12, 2014 regarding opening bilingual schools in Yiwu. Under the memorandum of understanding, the Yiwu government will purchase the land use rights to the campus site and construct the premises, and will grant us the right to use them in exchange for an administration fee. In addition, we are negotiating with local governments in South Korea to explore an expansion opportunity in Suncheon City, South Korea.

The following table sets forth certain additional information about our new campuses under development:

	Status	Estimated school commencement date	Estimated maximum capacity for students
Tianjin (Huayuan campus)			
Middle school and elementary school	Under construction	September 1, 2014	1,600
Pingdingshan			
Middle school and elementary school	Completed	September 1, 2014	2,000
Pinghu(1)			
Middle school	Under planning	September 1, 2016	—
Elementary school	Under planning	September 1, 2016	—
Yiwu			
High school	Under planning	September 1, 2015	1,000
Middle school, elementary school and preschool	Under planning	September 1, 2016	1,600
Foreign national school	Under planning	September 1, 2015	400
Xi'an(1)			
High school	Under planning	September 1, 2016	—
Middle school, elementary school and preschool	Under planning	September 1, 2017	—
Foreign national school	Under planning	September 1, 2016	—

(1) *The memoranda of understanding we have entered into for our Pinghu schools and Xi'an schools do not contain the estimated capacity of such schools.*

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 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 experienced 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, receipt of reference letters and student preparation for admission interviews held in the spring of each year. 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 April 2014, through the Orca program, we assisted one student in getting an offer from the University College London, and helped place another student on the waitlist of the University of Chicago. Both universities were ranked as the world's top 10 universities by the QS in 2013.

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 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.

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 the Latest Practicable Date, our high school students were primarily Chinese nationals, with the remaining approximately 7% being international students who come from 36 countries and regions, including the United States, Canada, South Korea, Mongolia, Kazakhstan, Japan and Russia.

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, 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. All 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 February 28, 2014, we had over 6,000 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 rigorous learning environment with an emphasis on academic English development and who are interested in attending our high schools or high schools overseas. As of February 28, 2014, our middle school and elementary school students mostly consisted of Chinese nationals and had approximately 8% 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 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 provide a full BC-certified K-9 curriculum to foreign national students. As of February 28, 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. In each of the 2010/2011, 2011/2012 and 2012/2013 school years, over 40% of our Foreign School graduates had enrolled in our high schools.

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 February 28, 2014, we had nine on-campus student recruitment offices with a total of 42 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 February 28, 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 February 28, 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 inquires 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 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 February 28, 2014, we had a team of approximately 1,270 teachers, including approximately 300 BC-certified teachers, approximately 910 PRC-certified teachers and approximately 60 ESL teachers. 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 strive to attract teaching talent for our schools. We offer a comprehensive benefits package, including return airfare, children tuition discount and orientation for new BC-certified teachers. 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.

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

	June 30,			February 28,
	2011	2012	2013	2014
High, middle and elementary schools and Foreign Schools				
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
Preschools				
Teachers qualified in childcare	61	61	70	76
Total	699	863	1,036	1,272

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]**.

EMPLOYEES

We had approximately 2,360 employees as of February 28, 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, 2011	June 30, 2012	June 30, 2013	February 28, 2014
Management	63	28	34	32
Administrators	472	447	599	648
Sales and marketing	25	31	63	42
Teachers and other teaching staff	1,127	1,336	1,504	1,641
Total	1,687	1,842	2,200	2,363

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.

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 six months ended February 28, 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 six months ended February 28, 2014, our five largest suppliers in aggregate accounted for 6.9%, 7.8%, 8.2% and 4.7%, respectively, of our cost of revenue. During the same periods, our largest supplier accounted for 2.6%, 2.6%, 3.8% and 1.1%, 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, Zhejiang, 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. The local governments in Ordos and Luoyang owned the land use rights to our Ordos and Luoyang campuses and the respective school facilities. Both governments have granted us to right to use those campuses and school premises. In addition, we have entered into cooperation agreements with the local government in Tianjin and a real estate company in Pingdingshan to develop new schools. Under the cooperation agreements, we have been granted the right to use the school premises and campus sites for these new schools. 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 hold the land use rights to the campus sites" 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 the Latest Practicable Date:

	Site area (sqm)	Gross floor area (sqm)
Dalian		
Main campus (high school and middle school)(1)	232,554	160,723.68
Elementary school	14,612	20,695.91
Wuhan (high school, middle school, elementary school and foreign national school)(2)	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(3)	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 environmental assessments, fire control assessments and 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.*

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 the Latest Practicable Date:

	Gross floor area(1) (sqm)
Ordos (high school, middle school, elementary school and preschool)	20,237.35
Luoyang (middle school and elementary school)	81,067.84
Total	101,305.19

(1) *As of the Latest Practicable Date, we had not obtained the right to use the campus sites and school premises for our new schools in Tianjin (Huangyuan campus), Pingdingshan, Yiwu, Pinghu and Xi'an. We expect to obtain the right to use such campus sites and school premises upon the opening of the respective schools.*

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 environmental assessments, fire control assessments and 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 on or before August 31, 2014.

As of the Latest Practicable Date, we leased school premises with an aggregate gross floor area of 20,186.9 square meters for our preschools in Dalian and Dalian Foreign School. The following table sets out a summary of properties we leased as of the Latest Practicable Date:

	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	1,045.80
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	19,636.7

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 13,306.1 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 4.9% of our total revenue for the years ended August 31, 2011, 2012 and 2013 and the six months ended February 28, 2014, respectively; and (ii) the aggregate student enrollment of the affected schools is less than 5% 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 our school facilities and the insurance policies cover losses due to fire, explosion and a wide range of human accidents. 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]**.

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)	Chongqing Yongchuan District Education Bureau	March 27, 2014	N/A
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
Private School Operating License	Henan Maple Leaf International School (High School, Middle School and Elementary School)	Luoyang Education Bureau	May 2013	May 2019

License/Permit	Holder	Granting Authority	Grant Date	Expiry Date
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)	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 6, 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 Kaifaqu Preschool	Dalian Development Zone Education Bureau	November 25, 2009	November 25, 2014
Preschool Operating License	Dalian Maple Leaf Xianghe Huayuan Preschool	Dalian Ganjinzi District Education Bureau	March 18, 2013	March 17, 2016

License/Permit	Holder	Granting Authority	Grant Date	Expiry Date
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

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.

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
During the Track Record Period and up to the Latest Practicable Date, we only partially complied with 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 six months ended February 28, 2014 were approximately RMB5.7 million, RMB6.6 million, RMB7.7 million and RMB5.4 million (in respect of social insurance payments for PRC employees), RMB2.4 million, RMB2.8 million, RMB3.3 million and RMB2.1 million (in respect of housing provident fund contributions for PRC employees) and RMB1.7 million, RMB11.0 million, RMB14.2 million and RMB8.3 million (in respect of social insurance payments for foreign employees), respectively.	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.	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 make 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. 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.	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 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 Counsel has conducted an interview with), to the effect, (a) that no penalties are expected to be imposed upon us; and (b) that they are of the view that we have complied with the relevant regulations. 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	Ms. Zhang Jingxia	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. 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. 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.

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
			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: • 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; • the risk of us being penalized by the relevant housing provident fund management centers for our failure to make full housing provident fund contributions for our PRC employees is relatively low; and • 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. We have established an internal control department to monitor our on-going compliance with the social insurance and housing provident fund contribution regulations and oversee the implementation of any necessary measures. We will make social insurance and housing provident fund contributions in accordance with the relevant laws and regulations as and when implemented by the competent authorities in each of the cities in which we operate going forward.		

INTERNAL CONTROL OVER BUSINESS OPERATIONS

[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.

We have established an internal control department to monitor our on-going compliance with the social insurance and housing provident fund contribution regulations and oversee the implementation of any necessary measures. Our Directors and the **[REDACTED]** are of the view that, based on the internal control measures implemented by us in connection with the non-compliance incident disclosed under the section headed "Business — Legal Proceedings and Compliance" in this **[REDACTED]**, our enhanced internal control measures are adequate and effective; the suitability of our Directors are compliant with **[REDACTED]**.

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.

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

BOARD OF DIRECTORS

Our Board of Directors is the primary decision making body of our Company and consists of nine Directors, among whom four are executive Directors, two are non-executive Directors (one of whom will cease to be a Director from **[REDACTED]**) and three are independent non-executive Directors. The table below shows certain information in respect of the members of the Board of Directors of our Company.

Members of our Board

Name	Age	Position/Title	Role and Responsibility	Date of Appointment as director	Date of Joining the Group
Shu Liang Sherman Jen (任書良)	60	Executive Director, Chairman of the Board and Co-CEO	Overseeing management, business and strategy	June 2007	May 18, 1994
Zhenwan Liu (柳振萬)	58	Executive Director, Vice Chairman of the Board, President and Co-CEO	General operation, strategic planning and business direction	**[REDACTED]**	March 10, 2014
Jingxia Zhang (張景霞)	57	Executive Director, Senior Vice President and Co-CFO	Overseeing financial and school operations	March 2008	April 10, 1995
James William Beeke	64	Executive Director, Vice President and BC program Superintendent	Overseeing overall school management and the BC Program	April 2014	April 25, 2014[(1)]
Howard Robert Balloch	62	Non-Executive Director	Supervising the overall management and strategic planning of our Group	March 2008	March 12, 2008
Yue Ji (計越)	41	Director[(2)]	Supervising the overall management and strategic planning of our Group	March 2008	March 12, 2008
Peter Humphrey Owen	67	Independent non-executive Director	Chairman of the Remuneration Committee, and member of the Nomination and Audit committees, supervising and providing independent judgment to our Board	**[REDACTED]**	**[REDACTED]**

(1) Mr. James William Beeke previously worked for the Group from 2005 to 2009, he was appointed as Director from March 12, 2008 to January 20, 2010, and reappointed on April 25, 2014.

(2) Mr. Ji will cease to be a Director **[REDACTED]**.

Name	Age	Position/Title	Role and Responsibility	Date of Appointment as director	Date of Joining the Group
Chak Kei Jack Wong (王澤基)	41	Independent non-executive Director	Member of Audit, Remuneration and Nomination committees, supervising and providing independent judgment to our Board	**[REDACTED]**	**[REDACTED]**
Lap Tat Arthur Wong (黃立達)	54	Independent non-executive Director	Chairman of the Audit Committee	**[REDACTED]**	**[REDACTED]**

Executive Directors

***Shu Liang Sherman Jen (任書良)*,** aged 60, is our Controlling Shareholder and Founder. Mr. Jen was appointed executive Director in June 2014, and is primarily responsible for the overall business and strategy of our Group, including the introduction of the dual diploma school model. He has been the chairman of the Board of Directors, chief executive officer of our Company since 2007, and co-chief executive officer ("**Co-CEO**") since March 2014. He is also the president of Dalian Maple Leaf International School since 1995, the chairman of Dalian Maple Leaf Educational Group Ltd. since 2003, and the director of Maple Leaf Educational Systems Limited since 1992, Tech Global Investment Ltd. since 2007, Hong Kong Maple Leaf Educational Systems Limited since 2009 and Beipeng Software since 2011. His contributions has lead us to become one of the leading international school service providers in China.

Mr. Jen has more than 15 years of experience in the education industry. In 2004, he was selected as one of the most influential figures in the private education industry in China by sohu.com; in 2005, he received the Outstanding Chinese Entrepreneur Award from the Overseas Chinese Affairs Office of the State Council of the PRC; and in 2011, he was honored as one of the "Top Ten Figures of our Time" by a group of media organizations and industry associations; and in 2013, he received the Governor General's Medallion from David Johnston, Governor General of Canada, for his contributions to international education. Mr. Jen has not held any directorship roles in any listed companies in the last three years.

Mr. Jen received his Bachelor of Arts degree in English Language and Arts from Beijing Foreign Languages University, PRC in May 1978, his Master of Business Administration by distance learning from the University of Wales, New Port, United Kingdom in September 2005 and an Honorary Doctor of Laws degree (Hon. LL.D) from Royal Roads University in British Columbia, Canada in June 2013.

Pursuant to code provision A.2.1 of the Corporate Governance Code, companies **[REDACTED]** are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. Currently, Mr. Jen performs the dual roles of both chairman and Co-CEO. Our Board believes that by vesting the roles of both chairman and Co-CEO in Mr. Jen, along with the other Co-CEO, Mr. Zhenwan Liu, the Company derives the benefit of ensuring consistent leadership within our Group, which in turn enables more effective and efficient overall strategic planning for our Group. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively.

Zhenwan Liu (柳振萬), aged 58, was appointed as an executive Director and the vice chairman of the Board of Directors of our Company taking effect on the **[REDACTED]**. Mr. Liu has been the President and the Co-CEO of our Company since March 10, 2014, and is primarily responsible for the general operation, strategic planning and business direction of our Company.

Prior to joining the Company, Mr. Liu worked as a teacher, youth league secretary and head of the ethics education and research office at Dalian Polytechnic University from December 1981 to December 1990, where he was responsible for lecturing and managing student activities. He was the deputy director of the member education office of the publicity department of Dalian Municipal Party Committee and the director of planning and research division of Dalian Municipal Spiritual Civilization Office, between December 1990 to August 1996, and later, the deputy director of Dalian Municipal Spiritual Civilization Office, between August 1996 to April 1998. He subsequently served as the deputy head of Dalian Culture Bureau between April 1998 to November 1999, where he was responsible for the planning and coordination of the cultural affairs. He was the deputy head and deputy Party secretary of Dalian Tourist Administration between November 1999 to June 2000. From June 2000 to December 2006, he was the head and party secretary of Dalian Tourist Administration, responsible for the strategic planning and development of local tourism. He served as deputy secretary general, office head and party secretary at the municipal government office of Dalian from December 2006 to April 2010, and was responsible for the organization, coordination and management of the daily affairs of the municipal government. From April 2010 to February 2014, he served as the secretary of the party committee and the chairman of the University Council at Dalian University of Foreign Languages where he was responsible for implementing educational policies, managing educational research and cultivating professional personnel. Mr. Liu has not held any directorship roles in any listed companies in the last three years.

Mr. Liu received a Bachelor's degree in Mathematics from Dalian Polytechnic University in January 1982, a Bachelor's degree in Political Education from Liaoning Normal University in July 1987 and a Master of Business Administration from Dalian University of Technology in April 1997. Mr. Liu was awarded professorship title by Dalian University of Foreign Languages in September 2010.

Jingxia Zhang (張景霞), aged 57, is the senior vice president and co-chief financial officer ("**Co-CFO**") of our Company and was appointed executive Director in June 2014. Ms. Zhang joined the Company on April 10, 1995 and is primarily responsible for the overall management, financial operations and human resources of our schools. Ms. Zhang is one of the key members of the management team of our Company and has made important contributions to our Group.

Prior to joining us, Ms. Zhang was the director of finance of Jilin Province Dunhua City Pharmaceutical Factory, a Chinese pharmaceutical manufacturer, where Ms. Zhang was responsible for managing its accounts and financial operations. Ms. Zhang has not held any directorship roles in any listed companies in the last three years.

Ms. Zhang received her Financial Accounting diploma by distance learning from Jilin Accounting School, PRC in July 1991.

James William Beeke, aged 64, is our Director, vice president and BC Program Superintendent. He was appointed executive Director in June 2014. Mr. Beeke previously served as the Vice Chairman of the Board of Directors and the Superintendent of the BC Programs of our Company from 2005 to 2009. Mr. Beeke is primarily responsible for overseeing the operation of the BC Program and our schools.

Prior to joining our Group, Mr. Beeke was employed by the British Columbia provincial government as deputy inspector, and later, inspector for the Ministry of Education of the BC provincial government between 1996 to 1998 and between 1998 to 2005, respectively. As inspector, he was responsible for the inspection, certification and funding of all independent schools in the province, and developed and directed BC's Offshore School Certification Program. Since September 2009, he has been president of Signum International Educational Services, Inc., a company which provides educational consultant services to schools in Canada and internationally, where he was responsible for assisting schools with board governance and strategic development planning, performing school reviews, conducting principal evaluations and providing analysis and comparisons of provincial curricula. Mr. Beeke has not held any directorship roles in any listed companies in the last three years.

Mr. Beeke received his Bachelor of Arts degree and Master of Arts degree from Western Michigan University in Michigan, United States, in December 1971 and August 1973, respectively. He received the Certificate of Qualification from the British Columbia Teachers in June 1991, Certificate of Recognition from the British Columbia Minister of Education in 1991, Certificates of Recognition from the Chinese Consulate (Vancouver, Canada) and from British Columbia Ministry of Education in June 2005 and Certificate of Honorary Award from Liaoning Provincial Government of PRC in 2006.

Non-Executive Directors

Howard Robert Balloch, aged 62, was appointed non-executive Director of our Company in June 2014 and is responsible for supervising the overall management and strategic planning of our Group. Mr. Balloch has been our Director since March 12, 2008.

Mr. Balloch is a veteran Canadian diplomat. Prior to joining our Group, he served as Canadian Ambassador to the PRC and Mongolia from April 1996 to July 2001, and to the Democratic People's Republic of Korea from March 2000 to July 2001. Subsequently, he served as the president and chief executive officer of the Canada China Business Council, a private, non-profit business association that facilitates and promotes trade and investment between Canada and China, from 2001 to 2006, and is currently its vice chairman. Mr. Balloch has also served as the director of several companies outside the Group. He has been a director of Ivanhoe Energy Inc. since January 2002, a company listed on both the Toronto Stock Exchange ("TSE") (stock code: IE) and NASDAQ (stock code: IVAN), which is engaged in the oil development and production business, primarily in Canada, the United States, Ecuador and Mongolia. Mr. Balloch has also been a director of Methanex Corp. since December 2004, a company listed on both the TSE (stock code: MX) and NASDAQ (stock code: MEOH), which is engaged in the supply, distribution and marketing of methanol to major international markets. He was a director of Ivanhoe Mines Ltd. from March 2005 to May 2011, a company now controlled by Rio Tinto Inc. and operating as Turquoise Hill Resources Ltd listed on the New York Stock Exchange ("**NYSE**") and TSE (stock code: TRQ), which was engaged in mineral exploration and development and headquartered in Vancouver, Canada. Mr. Balloch founded and served as chairman of the board of The Balloch Group from 2001 to 2011, a boutique investment bank that advised domestic and multinational corporations in China and a member of Canaccord Genuity Group Inc.. From 2011 to 2013, he served as chairman of Canaccord Genuity Asia, the Asian subsidiary of Canaccord Genuity Group Inc., a Canadian company listed on both the TSE (stock code: CF) and the London Stock Exchange (stock code: CF), which provides banking and financial services to individual, institutional and corporate clients worldwide.

Mr. Balloch received a Bachelor of Arts degree and a Master of Arts degree from McGill University, Canada in June 1973 and June 1974, respectively.

Yue Ji (計越), aged 41, has served as a Director of our Company since March 31, 2010. Mr. Ji joined Sequoia Capital China, a private equity investor, in 2005 and is currently a partner. Mr. Ji has been a director of Noah Holdings Limited since 2007, a wealth management service provider listed on the NYSE and a director of Country Style Cooking Restaurant Chain Co., Ltd since 2007, a NYSE-listed quick service restaurant chain in China. He has also been a director of BAIOO Family Interactive Limited since March 31, 2010, a Guangzhou-based children's online game developer and operator listed on the Stock Exchange, a director of Jumei International Holding Limited since April 2011, China's leading online retailer of beauty products listed on the NYSE and a director of Tuniu Corporation since 2011, an online leisure travel company in China listed on NASDAQ.

Mr. Ji received a Bachelor's degree in engineering from Nanjing University of Aeronautics & Astronautics, PRC in July 1995 and a Master of Business Administration from China Europe International Business School, PRC in April 2000.

Mr. Ji will cease to be a Director **[REDACTED]**.

Independent Non-Executive Directors

Peter Humphrey Owen, aged 67, was appointed as an independent non-executive Director of our Company taking effect on **[REDACTED]**. Mr. Owen is primarily responsible for supervising and providing independent judgment to our Board.

Prior to joining our Group, Mr. Owen served as the vice chair of the Workers Compensation Review Board of British Columbia in 1986. He subsequently held various positions at the Ministry of Education of the BC provincial government until May 2011, including the positions of director, executive director, and assistant deputy minister responsible for education related legislation, governance, international education, policy and planning, and a variety of program areas. Mr. Owen has not held any directorship roles in any listed companies in the last three years.

Mr Owen received a Bachelor of Arts degree from Simon Fraser University, Canada, in May 1976 and a Bachelor of Laws degree (LLB) from the University of British Columbia, Canada, in May 1979.

Chak Kei Jack Wong (王澤基), aged 41, was appointed as an independent non-executive Director of our Company taking effect on **[REDACTED]**. Mr. Wong is primarily responsible for supervising and providing independent judgment to our Board.

Prior to joining our Group, Mr. Wong was managing director and Head of Structuring of the Investment Banking Department of Barclays Capital Asia (including Japan). He was responsible for client risk advisory and risk management solutions across all asset classes. Prior to that, Mr. Wong was a managing director and trader in UBS London and Hong Kong, co-heading the APAC structured products groups which trades and designs products including all asset classes and hybrids. He also spent a number of years in London in Goldman Sachs as executive director, working as a strategist/quant and trader for rate, FX and inflation. Prior to that, he was a quantitative analyst in credit derivative and emerging market in Morgan Stanley, London.

Mr. Wong studied in The Chinese University of Hong Kong and University of California at Berkeley. His major was Electrical Engineering with minors in Pure Mathematics and French. He obtained his DPhil and MPhil degrees in Economics from the University of Oxford. He was a Rhodes Scholar of Hong Kong for 1995.

Lap Tat Arthur Wong (黃立達), aged 54, was appointed as an independent non-executive Director of our Company taking effect on **[REDACTED]**. Mr. Wong is primarily responsible for supervising and providing independent judgment to our Board.

Prior to joining our Group, from 1982 to 2008, Mr. Wong held various positions in Deloitte Touche Tohmatsu ("Deloitte") in Hong Kong, San Jose and Beijing, with the latest position as a partner in the Beijing office. He subsequently served as the chief financial officer in the following companies: Asia New Energy Holdings Pte. Ltd, a manufacturer of fertilizer, chemicals and new energy products, from 2008 to 2009; Nobao Renewable Energy Holding Ltd., a renewable energy company, from March 2010 to November 2010; GreenTree Inns Hotel Management Group, Inc., an economy hotel chain from 2011 to 2012; and Beijing Radio Cultural Transmission Company Limited, a music production and music data management service company, since January 2013.

Mr. Wong previously served as an independent non-executive director at Besunyen Holdings Co Ltd., a herbal tea processing and marketing company listed on the Stock Exchange (00926) from July 2010 to April 2014. He currently serves as an independent non-executive director and the chairperson of the audit committee of the following listed companies: VisionChina Media, Inc., an out-of-home advertising network company listed on NASDAQ (VISN) since December 2011; China Automotive Systems, Inc., an automotive systems and components manufacturer listed on NASDAQ (CAAS) since May 2012; Daqo New Energy Corp., a polysilicon manufacturer listed on NYSE (DQ) since December 2012; Termbray Petro-king Oilfield Services Ltd., a consultancy and oilfield project services company listed on the Stock Exchange (02178) since February 2013; and YOU On Demand Holdings, Inc., a media company listed on NASDAQ (YOD) since January 2014.

Mr. Wong received a Higher Diploma in Accountancy from the Hong Kong Polytechnic University in November 1982 and a Bachelor of Science degree in Applied Economics from University of San Francisco in December 1988. He became an associate and subsequently a fellow of the Hong Kong Institute of Certified Public Accountants in 1985 and 1995, respectively. He became a fellow of the Association of Chartered Certified Accountants in 1990 and a member of the American Institute of Certified Public Accountants in 1992.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below shows certain information in respect of the senior management of our Company.

Name	Age	Position/Title	Role and Responsibility	Date of Appointment	Joining Date
Shu Liang Sherman Jen (任書良)	60	Co-CEO	Overseeing management, business and strategy	June 2007	May 18, 1994
Zhenwan Liu (柳振萬)	58	President and Co-CEO	General operation, strategic planning and business direction	March 2014	March 10, 2014
Jingxia Zhang (張景霞)	57	Senior Vice President and Co-CFO	Overseeing financial and school operations	March 2008	April 10, 1995
James William Beeke	64	Vice President and BC program Superintendent	Overseeing overall school management and the BC Program	April 2014	April 25, 2014(1)
Bin Xu (徐斌)	30	Vice President and Co-CFO	Overseeing financial operations	February 2013	February 16, 2013
Linsheng Chen (陳林生)	54	Vice President and the Chinese Program Superintendent	Managing the Chinese curriculum and school evaluation	September 2012	August 2000
Xiaoduo Zhang (張小多)	31	Director of the Marketing Department	Overseeing overall marketing strategic planning and student recruitment	November 2013	August 23, 2010

(1) Mr. James William Beeke previously worked for the Group from 2005 to 2009, was appointed as a Director from March 12, 2008 to January 20, 2010, and reappointed on April 25, 2014.

Bin Xu (徐斌), aged 30, has been the vice president and Co-CFO of our Company since February 16, 2013. Mr. Xu is primarily responsible for managing the financial operations of our Company.

Prior to joining our Group, Mr. Xu was an accountant at the Citco Financial Group, an international financial services provider, from 2007 to 2010, and an investment banking associate at the Essence Securities Co., Ltd., a financial and securities brokerage services provider based in China, from 2011 to 2013. Mr. Xu has not held any directorship roles in any listed companies in the last three years.

Mr. Xu is an alumnus of Dalian Maple Leaf International School. He received a Bachelor's degree in Economics and Finance from the University of Toronto, Canada in November 2007 and a Master's degree in Finance from the University of Cambridge, United Kingdom in May 2012.

Linsheng Chen (陳林生), aged 54, has been the vice president and Chinese Program Superintendent of our Company since September 2012 and is primarily responsible for management of the Chinese curriculum and evaluation of our schools. Mr. Chen has been supervising the content and quality of the Chinese curriculum and conducting periodic reviews of the operation of our schools.

Mr. Chen served as the head of the educational affairs department of Dalian Maple Leaf High School from August 2000 to April 2006, where he was responsible for managing the Chinese curriculum. He later served as the Chinese Program Superintendent of Shenyang Maple Leaf International School from May 2006 to March 2007, where he was responsible for managing the Chinese curriculum. He was also the headmaster of Wuhan Maple Leaf International School from April 2007 to August 2012, where he was responsible for the overall operation of the school. Mr. Chen has not held any directorship roles in any listed companies in the last three years.

Mr. Chen received a Bachelor's degree in Chinese from Hunan Normal University in Hunan, China in December 1981.

Xiaoduo Zhang (張小多), aged 31, has been the director of the Marketing Department of the Company since November 2013, and is primarily responsible for the overall marketing strategic planning, business development and student recruitment of our Company.

Ms. Zhang previously served as the assistant to the BC Program Superintendent, as head of the external affairs department of the Company from August 2010 to March 2012, and head of the chief executive officer's office of the Company from August 2010 to November 2013. Ms. Zhang has not held any directorship roles in any listed companies in the last three years.

Ms. Zhang received a Bachelor of Arts degree and a Bachelor of Science degree from the University of British Columbia, Canada in May 2008.

COMPANY SECRETARY

Wai Ling Chan (陳蕙玲), aged 47, was appointed as our company secretary on May 14, 2014. She is responsible for corporate secretarial duties and corporate governance matters in relation to the Company. She is a senior manager of Corporate Services of Tricor Services Limited, and has more than 18 years of experience in the corporate secretarial field. Prior to joining Tricor Group in 2003, she was a manager of corporate services with PricewaterhouseCoopers in Hong Kong. Ms. Chan holds an Honours Bachelor's degree in Accountancy from City University of Hong Kong and a Bachelor of Laws degree from the University of London. She is a Chartered Secretary and a Fellow of both The Hong Kong Institute of Chartered Secretaries ("**HKICS**") and The Institute of Chartered Secretaries and Administrators ("**ICSA**") in the United Kingdom. She is a holder of the Practitioner's Endorsement from HKICS.

Audit Committee

The Company established an Audit Committee with written terms of reference in compliance with **[REDACTED]**. The Audit Committee consists of three independent non-executive Directors being Mr. Peter Humphrey Owen, Mr. Chak Kei Jack Wong, and Mr. Lap Tat Arthur Wong. The chairman of the Audit Committee is Mr. Lap Tat Arthur Wong, who holds the appropriate professional qualifications as required under **[REDACTED]**. The primary duties of the Audit Committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, overseeing the audit process and performing other duties and responsibilities as assigned by our Board.

Remuneration Committee

The Company established a Remuneration Committee with written terms of reference in compliance with **[REDACTED]**. The Remuneration Committee consists of two independent non-executive Directors being Mr. Peter Humphrey Owen and Mr. Chak Kei Jack Wong, and one non-executive Director being Mr. Howard Robert Balloch. The Remuneration Committee is chaired by Mr. Peter Humphrey Owen, an independent non-executive Director. The primary duties of the Remuneration Committee include but are not limited to, the following: (i) making recommendations to the Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

Nomination and Corporate Governance Committee

The Company established a Nomination and Corporate Governance Committee with written terms of reference in compliance with **[REDACTED]**. The Nomination and Corporate Governance Committee consists of two independent non-executive Directors being Mr. Peter Humphrey Owen and Mr. Chak Kei Jack Wong, and one executive Director being Mr. Sherman Jen. The chairman of the Nomination and Corporate Governance Committee is Mr. Sherman Jen. The primary functions of the Nomination and Corporate Governance Committee include, without limitation, reviewing the structure, size and composition of the Board of Directors, assessing the independence of independent non-executive Directors and making recommendations to the Board on matters relating to the appointment of Directors as well as reviewing compliance with the Corporate Governance Code.

MANAGEMENT PRESENCE

According to Rule 8.12 of the **[REDACTED]**, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Currently, most of our executive Directors ordinarily reside in the PRC. Since our main business operations are in China, we do not and, for the foreseeable future, will not have sufficient management presence in Hong Kong.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted us, a waiver] from strict compliance with the requirements of Rule 8.12 of the **[REDACTED]**, subject to the conditions that, among other things, we maintain the following arrangements to maintain effective communication between us and the Stock Exchange:

(a) We have appointed two authorized representatives pursuant to Rules 2.11 and 3.05 of the **[REDACTED]**, who will act as the Group's principal channel of communication with the Stock Exchange. The authorized representatives are Jingxia Zhang and Wai Ling Chan. Jingxia Zhang is an executive Director of the Company and Wai Ling Chan is our Company Secretary. Each of the authorized representatives will be able to meet with the Stock Exchange within a reasonable period upon request, if required. Our authorized representatives will be readily contactable by telephone, facsimile and email, and is authorized to communicate on behalf of the Company with the Stock Exchange.

(b) The authorized representatives have means of contacting our Directors promptly at all times and as and when the Stock Exchange wishes to contact our Directors on any matters. To enhance communication among the Stock Exchange, the authorized representatives, our Directors and the Company, we have implemented a policy whereby: (i) each Director is to provide his/her office phone number, facsimile number and email address to the authorized representatives; and (ii) in the event that a Director expects to travel or be out of the office, he/she is to provide the phone number of the place of his accommodation to the authorized representatives. Further, for convenience of communication, each Director has provided his/her means of contact to the Stock Exchange.

(c) We have, in accordance with Rule 3A.19 of the **[REDACTED]**, appointed Guotai Junan Capital Limited as our compliance advisor, who will, among other things, act as an alternate channel of communication with the Stock Exchange.

(d) All of our Directors who are not ordinarily resident in Hong Kong have confirmed that they possess valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange in Hong Kong, within a reasonable period, upon the request of the Stock Exchange.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

The aggregate amounts of remuneration (including salaries and other allowances, share-based payments and social benefits) paid by our Group to the Directors and senior management for each of the financial years ended August 31, 2011, 2012 and 2013 and the six months period ended February 28, 2014 were approximately RMB1,707,000, RMB3,987,000, RMB4,615,000 and RMB2,415,000, respectively.

The five highest paid individuals of the Group for the relevant periods included one, three, three and three directors for each of the years ended August 31, 2011, 2012 and 2013 and the six months period ended February 28, 2014 respectively whose emoluments are included in the disclosures above. The emoluments of the remaining four, two, two and two individuals for the years ended August 31, 2011, 2012 and 2013 and the six months period ended February 28, 2014 were RMB2,439,000, RMB1,427,000, RMB1,883,000 and RMB890,000, respectively.

No remuneration was paid by the Group to the Directors or senior management or the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office in respect of the financial years ended August 31, 2011, 2012 and 2013 and the six months period ended February 28, 2014. Further, none of our Directors or senior management had waived any remuneration during the same period.

Under our arrangements currently in force, the aggregate remuneration (including salaries and other allowances, share-based payments and social benefits) of our Directors and senior management, excluding any discretionary bonuses, for the financial year ending August 31, 2014 are estimated to be no more than approximately RMB3,647,000 and RMB2,396,000, respectively.

The Directors anticipate that they will periodically review the compensation levels of key executives of the Group. Based on the Group's performance and the executives' respective contributions to the Group, the Directors may, with the approval of the Company's remuneration committee, grant salary increases or pay bonuses to executives. These increases or bonuses could result in the incurrence of compensation expense at levels that are significantly higher than those incurred by the Group in prior periods.

The non-executive Directors and the independent non-executive Directors are entitled to receive directors' fees, which are recommended by our remuneration committee and determined by the Board. All Directors receive reimbursements from the Company for expenses which are necessarily and reasonably incurred for providing services to the Company or executing matters in relation to the operations of the Company.

[REDACTED] SHARE OPTION SCHEME

In order to incentivize our Directors, senior management and other employees for their contribution to the Group and to attract and retain suitable personnel to our Group, we adopted the **[REDACTED]** Share Option Scheme on April 1, 2008. For further details, see the section headed "Appendix VI — Statutory and General Information — **[REDACTED]** Share Option Scheme" to this **[REDACTED]**.

DIRECTOR'S INTEREST

Save as disclosed in this **[REDACTED]**, each of our Directors (i) did not hold other positions in our Company or other members of our Group as of the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company as of the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date. **[REDACTED]**

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders **[REDACTED]**.

COMPLIANCE ADVISOR

We have appointed Guotai Junan Capital Limited as our compliance advisor (the "**Compliance Advisor**") **[REDACTED]**. The Compliance Advisor will provide us with guidance and advice as to compliance with **[REDACTED]** and applicable Hong Kong laws. **[REDACTED]**, the Compliance Advisor will advise our Company, among others, in the following circumstances:

(a) before the publication of any regulatory announcement, circular, or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the proceeds of the **[REDACTED]** in a manner different from that detailed in this **[REDACTED]** or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this **[REDACTED]**; and

[REDACTED]

The term of appointment of the Compliance Advisor shall commence on **[REDACTED]** and is expected to end on the date on which **[REDACTED]**.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately following the completion of the **[REDACTED]**, have beneficial interests or short positions in Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company and are therefore regarded as substantial shareholders of our Company under **[REDACTED]**:

Name of shareholder	Capacity/Nature of interest	Number of Shares held at the time of [REDACTED]	Approximate percentage of interest in our Company at the time of [REDACTED]	Number of Shares held after the completion of [REDACTED] and no Shares are issued under the [REDACTED] Share Option Scheme, the [REDACTED] Share Option Scheme or the RSU Scheme(1)	Approximate percentage of interest in our Company immediately following the completion of [REDACTED] and no Shares are issued under the [REDACTED] Share Option Scheme, the [REDACTED] Share Option Scheme or the RSU Scheme
Sherman Investment	Registered owner	67,048,570(L)(2)	71.79%	**[REDACTED]**	**[REDACTED]**
Shu Liang Sherman Jen	Beneficial interest	67,048,570(L)(2)	71.79%	**[REDACTED]**	**[REDACTED]**
Sequoia Capital China Growth Fund I, L.P.	Registered owner	15,703,200(L)(4)	19.99%(5)	**[REDACTED]**	**[REDACTED]**

Notes:

(1) The Letter "L" denotes the person's long position in the Shares.

(2) The entire share capital of Sherman Investment Holdings Limited, a company incorporated in the BVI, is owned by Mr. Jen. Mr. Jen and Sherman Investment are taken to be interested in 67,408,570 Shares at the time of **[REDACTED]**.

[REDACTED]

(5) The shareholding percentage of Sequoia Capital China Growth Fund I, L.P. is calculated based on the assumption that the 15,703,200 Preferred Shares held by Sequoia are converted into Shares at the time of **[REDACTED]**.

[REDACTED]

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the completion of the **[REDACTED]**, have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

The following is a description of our authorized and issued share capital in issue **[REDACTED]**.

	Nominal Value (US$)	Approximate percentage of share capital (%)
Authorized share capital		
3,979,000,000 Shares of US$0.001 each	3,979,000.000	99.47
21,000,000 Preferred Shares of US$0.001 each	21,000.000	0.53
Total	4,000,000.000	
Issued share capital at the date of this [REDACTED]:		
72,000,000 Shares of US$0.001 each	72,000.000	77.09
18,000,000 Preferred Shares of US$0.001 each	21,399.332(1)	22.91
	93,399.332	
Shares to be issued pursuant to the [REDACTED]:		
[REDACTED] Shares of US$0.001 each	**[REDACTED]**	
Shares to be issued pursuant to the [REDACTED]:		
[REDACTED] Shares of US$0.001 each	**[REDACTED]**	
Total issued share capital on completion of [REDACTED]:		
[REDACTED] Shares of US$0.001 each	**[REDACTED]**	
Shares to be issued assuming [REDACTED]		
[REDACTED] Shares of US$0.001 each	**[REDACTED]**	
Total issued share capital on completion of [REDACTED]		
[REDACTED] Shares of US$0.001 each	**[REDACTED]**	

Note:

(1) Assuming that the 18,000,000 Preferred Shares held by Sequoia have been converted into Shares **[REDACTED]**.

ASSUMPTIONS

The above table assumes that the **[REDACTED]** becomes unconditional but does not take into account any Shares to be issued under the **[REDACTED]** Share Option Scheme, the **[REDACTED]** Share Option Scheme, the RSU Scheme or which may be issued or repurchased pursuant to the general mandate given to the Directors for issue and allotment of Shares referred to in the section headed "Appendix VI — Statutory and General Information" to this **[REDACTED]** or the repurchase mandate referred to in the same section of this **[REDACTED]**, as the case may be.

RANKING

The Shares will rank equally with all Shares currently in issue and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this **[REDACTED]**.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the **[REDACTED]** becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares (otherwise than pursuant to, or in consequence of, the **[REDACTED]**, a rights issue or the exercise of any options under the **[REDACTED]** Share Option Scheme, **[REDACTED]** Share Option Scheme, the RSU Scheme or any scrip dividend scheme or similar arrangements, any adjustment of rights to subscribe for Shares under options and warrants or a special authority granted by our Shareholders) with an aggregate nominal value of not more than the sum of:

- Shares representing 20% of the aggregate nominal value of our share capital in issue immediately following **[REDACTED]**; and
- the aggregate nominal value of our share capital repurchased by us (if any) under the general mandate to repurchase Shares referred to below.

This general mandate to issue Shares will remain in effect until:

- the conclusion of our next annual general meeting;
- the expiration of the period within which our next annual general meeting is required by any applicable law or the Articles of Association to be held; or
- it is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

Particulars of this general mandate to allot, issue and deal with Shares are set forth under the section headed "Appendix VI — Statutory and General Information — Written resolutions of the Shareholders passed on [●]" to this **[REDACTED]**.

REPURCHASE MANDATE

Conditional on the **[REDACTED]** becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal value of our share capital in issue immediately following **[REDACTED]**.

[REDACTED]

The general mandate to repurchase Shares will remain in effect until:

- the conclusion of our next annual general meeting;
- the expiration of the period within which our next annual general meeting is required by any applicable law or the Articles of Association to be held; or
- it is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

Particulars of this general mandate are set out under the section headed "Appendix VI — Statutory and General Information — Written resolutions of the Shareholders passed on [●]" to this **[REDACTED]**.

[REDACTED] SHARE OPTION SCHEME AND [REDACTED] SHARE OPTION SCHEME

We have conditionally approved and adopted the **[REDACTED]** Share Option Scheme, the **[REDACTED]** Share Option Scheme and the RSU Scheme. See the sections headed "Appendix VI — Statutory and General Information — **[REDACTED]** Share Option Scheme", "Appendix VI — Statutory and General Information — **[REDACTED]** Share Option Scheme" and "Appendix VI — Statutory and General Information — RSU Scheme" to this **[REDACTED]**.

You should read the following discussion and analysis with our audited combined financial information, including the notes thereto, included in the Accountant's Report set out in Appendix I to this **[REDACTED]**. *The Accountant's Report has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.*

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the sections headed "Risk Factors" and "Forward-Looking Statements" in this **[REDACTED]**.

For the purpose of this section, unless the context otherwise requires, references to 2011, 2012 and 2013 refer to our financial years ended August 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are the largest international school operator in China, as measured by student enrollment at the end of the 2010/2011, 2011/2012 and 2012/2013 school years, according to the Frost & Sullivan Report. We 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 enables graduates of our PRC and BC-certified high schools to receive both a fully accredited BC high school diploma and a PRC high school diploma. We aspire to develop our students into well-rounded and academically excellent individuals that can function effectively in both Chinese and foreign environments. As of the Latest Practicable Date, we operated seven high schools, seven middle schools, six elementary schools, 11 preschools and two foreign national schools across eight cities in China. We had an approximately 7.5% market share in the highly fragmented international school market in China, as measured by student enrollment at the end of the 2012/2013 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 certified by the BCMOE. 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 certified by the BCMOE. 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, respectively, 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. 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 derive revenue primarily from tuition fees from our schools, which accounted for approximately 88.0%, 88.8%, 86.2% and 92.7% of our total revenue in the fiscal years ended August 31, 2011, 2012 and 2013 and the six months ended February 28, 2014, respectively. In addition to tuition, we also generate revenue from various educational services, including overseas winter and summer camps, consulting services for overseas university admissions and the sale and lease of textbooks and other educational materials to our students.

We have experienced steady growth in our revenue and student enrollment in recent years. Our revenue increased from RMB346.1 million for the fiscal year ended August 31, 2011 to RMB413.5 million for the fiscal year ended August 31, 2012 and to RMB471.2 million for the fiscal year ended August 31, 2013. Our overall student enrollment grew from 9,159 as of the end of the 2010/2011 school year to 10,509 as of the end of the 2011/2012 school year, to 11,697 as of the end of the 2012/2013 school year and to approximately 12,906 as of February 28, 2014. Our gross profit was RMB156.4 million, RMB191.1 million and RMB202.5 million in the fiscal years ended August 31, 2011, 2012 and 2013, respectively. For the six-month periods ended February 28, 2013 and 2014, our revenue amounted to RMB209.8 million and RMB242.9 million, and our gross profit was RMB83.6 million and RMB98.9 million.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The selected financial information from our consolidated statements of financial position as of August 31, 2011, 2012 and 2013 and February 28, 2014, our consolidated statements of profit and loss and other comprehensive income for the years ended August 31, 2011, 2012 and 2013 and the six months ended February 28, 2013 and 2014 and our consolidated statement of cash flows for the years ended August 31, 2011, 2012 and 2013 and the six months ended February 28, 2013 and 2014 set forth below are derived from the Accountant's Report set out in Appendix I to this **[REDACTED]**, and should be read in conjunction with the Accountant's Report and with the section headed "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations" in this **[REDACTED]**.

The following table presents our selected consolidated statements of profit and loss and other comprehensive income for the years ended August 31, 2011, 2012 and 2013 and the six months ended February 28, 2013 and 2014:

Consolidated Statements of Profit and Loss and Other Comprehensive Income

	Year ended August 31,			Six months ended February 28,	
	2011	**2012**	**2013**	**2013**	**2014**
			(RMB'000)		
				(Unaudited)	
Revenue	346,091	413,459	471,219	209,848	242,924
Cost of revenue	(189,687)	(222,342)	(268,751)	(126,263)	(144,072)
Gross profit	156,404	191,117	202,468	83,585	98,852
Investment and other income	1,588	4,872	4,859	2,441	3,162
Other income, gains and losses	6,701	(1,633)	101	352	2
Marketing expenses	(13,861)	(14,409)	(20,886)	(9,362)	(8,869)
Administrative expenses	(34,256)	(47,934)	(56,118)	(26,851)	(31,157)
Finance costs	(14,952)	(15,234)	(15,554)	(6,622)	(8,414)
Other expenses	(6,279)	(1,433)	(1,515)	(755)	(4,000)
Change in fair value on redeemable convertible preferred shares	(104,040)	(10,440)	(63,720)	(37,800)	(23,692)
Change in fair value on warrants	(21,960)	(1,785)	(8,410)	(5,241)	(3,695)
Gain on cancellation of warrants	—	—	—	—	42,510
(Loss) profit before taxation	(30,655)	103,121	41,225	(253)	64,699
Taxation	(7,575)	(9,153)	(8,043)	(3,464)	(2,930)
(Loss) profit for the year/period	(38,230)	93,968	33,182	(3,717)	61,769
Other comprehensive income (expense):					
Item that may be subsequently reclassified to profit or loss:					
Change in fair value of available-for-sale investments	—	63	316	513	(176)
Exchange difference arising on the transaction of foreign operation	—	59	(120)	249	307
Other comprehensive (expense) income for the year/period	—	122	196	762	131
Total comprehensive (expense) income for the year/period	(38,230)	94,090	33,378	(2,955)	61,900
(Loss) earnings per share					
Basic	(0.05)	0.12	0.04	(0.01)	0.08
Diluted	(0.05)	0.10	0.04	(0.01)	0.03

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

Adjusted EBITDA

	Year ended August 31,			Six months ended February 28,
	2011	**2012**	**2013**	**2014**
		(RMB'000)		
(Loss) profit before taxation	(30,655)	103,121	41,225	64,699
Interest expense on bank borrowings and banking facilities	14,952	15,234	15,554	8,414
Depreciation and amortization	32,062	33,137	38,332	21,531
EBITDA	16,359	151,492	95,111	94,644
Add:				
Share-based payments	353	72	31	—
Change in fair value on redeemable convertible preferred shares	104,040	10,440	63,720	23,692
Change in fair value on warrants	21,960	1,785	8,410	3,695
Gain on cancellation of warrants	—	—	—	(42,510)
Adjusted EBITDA	142,712	163,789	167,272	79,521

Note:

We use Adjusted EBITDA to provide additional information about our operating performance. We define Adjusted EBITDA as the sum of profit before taxation, interest expense on bank borrowings and banking facilities and depreciation and amortization, and add share-based payment, change in fair value on redeemable convertible preferred shares and change in fair value on warrants and gain on cancellation of warrants. Adjusted EBITDA is not a measurement of financial performance or liquidity under IFRS and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities as measures of liquidity. Adjusted EBITDA is provided in addition to net income because net income includes accounting items associated with interest expenses and depreciation and amortization. These accounting items may vary between companies depending on the method of accounting adopted by each company. In addition, Adjusted EBITDA is not a standardized term, hence, a direct comparison between companies using such terms may not be possible. We have included Adjusted EBITDA because we believe that it is a useful supplement to the cash flow data as a measure of our performance and our ability to generate cash flow from operations.

The following table presents our selected consolidated statements of financial position as of August 31, 2011, 2012 and 2013 and February 28, 2014:

Consolidated Statements of Financial Position

	The Group			
	At August 31,			At February 28,
	2011	2012	2013	2014
	(RMB'000)			
NON-CURRENT ASSETS				
Property, plant and equipment	882,953	961,387	1,177,025	1,200,805
Prepaid lease payments	162,733	167,546	196,589	194,095
Investment properties	20,412	19,558	18,704	18,276
Goodwill	3,980	1,982	1,982	1,982
Available-for-sale investments	4,418	3,177	3,493	3,317
Books for lease	2,565	4,028	3,309	4,882
Deposits for construction of property and land use right	3,037	3,193	1,227	1,037
	1,080,098	1,160,871	1,402,329	1,424,394
CURRENT ASSETS				
Deposit, prepayments and other receivables	13,283	12,483	16,256	16,698
Bank balances and cash	234,903	297,036	409,303	192,878
	248,186	309,519	425,559	209,576
CURRENT LIABILITIES				
Deferred revenue	319,847	357,475	408,325	246,611
Other payables and accrued expenses	87,087	109,842	188,607	140,776
Amounts due to related parties	13,822	13,805	13,491	13,394
Income tax payable	10,205	14,873	17,541	16,075
Bank borrowings	233,500	170,000	215,000	234,000
Redeemable convertible preferred shares	307,260	317,700	381,420	405,112
Warrants	28,620	30,405	38,815	—
	1,000,341	1,014,100	1,263,199	1,055,968
NET CURRENT LIABILITIES	(752,155)	(704,581)	(837,640)	(846,392)
TOTAL ASSETS LESS CURRENT LIABILITIES	327,943	456,290	564,689	578,002
CAPITAL AND RESERVES				
Share capital	511	511	511	511
Reserves	289,560	383,722	417,131	479,031
	290,071	384,233	417,642	479,542
NON-CURRENT LIABILITIES				
Deferred tax liabilities	4,572	9,057	14,347	16,060
Bank borrowings	—	—	60,000	—
Deposit received in respect of disposal of properties	30,000	60,000	70,000	80,000
Other non-current liabilities	3,300	3,000	2,700	2,400
	37,872	72,057	147,047	98,460
	327,943	456,290	564,689	578,002

The following table sets forth a summary of our cash flows for the years ended August 31, 2011, 2012 and 2013, and the six months ended February 28, 2014:

Consolidated Statements of Cash Flow

	Year ended August 31,			Six months ended February 28,
	2011	2012	2013	2014
			(RMB'000)	
Net cash from (used in) operating activities	235,667	216,782	250,274	(101,046)
Net cash used in investing activities	(154,498)	(74,256)	(227,201)	(66,002)
Net cash from (used in) financing activities	23,786	(80,379)	89,346	(49,369)
Increase (Decrease) In Cash and Cash Equivalents	104,955	62,147	112,419	(216,417)
Cash and cash equivalents at beginning of the year/period	130,038	234,903	297,036	409,303
Effect of foreign exchange rate changes	(90)	(14)	(152)	(8)
Cash and cash equivalents at the end of the year/period	234,903	297,036	409,303	192,878

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

You should read the following discussion and analysis in conjunction with the consolidated financial information included in the Accountant's Report set out in Appendix I to this **[REDACTED]** *and the operating data included elsewhere in this* **[REDACTED]**. *The financial information has been prepared in accordance with IFRS.*

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on June 5, 2007 as an exempted company under the Cayman Companies Law. On March 10, 2008, the Company established a wholly-owned foreign enterprise, Beipeng Software, in Dalian, China. See the section headed "History and Corporate Structure" in this **[REDACTED]**. The Group resulting from the reorganization before the Track Record Period is regarded as a continuing entity. Accordingly, the financial information of the Group which has been prepared by applying the principles of merger accounting, as if the group structure had been in existence throughout the Track Record Period and up to the Latest Practicable Date, or since their respective dates of incorporation or establishment where this is a shorter period.

Due to regulatory restrictions on foreign ownership of our schools in China, we conduct a substantial portion of our business in China through our consolidated affiliated entities. We do not hold any equity interests in our consolidated affiliated entities. Rather, through a series of contractual arrangements, we effectively control these consolidated affiliated entities and are able to derive substantially all of their economic benefits. Accordingly, we consolidate into our financial statements the results of operations, assets and liabilities, and cash flows of our consolidated affiliated entities. See the section headed "Contractual Arrangements" in this **[REDACTED]**.

As of August 31, 2011, 2012 and 2013, and February 28, 2014, we had net current liabilities of RMB752.2 million, RMB704.6 million, RMB837.6 million and RMB846.4 million, respectively. Taking into account our financial resources, including our unutilized banking facilities, the binding agreements signed with banks from February 2014 to May 2014 to renew or refinance the banking facilities upon maturity, and the supplement agreement signed in June 2014 by the Company and holders of the Preferred Shares that the Preferred Shares would not be redeemed until December 31, 2015, our Directors are of the opinion that we have sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, the financial information have been prepared on a going concern basis.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

Macroeconomic Conditions in China

We have benefited significantly from the growth of China's economy, favorable demographic trends and the demand for high quality K-12 private education in China. Over the past years, the Chinese economy has maintained a solid growth pace, and its GDP growth rate was 17.8%, 9.7% and 9.6%, in 2011, 2012 and 2013, respectively, and, according to the Frost & Sullivan Report, is expected to be 10.4%, 10.1% and 9.5%, in 2014, 2015 and 2016, respectively. The overall economic growth and the increase in the GDP per capita in China have led to a significant increase in spending on education in China. According to the Frost & Sullivan Report, per capita expenditure on education, culture and recreation items and services has been increasing at a steady pace from 2007 to 2013 at a CAGR of 8.6% and 7.8% for urban and rural households, respectively. Also, in 2013, the Chinese government announced that it will relax its "one-child policy" as a measure to stimulate birth rates by allowing families to have two children if one of the parents is an only-child. As China continues to integrate into the global economy and with the possible increase in population as a result of the relaxation of the "one-child policy", we anticipate that the demand for high-quality K-12 private education in China will continue to increase. However, any adverse changes in the economic conditions or regulatory environment in China may have a material adverse effect on the private education industry in China, which in turn may harm our business and results of operations.

Student Enrollment

Our revenue is primarily driven by tuition fees and other fees from students enrolled at the schools that we operate. During the Track Record Period, our total student enrollment increased from 9,120 as of the end of the 2010/2011 school year to 10,509 as of the end of the 2011/2012 school year and to 11,697 as of the end of the 2012/2013 school year. According to the Frost & Sullivan Report, the total student enrollment in international schools (excluding schools for foreigners only) in China is expected to increase at a 2013-2017 CAGR of 14.8%.

Student enrollment is generally dependent on, among other things, the reputation of our schools, which is primarily driven by the quality of our curriculum and our teachers. We believe that our dual-curriculum (BC curriculum and PRC curriculum), bilingual form of education has enabled us to continuously increase the number of students enrolled in our schools, as more and more students in China have sought a pathway into universities and colleges overseas. In addition, the quality of our teachers, which directly affects the quality and reputation of our educational services, is an important factor in the success of our schools and our ability to increase student enrollment. Accordingly, we maintain stringent teacher selection and retention criteria and require rigorous training as well as ongoing monitoring and evaluation of our teachers.

Student enrollment is also affected by the number and capacity of the schools that we operate. As part of our strategy to expand our school network, we intend to continue to open new schools and campus facilities to further penetrate existing markets and enter new markets. Since 2008, we have successfully expanded our school network outside of Dalian, where we began our operations, to Wuhan, Tianjin, Chongqing, Zhenjiang, Ordos, Luoyang and Shanghai, which has been one of the key factors affecting student enrollment and our revenue. During the Track Record Period and up to the Latest Practicable Date, we also continued to expand the premises of our existing schools, such as our Dalian, Wuhan and Tianjin campuses.

Student enrollment is also dependent on the tuition fees we charge. According to the Frost & Sullivan Report, our average annual tuition fees for the 2012/2013 school year were the lowest for elementary schools, middle schools and high schools out of the top five international schools in China by student enrollment. We believe that our relatively lower tuition fees has been one of the key factors parents have considered when deciding to enroll children in our schools.

Tuition Fees

Our revenue is also affected by the price of tuition we charge. Tuition is generally paid in advance at the beginning of each school year. Tuition rates are primarily based on the demand for our educational programs, the cost of our services, the general economic conditions in the geographic areas in which we operate, the tuition fees charged by our competitors, and our pricing strategy to gain market share. In addition, under applicable PRC regulations, the type and amount of fees charged by a private school providing certifications must be approved by the governmental pricing authority. All of our applications to raise tuition fees in prior years have been approved by the governmental pricing authority, thus we do not expect these regulations to limit our ability to increase the tuition we charge in the future. However, there can be no assurance that the governmental pricing authority will approve future applications to raise our tuition in a timely manner or at all. See the sections headed "Regulatory Overview" and "Risk Factors — Risks relating to Our business and Our Industry — Governmental pricing authorities may limit our ability to increase the tuition we charge at our schools" in this **[REDACTED]**. We also have a refund policy for students who withdraw from our schools. See the section headed "Business — Our Schools" in this **[REDACTED]**.

For the 2013/2014 school year, we charged tuition generally ranging between RMB42,400 and RMB71,500 per student per year in our high schools, including a boarding fee for boarding students, which was lower than the average tuition of international high schools in China, according to the Frost & Sullivan Report. Tuition rates at our preschools, elementary schools and middle schools are higher than those in the public school system. In the past, we kept our tuition rates relatively low in order to remain attractive to parents and students, and thereby increase our student enrollment and market share. When we raised our tuition rates during the Track Record Period, we applied the increased rates only to new students that enrolled in our schools after the tuition increase was implemented. According to the Frost & Sullivan Report, our average annual tuition fees for the 2012/2013 school year were the lowest for elementary schools, middle schools and high schools out of the top five international schools in China as measured by student enrollment. However, we believe the tuition levels we charge are not so low as to negatively impact market perception of the "Maple Leaf" brand as a provider of quality education. In addition, we believe that our pricing strategy has enabled us to increase student enrollment and thus the utilization rate of our facilities. As part of our strategy to optimize our revenue structure, we plan to explore opportunities to increase our tuition fees in the future. We believe that an increase in tuition fees will not have a material adverse impact on our business or results of operations.

If we are able to increase our tuition while maintaining or continuing to increase our student enrollment, we may be able to improve our gross margin. However, tuition increases may have the effect of decreasing the total number of students enrolled in our schools. See the section headed "Risk Factors — Risks Relating to Our Business and our Industry — Our business depends on our ability to maintain or raise the tuition levels we charge at our schools" in this **[REDACTED]**.

Utilization of Our Facilities

In addition to student enrollment and tuition fees, the utilization rate of our schools' facilities is a key driver of revenue growth and gross margin. Utilization rate is calculated as the number of students divided by the capacity for a given school. 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 number of beds in their dormitories. For our Foreign Schools, the capacity for students is calculated based on the number of desks in their classrooms. For our preschools, the capacity for students is calculated based on the number of beds used for naps in the schools.

Independent of the level of student enrollment in any given year, we incur a significant amount of fixed costs relating to the operation of our business. If we are able to increase our utilization rate, we will be able to increase our revenue at a faster pace than our fixed costs, which in turn will improve our gross margin. For the fiscal years ended August 31, 2011, 2012 and 2013 and the six months ended February 28, 2014, we had overall facility utilization rates of 73.0%, 73.5%, 61.6% and 57.4%, respectively, based on a maximum capacity of 12,490, 14,290, 18,990 and 22,490, respectively, in all of our schools. Utilization rates are generally higher at our more established facilities than they are at the facilities in our newly entered markets. For example, as of February 28, 2014, the utilization rate of our well-established high school in Wuhan was 93.9%, whereas the utilization rate for our high school in Shanghai was 7.2%, which we have been operating for a shorter period of time and is in a newly entered market. The utilization rate of schools in newly entered markets is typically lower because a period of time is needed for us to build brand recognition and market our bilingual educational programs in new geographic areas. Our overall utilization rate has decreased as a result of our entrance into the Zhenjiang, Ordos, Luoyang and Shanghai markets in recent years. Likewise, if we expand our campus facilities at the schools we presently operate, our overall utilization rate may decrease temporarily until we are able to enroll more students. Accordingly, a key driver of success is identifying the proper time to expand our capacity, whether by entering new markets or by constructing additional buildings at existing facilities, and, following such expansion, quickly increase student enrollment in the new facilities.

In recent years, we have built or acquired additional facilities when the existing utilization rate of a given school was high, as we did with the expansion of our facilities at Dalian Maple Leaf International School (High School) in 2009, or when we were entering a new geographical area, as we did through building a high school in Shanghai in September 2013. With regards to the schools we currently operate that have a low utilization rate, we aim to concentrate on increasing student enrollment and the utilization rate and not to seek to expand capacity at these schools in the short to medium term.

Teachers' Salaries

Our ability to maintain and increase profitability also depends on our ability to effectively control our costs and expenses. A significant component of our cost of revenue is compensation to our teachers, including PRC-certified, BC-certified and ESL teachers, and other teaching staff. We offer competitive remuneration to our teachers in order to attract and retain top teaching talent. Salaries and other allowances to our teachers and other teaching staff amounted to approximately 33.3%, 32.5%, 33.4% and 36.9% of our revenue for the fiscal years ended August 31, 2011, 2012 and 2013 and the six months ended February 28, 2014, respectively. Our cost of sales as a percentage of our total revenue was 54.8%, 53.8%, 57.0% and 59.3% for the fiscal years ended August 31, 2011, 2012 and 2013 and the six months ended February 28, 2014, respectively. The increase in cost of sales as a percentage of revenue from the fiscal year ended August 31, 2012 to the fiscal year ended August 31, 2013 and for the six months ended February 28, 2013 to the six months ended February 28, 2014 was largely a result of the rapid expansion of our facilities, including our additional investments in human resources, especially compensation to our BC-certified teachers. The decrease in our cost of revenue as a percentage of revenue for the fiscal year ended August 31, 2012 was a result of the higher utilization rate of our facilities and a decrease in our teacher to student ratio, which were due to an increase of the student enrollment in our existing schools and the fact that we only opened one new school in such fiscal year. As we continue to expand our school network and the capacity of our schools, we will need to hire more teachers, which will result in an increase in cost of revenue. If we are unable to effectively manage this increase, or if the salaries of teachers increase at a rate faster than the increase in revenue, our profitability and results of operations will be adversely affected.

CRITICAL ACCOUNTING POLICIES

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. Some of our significant accounting policies involve subjective assumptions and estimates, as well as complex judgments by our management relating to accounting items. The determination of these items requires management judgment based on information and financial data that may change in future periods, and as a result, actual results could differ from those estimates. Our significant accounting policies are set forth in detail in Note 3 of Section A to the Accountant's Report included in Appendix I to this **[REDACTED]**.

The estimates and associated assumptions are based on our historical experience and various other relevant factors that we believe are reasonable under the circumstances, the results of which form the basis of our judgments about accounting items that are not readily apparent from other sources. Our management has discussed the development, selection and disclosure of these estimates with the Directors. When reviewing our financial results, you should consider: (i) our significant accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts, and sales related tax.

Service income includes tuition fees from our Foreign Schools, preschools and elementary schools, middle schools and high schools. For all of our schools except our preschools, tuition includes a boarding fee for boarding students.

Tuition fees received from elementary schools, middle schools, high schools and Foreign Schools are generally paid in advance at the beginning of each school year, and are initially recorded as deferred revenue. Tuition fees are recognized as revenue proportionately over the relevant period in which students attend the applicable program. The portion of tuition payments received from students but not earned is recorded as deferred revenue and is reflected as a current liability as such amounts represent revenue that we expect to earn within one year. The school's academic year is generally from September to June of the following year.

Tuition fees received from our preschools are paid in advance at the beginning of every month. Revenue is recognized after a service contract is signed, the price is fixed or determinable, and services are provided.

We also provide graduation consulting services and winter and summer camps to students. Revenue from such services are recognized when the related services are rendered and when it is probable that the economic benefits from the services rendered will flow to us and such benefit could be reliably measured.

We also rent educational books to students of our high schools. Book rental fees are generally billed to a student at the beginning of an academic year and recognized on a straight-line basis over the period in which a student uses these books. Rental fees paid in advance are recorded as deferred revenue.

Revenue from the sale of educational materials is recognized when the goods are delivered and title has passed, at which time all of the following conditions are satisfied: (i) we have transferred to the buyer the significant risks and rewards of ownership of goods; (ii) we retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (iii) the amount of revenue can be measured reliably; (iv) it is probable that the economic benefits associated with the transaction will flow to us; and (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to us and the amount of the income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress as described below, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

We determine the estimated useful lives of our property, plant and equipment using the depreciation method in determining the related depreciation charges. This estimate is based on our experience of the actual useful lives of property, plant and equipment of similar nature and function. In addition, we assess impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. We will increase the depreciation charge where useful lives are expected to be shorter than expected, or will write off or write down obsolete assets that have been abandoned or impaired. When the actual useful lives or recoverable amounts of property, plant and equipment differ from the original estimates, adjustment will be made and recognized in the period in which such event takes place. As at August 31, 2011, 2012, 2013 and February 28, 2014, the carrying amount of property, plant and equipment were approximately RMB883.0 million, RMB961.4 million, RMB1,177.0 million and RMB1,200.8 million, respectively. Any change in these estimates may have a material impact on our results of operations.

Current and Deferred Income Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Our liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Redeemable Convertible Preferred Shares

Our Preferred Shares include a conversion option and a redemption option and are not settled by the exchange of a fixed monetary amount for a fixed number of equity instruments recognized as a financial liability with embedded derivatives. Derivatives embedded in a financial instrument are treated as separate derivatives when their economic risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. We, however, have elected to designate the Preferred Shares with embedded derivatives and conversion options as financial liabilities at fair value through profit or loss. At each financial year end, all outstanding Preferred Shares are measured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise.

The fair value of the entirety of the Preferred Shares is established using valuation techniques. These techniques include using discounted cash flow analysis and an option pricing model. Valuation techniques are certified by independent and recognized international business valuers before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. The model involves estimating time to maturity, the risk free rate, the Company's share price volatility and others. Our estimates and assumptions are reviewed periodically and are adjusted if necessary.

KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

We derive revenue from tuition fees for our high schools, middle schools, elementary schools, preschools and foreign national schools and from other educational services. For the fiscal years ended August 31, 2011, 2012 and 2013 and the six months ended February 28, 2014, we generated a total revenue of RMB346.1 million, RMB413.5 million, RMB471.2 million and RMB242.9 million, respectively. Our revenue is net of PRC business taxes and related surcharges.

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

	Year ended August 31,			Six months ended February 28,	
	2011	2012	2013	2013	2014
			(RMB'000)		
Tuition fees					
— High school	196,472	241,051	259,205	125,657	132,442
— Middle school	41,683	54,801	68,150	31,456	40,264
— Elementary school	25,612	31,349	37,851	17,331	33,568
— Foreign national school	18,207	16,377	14,376	7,092	6,916
— Preschool	22,754	23,481	26,380	12,043	11,923
Textbooks	13,248	15,573	17,954	7,729	12,337
Summer and winter camp	16,282	17,107	26,234	7,794	5,184
Other educational services	11,833	13,720	21,069	746	290
Total	346,091	413,459	471,219	209,848	242,924

Tuition Fees

Tuition fees consist of tuition fees from our high schools, middle schools, elementary schools, preschools and foreign national schools. All of our high schools, middle schools and elementary schools are boarding schools, and tuition fees charged at these schools include boarding fees for boarding students. Our Foreign Schools and preschools are non-boarding schools. Revenue from our Dalian campus, our largest campus in terms of student enrollment and revenue contribution, constituted 58.1%, 55.0%, 49.5% and 39.7% of our total revenue in the fiscal years ended August 31, 2011, 2012 and 2013 and the six months ended February 28, 2014, respectively, while schools outside of Dalian accounted for an increasing portion of our revenue from tuition as we continued to expand our school network outside of Dalian.

For all of our schools except preschools, tuition for the full school year is generally paid in advance at the beginning of the school year. Tuition for our preschools is generally paid in advance at the beginning of each month. Our schools' academic year is generally from September to June of the following year.

Textbooks

We generate revenue from the sale and lease of textbooks and other educational materials to our students. We sell textbooks and other educational materials for use in our schools. We also lease imported textbooks to students enrolled in the BC programs on a per-year basis.

Summer and Winter Camp

We generate revenue from fees for our summer and winter camps. For our students in grades nine and below we organize English immersion camps overseas in Canada, Australia and the United States, which take place on college or university campuses with classes, games and excursions. For our high school students we offer university tours to different universities and colleges overseas. We charge participating students a fee, which includes, among other things, airfare, lodging expenses, fees paid to the universities and colleges being visited and service fees for teachers accompanying the tours.

Other Educational Services

We also generate revenue from other educational services, which include summer classes, graduation consulting services and others.

Cost of Revenue

Our cost of revenue consists primarily of staff costs, depreciation and amortization, other training expenses and other costs. The following table sets forth the components of our cost of revenue:

	Year ended August 31,			Six months ended February 28,	
	2011	2012	2013	2013	2014
			(RMB'000)		
Staff costs	115,400	134,348	157,207	77,526	89,541
Depreciation and amortization	25,479	26,154	29,577	14,599	17,050
Other training expenses	14,114	17,643	25,757	8,070	5,243
Other costs	34,694	44,197	56,210	26,068	32,238
Total cost of revenue	189,687	222,342	268,751	126,263	144,072

Staff costs consist primarily of salaries and benefits paid to our teachers and other teaching staff. Depreciation and amortization relate to the depreciation of property, plant and equipment and the amortization of books for lease. Other training expenses relate to travel expenses and other expenses incurred in connection with our summer and winter camps. Other costs include our daily expenses of operating our schools and facilities, including the cost of furniture at our schools and the cost of maintaining our facilities.

Investment and Other Income

Investment and other income consists of interest income from our bank deposits, dividend income from available-for-sale investments and rental income and expenses in connection with certain office space that we lease to third parties.

Other Income, Gains and Losses

Other income, gains and losses consist primarily of gains and losses recognized upon the disposal of available-for-sale investments, gains and losses recognized upon the disposal of property, plant and equipment, including computers, and foreign exchange gains. For the year ended August 31, 2011, we also recognized a gain representing liquidated damages and penalty fees received from a third party for a breach of contract and land requisition compensation from the relevant local PRC government.

Marketing Expenses

The majority of selling and marketing expenses is comprised of commercials, and expenses for producing, printing and distributing advertising and promotional materials. Selling and marketing expenses also include salaries and benefits for personnel engaged in selling and marketing activities.

Administrative Expenses

Administrative expenses primarily consist of the salaries and other benefits for general and administrative staff, depreciation of office buildings and equipment, travel expenses, taxes, employee share options and certain professional expenses. We expect our general and administrative expenses to increase as we intend to hire additional general and administrative personnel to support the growth of our business.

Finance Costs

Finance costs consist primarily of the interest expenses for our bank borrowings and banking facilities.

Other Expenses

Other expenses consist primarily of operating expenses and depreciation incurred in connection with certain properties that we lease to third parties.

Change in Fair Value on Redeemable Convertible Preferred Shares

Change in fair value on redeemable convertible preferred shares relates to the changes in fair value of the Preferred Shares calculated using the option-pricing method. The key parameters adopted for the valuation of the Preferred Shares include the estimated probability of the Preferred Shares, the risk-free rate, time to expiration, the dividend yield and volatility. For more information, see Note 29 in the Accountant's Report set forth in Appendix I to this **[REDACTED]** and the section headed "History and Corporate Structure — **[REDACTED]** Investment" in this **[REDACTED]**.

Change in Fair Value on Warrants

Change in fair value on warrants relates to the change in fair value of the Series A Warrant, the fair value of the Series A Warrant was determined at the relevant dates using the Black-Scholes option pricing model. The key parameters adopted for the valuation of the Series A Warrant include estimates on risk free rate, other comparable public companies share price volatility and others. For more information, see Note 29 in the Accountant's Report set forth in Appendix I to this **[REDACTED]** and the section headed "History and Corporate Structure — **[REDACTED]** Investment" in this **[REDACTED]**.

Taxation

Our effective tax rate for the fiscal years ended August 31, 2011, 2012 and 2013 and the six months ended February 28, 2014 was 24.7%, 8.9%, 19.5% and 4.5%, respectively, of estimated assessable loss or profit. Under the current laws of the Cayman Islands, we are not subject to income or capital gains tax. Our wholly owned subsidiaries in Hong Kong, Tech Global Investment Limited and Hong Kong Maple Leaf Educational Systems Limited are subject to profits tax under the laws of Hong Kong. However, no provision for profits tax has been made in our consolidated financial statements as neither Tech Global Investment Limited nor Hong Kong Maple Leaf Educational Systems Limited had any assessable income during the Track Record Period. For our operations in the PRC, we are generally subject to the PRC enterprise income Tax at a rate of 25% on our taxable income. According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the sponsors do not require reasonable returns are eligible to enjoy the same enterprise income tax exemption treatment as public schools. On August 30, 2013, Dalian Municipal State Tax Bureau issued a certification letter to acknowledge the enterprise income tax exemption status of our high school, middle school and elementary school in Dalian with respect to income derived from tuition fees. This certification letter does not specify an expiration date. On November 21, 2013, the Tianjin Municipal State Tax Bureau also issued a certification letter to confirm that our high school, middle school and elementary school in Tianjin were exempted from enterprise income tax with respect to income derived from tuition fees for the period from January 1, 2011 to December 31, 2013. In addition, we conducted interviews with the local tax bureaus in Wuhan on April 24, 2014. During the interviews we obtained confirmation that our high school, middle school and elementary school in Wuhan enjoyed enterprise income tax exemption status with respect to income derived from tuition fees from January 1, 2011 to December 31, 2013. Accordingly, during the Track Record Period, the tuition fees received by the aforementioned schools are exempted from enterprise income tax. Up to February 28, 2014, we were unable to pay enterprise income tax for our Wuhan Foreign School and we have made a full tax provision of RMB0.9 million. Under relevant PRC laws and regulations, relevant PRC tax authorities may order us to pay the outstanding amount and/or a penalty ranging between 50% to five times of the outstanding amount. See the section headed "Risk Factors — Risks Relating to Our Business and Our Industry — The discontinuation of any preferential tax treatments currently available to us, in particular the tax exempt status of our schools, could result in a decrease of our net income and materially and adversely affect our results of operations" in this **[REDACTED]**.

DISCUSSION OF RESULTS OF OPERATIONS

Six Months Ended February 28, 2013 Compared to Six Months Ended February 28, 2014

Revenue

Our revenue increased by 15.8% from RMB209.8 million for the six months ended February 28, 2013 to RMB242.9 million for the six months ended February 28, 2014. This increase was primarily the result of revenue from tuition fees increasing by 16.3% from RMB193.6 million for the six months ended February 28, 2013 to RMB225.1 million for the six months ended February 28, 2014, primarily due to an increase in student enrollment. Our student enrollment increased by 19.1% from approximately 10,835 as of February 28, 2013 to approximately 12,906 as of February 28, 2014, primarily due to an increase in the number of students enrolled at our existing schools, and the opening of a new high school in Shanghai, which began operations for the 2013/2014 school year. Revenue from the sale and lease of textbooks increased by 59.7% from RMB7.7 million for the six months ended February 28, 2013 to RMB12.3 million for the six months ended February 28, 2014, which was primarily attributable to an increase in the number of students enrolled at our high school in Tianjin and an increase in the textbook rental fees. Revenue from our summer and winter camps decreased by 33.3% from RMB7.8 million for the six months ended February 28, 2013 to RMB5.2 million for the six months ended February 28, 2014, primarily due to a decrease in the number of students participating in our winter camps. Such decrease was primarily attributable to the fact that we cancelled a tour for visiting universities and colleges in the United States as we were unable to reach an agreement on certain terms of corporation with such universities and colleges.

Cost of Revenue

Cost of revenue increased by 14.1% from RMB126.3 million for the six months ended February 28, 2013 to RMB144.1 million for the six months ended February 28, 2014. This increase was primarily the result of an increase in staff costs by 15.5% from RMB77.5 million for the six months ended February 28, 2013 to RMB89.5 million for the six months ended February 28, 2014. In particular, the number of teachers increased by 22.8% from approximately 1,036 as of February 28, 2013 to approximately 1,272 as of February 28, 2014. Depreciation and amortization increased by 17.1% from RMB14.6 million for the six months ended February 28, 2013 to RMB17.1 million for the six months ended February 28, 2014 as a result of an increase in fixed assets as we completed the construction of certain schools and facilities during the period. Other training expenses decreased by 35.8% from RMB8.1 million for the six months ended February 28, 2013 to RMB5.2 million for the six months ended February 28, 2014 and was attributable to a decrease in the number of students participating in our winter camps. Other costs increased by 23.4% from RMB26.1 million for six months ended February 28, 2013 to RMB32.2 million for the six months ended February 28, 2014 as we made upgrades to various premises and facilities at our existing schools.

Gross Profit

Gross profit increased by 18.3% from RMB83.6 million for the six months ended February 28, 2013 to RMB98.9 million for the six months ended February 28, 2014 in line with the growth of our business. Our gross margin remained stable from 39.8% for the six months ended February 28, 2013 to 40.7% for the six months ended February 28, 2014.

Investment and Other Income

Investment and other income increased by 33.3% from RMB2.4 million for the six months ended February 28, 2013 to RMB3.2 million for the six months ended February 28, 2014. The increase was primarily attributable to interest income generated from certain financial products we purchased during the period.

Other Income, Gains and Losses

Other income, gains and losses decreased by 99.4% from a gain of RMB352,000 for the six months ended February 28, 2013 to a gain of RMB2,000 for the six months ended February 28, 2014. The decrease was primarily due to the fact that we recognized one-off gains attributable to the disposition of property, plant and equipment for the six months ended February 28, 2013 and we did not have similar dispositions for the six months ended February 28, 2014.

Marketing Expenses

Our selling and marketing expenses decreased slightly by 5.3% from RMB9.4 million for the six months ended February 28, 2013 to RMB8.9 million for the six months ended February 28, 2014.

Administrative Expenses

Our administrative expenses increased by 16.0% from RMB26.9 million for the six months ended February 28, 2013 to RMB31.2 million for the six months ended February 28, 2014 in line with the growth of our business.

Finance Costs

Finance costs increased by 27.3% from RMB6.6 million for the six months ended February 28, 2013 to RMB8.4 million for the six months ended February 28, 2014, reflecting the interest expense on our bank borrowings and banking facilities.

Other Expenses

Other expenses increased from RMB0.8 million for the six months ended February 28, 2013 to RMB4.0 million for the six months ended February 28, 2014. The increase was primarily attributable to expenses related to the **[REDACTED]** incurred during the six months ended February 2014.

Change in Fair Value on Redeemable Convertible Preferred Shares

Losses recognized in our consolidated statements of comprehensive income from change in fair value on redeemable convertible preferred shares decreased by 37.3% from RMB37.8 million for the six months ended February 28, 2013 to RMB23.7 million for the six months ended February 28, 2014 due to the increase in fair value of the Preferred Shares, which was primarily attributable to the increase in the fair value of the Company.

Change in Fair Value on Warrants/Gain on Cancellation of Warrants

We recognized a loss of RMB3.7 million in our consolidated statements of comprehensive income from change in fair value on warrants for the six months ended February 28, 2014, compared to a loss of RMB5.2 million for the six months ended February 28, 2013, which was primarily attributable to the increase in the fair value of the Company. We recognized a one-time gain on cancellation of warrants in the amount of RMB42.5 million in our consolidated statements of comprehensive income from the termination of the Series A warrant on January 15, 2014.

Profit before Income Tax

As a result of the foregoing, we recognized a loss of RMB0.3 million before income tax for the six months ended February 28, 2013, compared to a gain of RMB64.7 million before income tax for the six months ended

February 28, 2014. Our profit before income tax as a percentage of revenue was 26.6% for the six months ended February 28, 2014.

Taxation

Our income tax expense decreased from RMB3.5 million for the six months ended February 28, 2013 to RMB2.9 million for the six months ended February 28, 2014, which was primarily a result of Beipeng Software recognizing less assessable income during the period. Our effective income tax rate was 4.5% for the six months ended February 28, 2014.

Profit for the Period

As a result of the above factors, we recorded a profit of RMB61.8 million for the six months ended February 28, 2014, as compared to a loss of RMB3.7 million for the year six months ended February 28, 2013.

Year Ended August 31, 2012 Compared to Year Ended August 31, 2013

Revenue

Our revenue increased by 14.0% from RMB413.5 million for the year ended August 31, 2012 to RMB471.2 million for the fiscal year ended August 31, 2013. This increase was primarily the result of revenue from tuition fees increasing by 10.6% from RMB367.1 million for the year ended August 31, 2012 to RMB406.0 million for the year ended August 31, 2013 due to an increase in student enrollment. Our student enrollment increased by approximately 11.3% from 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, primarily due to the opening of new schools in Luoyang and Ordos, which began operations for the 2012/2013 school year, and an increase in the number of students enrolled in our existing schools. Revenue from the sale and lease of textbooks increased 15.4% from RMB15.6 million for the year ended August 31, 2012 to RMB18.0 million for the year ended August 31, 2013 in line with the growth of our student enrollment. Revenue from our summer and winter camps increased by 53.2% from RMB17.1 million for the year ended August 31, 2012 to RMB26.2 million for the year ended August 31, 2013 primarily due to an increase in the number of students participating in our summer and winter camps and an increase in the types of tours and activities we offered in the summer and winter camp programs. Revenue from other educational services increased by 54.0% from RMB13.7 million for the year ended August 31, 2012 to RMB21.1 million for the year ended August 31, 2013 primarily due to an increase in the number of students using our graduation consulting services and an increase in the number of students taking our summer classes.

Cost of Revenue

Cost of revenue increased by 20.9% from RMB222.3 million for the year ended August 31, 2012 to RMB268.8 million for the year ended August 31, 2013. This increase was primarily the result of a RMB22.9 million increase in staff costs, a RMB12.0 million increase in other costs and a RMB8.2 million increase in other training expenses. Staff costs increased by 17.1% from RMB134.3 million for the year ended August 31, 2012 to RMB157.2 million for the year ended August 31, 2013 primarily as a result of an approximate 20.0% increase in the number of teachers from 863 in the year ended August 31, 2012 to 1,036 in the year ended August 31, 2013 as a result of the expansion of our operation in established schools and opening of new schools. Depreciation and amortization increased by 13.0% from RMB26.2 million for the year ended August 31, 2012 to RMB29.6 million for the year ended August 31, 2013 as a result of an increase in fixed assets as we completed the construction of our new schools in Zhenjiang and additional premises for our existing schools in Wuhan and Tianjin during the period. Other training expenses increased by 46.6% from RMB17.6 million for the year ended August 31, 2012 to RMB25.8 million for the year ended August 31, 2013 in line with the growth attributable to our summer and winter camps. Other costs increased by 27.1% from RMB44.2 million for the year ended August 31, 2012 to RMB56.2 million for the year ended August 31, 2013 as we made upgrades to various facilities at our existing schools.

Gross Profit

Gross profit increased by 6.0% from RMB191.1 million for the year ended August 31, 2012 to RMB202.5 million for the year ended August 31, 2013. Our gross margin decreased from 46.2% for the year ended August 31, 2012 to 43.0% for the year ended August 31, 2013 primarily due to staff costs, other training expenses and other costs growing at a faster rate than the growth in revenue. This was primarily due to the fact that we opened new schools in Luoyang and Ordos during the period and that the utilization rate of new schools is typically lower during the initial years of operations.

Investment and Other Income

Investment and other income remained RMB4.9 million for the year ended August 31, 2012 and 2013.

Other Income, Gains and Losses

Other income, gains and losses increased from a loss of RMB1.6 million for the year ended August 31, 2012 to a gain of RMB0.1 million for the year ended August 31, 2013. This was primarily due to the impairment of goodwill arising from our acquisition of Dalian Maple Leaf Jiabao Preschool.

Marketing Expenses

Our selling and marketing expenses increased by 45.1% from RMB14.4 million for the year ended August 31, 2012 to RMB20.9 million for the year ended August 31, 2013, as a result of additional marketing efforts we made to promote our new schools in Luoyang and Ordos.

Administrative Expenses

Our administrative expenses increased by 17.1% from RMB47.9 million for the year ended August 31, 2012 to RMB56.1 million for the year ended August 31, 2013 in line with the growth of our business.

Other Expenses

Other expenses increased by 7.1% from RMB1.4 million for the year ended August 31, 2012 to RMB1.5 million for the year ended August 31, 2013. This was primarily due to an increase in the amount of operating expenses and depreciation incurred in connection with certain properties that we lease to third parties.

Finance Costs

Finance costs increased by 2.6% from RMB15.2 million for the year ended August 31, 2012 to RMB15.6 million for the year ended August 31, 2013, reflecting the interest expense on our bank borrowings and banking facilities.

Change in Fair Value on Redeemable Convertible Preferred Shares

Losses recognized in our consolidated statements of comprehensive income from change in fair value on redeemable convertible preferred shares increased from RMB10.4 million for the year ended August 31, 2012 to RMB63.7 million for the year ended August 31, 2013 due to the increase in fair value of the Preferred Shares, which was primarily attributable to the increase in the fair value of the Company.

Change in Fair Value on Warrants

Losses recognized in our consolidated statements of comprehensive income from change in value on warrants increased from RMB1.8 million for the year ended August 31, 2012 to RMB8.4 million for the year ended August 31, 2013 due to the increase in fair value of the Series A Warrant, which was in line with the change in fair value of the Preferred Shares.

Profit before Income Tax

As a result of the foregoing, our profit before income tax decreased by 60.0% from RMB103.1 million for the fiscal year ended August 31, 2012 to RMB41.2 million for the fiscal year ended August 31, 2013. Our profit before income tax as a percentage of revenue decreased from 24.9% for the year ended August 31, 2012 to 8.7% for the year ended August 31, 2013.

Taxation

Our income tax expenses remained RMB9.2 million and RMB8.0 million for the year ended August 31, 2012 and 2013. Our effective income tax rate was 8.9% for the year ended August 31, 2012, compared to 19.5% for the year ended August 31, 2013.

Profit for the Year

As a result of the above factors, we recorded a profit of RMB33.2 million for the year ended August 31, 2013, as compared to a profit of RMB94.0 million for the year ended August 31, 2012.

Year Ended August 31, 2011 Compared to year Ended August 31, 2012

Revenue

Our revenue increased by 19.5% from RMB346.1 million for the year ended August 31, 2011 to RMB413.5 million for the fiscal year ended August 31, 2012. This increase was primarily the result of revenue from tuition fees increasing by 20.5% from RMB304.7 million for the year ended August 31, 2011 to RMB367.1 million for the year ended August 31, 2012, due to a 15.2% increase in student enrollment and a 15% increase in the tuition fees charged to new students enrolled in certain schools. Our student enrollment increased by approximately 15.2% 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, primarily due to the opening of new schools in Zhenjiang, which began operations for the 2011/2012 school year and an increase in the number of students enrolled in our existing schools. Revenue from the sale and lease of textbooks increased 18.2% from RMB13.2 million for the year ended August 31, 2011 to RMB15.6 million for the year ended August 31, 2012 in line with the growth of our student enrollment. Revenue from our summer and winter camps increased by 4.9% from RMB16.3 million for the year ended August 31, 2011 to RMB17.1 million for the year ended August 31, 2012 primarily due to an increased number of students participating in our summer and winter camps. Revenue from other educational services increased by 16.1% from RMB11.8 million for the year ended August 31, 2011 to RMB13.7 million for the year ended August 31, 2012 primarily due to an increase in the number of students using our services and an increase in the number of students taking our summer classes.

Cost of Revenue

Cost of revenue increased by 17.2% from RMB189.7 million for the year ended August 31, 2011 to RMB222.3 million for the year ended August 31, 2012. This increase was primarily due to an increase in staff costs by 16.4% from RMB115.4 million for the year ended August 31, 2011 to RMB134.3 million for the year ended August 31, 2012. The increase in staff costs was primarily due to an increase in the number of teachers as we hired more teachers for the expansion of our established schools and for our new schools. In particular, the number of our teachers increased by approximately 23.5% from 699 in the year ended August 31, 2011 to 863 in the year ended August 31, 2012, primarily attributable to an increase in the number of PRC-certified teachers. Depreciation and amortization increased by 2.7% from RMB25.5 million for the year ended August 31, 2011 to RMB26.2 million for the year ended August 31, 2012 as a result of an increase in fixed assets as we completed the construction of certain schools and facilities during the period. Other training expenses increased by 24.8% from RMB14.1 million for the year ended August 31, 2011 to RMB17.6 million for the year ended August 31, 2012 primarily as a result of the relatively higher costs associated with the tour to universities and colleges in the United States. Other costs increased by 27.4% from RMB34.7 million for the year ended August 31, 2011 to RMB44.2 million for the year ended August 31, 2012 generally in line with the growth of our business.

Gross Profit

Our gross profit increased by 22.2% from RMB156.4 million for the year ended August 31, 2011 to RMB191.1 million for the year ended August 31, 2012 in line with the growth of our business. Our gross margin remained stable from 45.2% for the year ended August 31, 2011 to 46.2% for the year ended August 31, 2012.

Investment and Other Income

Investment and other income increased from RMB1.6 million for the year ended August 31, 2011 to RMB4.9 million for the year ended August 31, 2012. The increase was primarily attributable to an increase in interest income from our bank deposits and rental income from office space that we leased to third parties starting in 2012.

Other Income, Gains and Losses

Other income, gains and losses decreased from a gain of RMB6.7 million for the year ended August 31, 2011 to a loss of RMB1.6 million for the year ended August 31, 2012. The decrease was due to certain one-off gains we recognized for the year ended August 31, 2011, representing the liquidated damages and penalty fees received from a third party for a breach of contract and land requisition compensation from the relevant local PRC government.

Selling and Marketing Expenses

Our selling and marketing expenses increased by slightly 3.6% from RMB13.9 million for the year ended August 31, 2011 to RMB14.4 million for the year ended August 31, 2012.

Administrative Expenses

Our administrative expenses increased by 39.7% from RMB34.3 million for the fiscal year ended August 31, 2011 to RMB47.9 million for the fiscal year ended August 31, 2012. This increase was primarily the result of salaries and benefits paid to administrative personnel increasing by 32.3% from RMB19.8 million for the fiscal year ended August 31, 2011 to RMB26.2 million for the fiscal year ended August 31, 2012, primarily due to the fact that we appointed additional senior management, increased the salaries of existing senior management, and recorded salaries paid to our principals under administrative expenses instead of cost of revenue.

Finance Costs

Finance costs increased by 1.3% from RMB15.0 million for the year ended August 31, 2011 to RMB15.2 million for the year ended August 31, 2012, reflecting the interest expense on our bank borrowings and banking facilities.

Other Expenses

Other expenses decreased by 77.8% from RMB6.3 million for the year ended August 31, 2011 to RMB1.4 million for the year ended August 31, 2012. This was primarily due to a decrease in the amount of operating expenses and depreciation incurred in connection with certain properties that we lease to third parties, due to an increase in the number of properties we leased to third parties.

Change in Fair Value on Redeemable Convertible Preferred Shares

Losses recognized in our consolidated statements of comprehensive income from change in fair value on redeemable convertible preferred shares decreased by 90.0% from RMB104.0 million for the year ended August 31, 2011 to RMB10.4 million for the year ended August 31, 2012 due to a smaller increase in the fair value of Preferred Shares attributable to changes in certain factors applied in making the valuation. The larger increase in fair value for the year ended August 31, 2011 was primarily due to a valuation adjustment and the adjustment of the conversion price of the Preferred Shares in February 2011.

Change in Fair Value on Warrants

Losses recognized in our consolidated statements of comprehensive income from change in fair value on warrants decreased by 91.8% from RMB22.0 million for the year ended August 31, 2011 to RMB1.8 million for the year ended August 31, 2012 due to a smaller increase in fair value of the Series A Warrant in line with the change in fair value of the Preferred Shares. The large increase in fair value for the year ended August 31, 2011 was primarily due to a valuation adjustment and the adjustment of the exercise price of the Series A Warrant in February 2011.

Profit before Income Tax

As a result of the foregoing, our loss before income tax for the year ended August 31, 2011 was RMB30.7 million, and our profit before income tax for the year ended August 31, 2012 was RMB103.1 million. Our loss before income tax as a percentage of revenue was 8.9% for the fiscal year ended August 31, 2011. Our profit before income tax as a percentage of revenue was 24.9% for the fiscal year ended August 31, 2012.

Taxation

Our income tax expenses increased from RMB7.6 million for the year ended August 31, 2011 to RMB9.2 million for the year ended August 31, 2012. Our effective income tax rate was -24.7% for the year ended August 31, 2011 and 8.9% for the year ended August 31, 2012 primarily attributable to change in fair value of the Preferred Shares and the Series A Warrant.

Profit for the Year

As a result of the above factors, we recorded a profit of RMB94.0 million for the year ended August 31, 2012, as compared to net loss of RMB38.2 million for the year ended August 31, 2011.

NET CURRENT ASSETS AND LIABILITIES

	As at August 31			As at February 28,	As at April 30,
	2011	2012	2013	2014	2014
			(RMB'000)		(unaudited)
CURRENT ASSETS					
Deposit, prepayments and other receivable	13,283	12,483	16,256	16,698	20,579
Bank balances and cash	234,903	297,036	409,303	192,878	130,110
	248,186	309,519	425,559	209,576	150,689
CURRENT LIABILITIES					
Deferred revenue	319,847	357,475	408,325	246,611	178,713
Other payables and accrued expenses	87,087	109,842	188,607	140,776	153,426
Amounts due to related parties	13,822	13,805	13,491	13,394	3,868
Income tax payable	10,205	14,873	17,541	16,075	16,086
Bank borrowings	233,500	170,000	215,000	234,000	224,000
Redeemable convertible preferred shares	307,260	317,700	381,420	405,112	434,603
Warrants	28,620	30,405	38,815	—	—
	1,000,341	1,014,100	1,263,199	1,055,968	1,010,696
Net current liabilities	(752,155)	(704,581)	(837,640)	(846,392)	(860,007)

As of August 31, 2011, 2012 and 2013, February 28, 2014 and April 30, 2014, we had net current liabilities of RMB752.2 million, RMB704.6 million, RMB837.6 million, RMB846.4 million and RMB860.0 million, respectively. We had net current liabilities as of each of these dates primarily due to amounts recognized as deferred revenue, amounts recognized as other payables and bank borrowings and amounts recognized as redeemable convertible preferred shares. We recognize deferred revenue from tuition fees, textbook fees, among other things, received prior to the beginning of the relevant semester. Tuition fees and textbook rental income from all of our schools except our preschools are generally paid in advance at the beginning of each school year and are initially recorded as deferred revenue. We record payment of tuition fees initially as a liability under deferred revenue and recognize such amounts received as revenue proportionately over the relevant period in which students attend the applicable program. We recognize textbook rental income as a liability until the end of the relevant school year. The amount of deferred revenue is typically less as of February 28 and April 30 since a certain amount of tuition services have already been rendered. Other payables and accrued expenses consist primarily of payables for purchase of property, plant and equipment in connection with our expansion and maintenance of our schools, deposits from students for the textbooks rented and miscellaneous expenses received from students, which primarily include expenses for purchasing laptop computers and school uniforms, registration fees required under the BC Global Education Program and expenses related to other on-campus activities. Our Directors confirm that we did not have any material defaults in other payables during the Track Record Period. Bank borrowings represent primarily short-term loans used in connection with our business expansion. Our current liabilities also include amounts due to related parties, which represent shareholder loans from our Founder and our Founder's Sisters. We will settle all amounts due to our related parties prior to **[REDACTED]**. For more information, see the section headed "Risk Factors — Risks Relating to Our Business and Our Industry — We had net current liabilities as of August 31, 2011, 2012 and 2013 and February 28, 2014, and require a high level of working capital to sustain our operations, expansion and overall growth" in this **[REDACTED]**.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

We historically have financed our operations primarily through cash generated from our operations, short term and long term bank loans, loans and advances from shareholders and related parties and capital contributions from shareholders. As of August 31, 2013, we had RMB409.3 million in cash and cash equivalents. For more information on the terms of the Preferred Shares and warrants, see the section headed "History and Corporate Structure — **[REDACTED]** Investment — Preferred Shares" in this **[REDACTED]**.

Our future cash requirements will depend on many factors, including our operating income, the cost of maintaining, renovating and upgrading existing school premises, building additional premises for our existing schools, purchasing educational equipment and facilities for our schools and hiring additional teachers and other staff.

Our current debt and other contractual obligations and commercial commitments reduce our liquidity and place some limitations on our ability to make capital expenditures to support the expansion of our business. We expect to fund our future working capital, capital expenditure and other cash requirements from cash generated from our operations, the **[REDACTED]** and where necessary, bank and other borrowings or future equity offerings. However, such financing may not be available on terms that are favorable to us, or at all. See the section headed "Risk Factors — Risks Relating to the **[REDACTED]** — We may need additional capital, and the sale of additional Shares or other equity securities could result in additional dilution to our Shareholders" in this **[REDACTED]**.

We consolidate the results of our consolidated affiliated entities and our access to their cash balances or future earnings is through our contractual arrangements with them. See the section headed "History and Corporate Structure" in this **[REDACTED]**.

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

	Year ended August 31,			Six months ended February 28,
	2011	2012	2013	2014
			(RMB'000)	
Net cash from (used in) operating activities	235,667	216,782	250,274	(101,046)
Net cash used in investing activities	(154,498)	(74,256)	(227,201)	(66,002)
Net cash from (used in) financing activities	23,786	(80,379)	89,346	(49,369)
Increase (Decrease) in cash and cash equivalents	104,955	62,147	112,419	(216,417)
Cash and cash equivalents at beginning of the year/period	130,038	234,903	297,036	409,303
Effect of foreign exchange rate changes	(90)	(14)	(152)	(8)
Cash and cash equivalents at end of the year/period, representing bank balances and cash	234,903	297,036	409,303	192,878

Operating Activities

We generate cash from operating activities primarily from tuition fees, fees for summer and winter camps and graduation consulting service fees, all of which are typically paid in advance before the respective services are rendered. Tuition fees, fees for summer and winter camps and graduation consulting service fees are initially recorded under deferred revenue. We recognize such amounts received as revenue proportionately over the relevant period in which students attend the applicable program. Due to the manner in which we recognize the aforementioned fees as revenue, we typically have cash outflows for operating activities throughout the school year. Cash from operating activities is also affected by other payables and accrued expenses. For example, we typically make payments to laptop computer vendors in October every year and pay registration fees to the BCMOE in December every year.

Net cash used in operating activities amounted to RMB101.0 million for the six months ended February 28, 2014, consisting of RMB179.4 million of negative net working capital adjustments that was offset in part by RMB78.4 million of cash generated from operations before working capital adjustments. Our negative net working capital adjustments primarily consisted of: (i) a RMB161.7 million decrease in deferred revenue, which represented the portion of the deferred revenue that was recognized over the period, and (ii) a RMB15.6 million decrease in other payables and accrued expenses, which represented the portion of miscellaneous expenses received from students that was recognized over the period.

Net cash from operating activities amounted to RMB250.3 million for the year ended August 31, 2013, consisting of RMB165.7 million of cash generated from operations before working capital adjustments and positive net working capital adjustments of RMB84.6 million. Our positive net working capital adjustments primarily consisted of: (i) a RMB50.9 million increase in deferred revenue that primarily related to increased tuition fees resulting from an increase in student enrollment associated with the expansion of our schools geographically and at our existing schools, and (ii) a RMB35.9 million increase in other payables and accrued expenses in line with the increase in student enrollment.

Net cash from operating activities amounted to RMB216.8 million for the year ended August 31, 2012, consisting of RMB164.3 million of cash generated from operations before working capital adjustments and positive net working capital adjustments of RMB52.5 million. Our positive net working capital adjustments primarily consisted of: (i) a RMB37.6 million increase in deferred revenue that primarily related to increased tuition fees resulting from an increase in student enrollment associated with the expansion of our schools geographically and at our existing schools, and (ii) a RMB12.8 million increase in other payables and accrued expenses resulting from the increase in student enrollment and the fact that we started to purchase laptop computers on behalf of our high school students in the 2011/2012 school year.

Net cash from operating activities amounted to RMB235.7 million for the year ended August 31, 2011, consisting of RMB141.6 million of cash generated from operations before working capital adjustments and positive net working capital adjustments of RMB94.0 million. Our positive net working capital adjustments primarily consisted of: (i) a RMB74.7 million increase in deferred revenue that primarily related to increased tuition fees resulting from an increase in student enrollment associated with the expansion of our schools geographically and at our existing schools, and (ii) a RMB15.9 million increase in other payables and accrued expenses resulting from in line with the increase in student enrollment.

Investing Activities

Our expenditures for investing activities were primarily for the purchase of property, plant and equipment, prepaid lease payments and books for lease.

Net cash used in investing activities amounted to RMB66.0 million for the six months ended February 28, 2014, which was primarily attributable to RMB73.3 million in purchases of property, plant and equipment and RMB3.0 million in purchase of books for lease, partially offset by RMB10.0 million in advance from a third party for disposal of property, plant and equipment. The purchase of property, plant and equipment primarily related to the construction of additional school premises for our Wuhan and Tianjin campuses and our new high school in Shanghai.

Net cash used in investing activities amounted to RMB227.2 million for the fiscal year ended August 31, 2013, primarily attributable to RMB200.1 million in purchases of property, plant and equipment and RMB37.2 million in purchase of prepaid lease payments, and RMB2.4 million in purchase of books for lease partially offset by

RMB10.0 million in advance from a third party for disposal of property, plant and equipment. The purchase of property, plant and equipment primarily related to the construction of additional school premises for our Wuhan campus and our new schools in Shanghai and Zhenjiang, and the purchase of educational equipment and facilities for our new schools in Luoyang.

Net cash used in investing activities amounted to RMB74.3 million for the fiscal year ended August 31, 2012, primarily attributable to RMB93.3 million in purchases of property, plant and equipment and RMB9.0 million in purchase of prepaid lease payments, and RMB3.7 million in purchase of books for lease partially offset by RMB1.5 million in proceeds from disposal of available-for-sale investments and RMB30.0 million in advance from a third party for disposal of property, plant and equipment. The purchase of property and equipment primarily related to the construction of additional school premises for our Tianjin campus and our new schools in Zhenjiang.

Net cash used in investing activities amounted to RMB154.5 million for the fiscal year ended August 31, 2011, primarily attributable to RMB130.1 million in purchases of property, plant and equipment, RMB30.4 million in deferred payment for the acquisition of Tianjin Binhai School, the name of which was later changed to Tianjin Taida Maple Leaf International School (High School), RMB4.5 million in purchase of prepaid lease payments, and RMB2.2 million in purchase of books for lease partially offset by RMB2.2 million in proceeds from disposal of available-for-sale investments and RMB10.0 million in advance from a third party for disposal of property, plant and equipment. The purchase of property, plant and equipment primarily related to the construction of additional school premises for our Dalian and Tianjin campuses.

Financing Activities

Our expenditures for financing activities were primarily for the prepayments of borrowings and payment of interest expense.

Net cash used in financing activities amounted to RMB49.4 million for the six months ended February 28, 2014, which was primarily attributable to RMB126.0 million in repayments of borrowings and RMB8.4 million in payment of interest expense, offset in part by RMB85.0 million in proceeds raised from new borrowings.

Net cash from financing activities amounted to RMB89.3 million for the fiscal year ended August 31, 2013, primarily attributable to RMB275.0 million in proceeds raised from new borrowings, offset in part by RMB170.0 million in repayments of borrowings and RMB15.7 million in payment of interest expense.

Net cash used in financing activities amounted to RMB80.4 million for the fiscal year ended August 31, 2012, primarily attributable to RMB233.5 million in repayments of borrowings and RMB16.9 million in payment of interest expense, offset in part by RMB170.0 million in proceeds raised from new borrowings.

Net cash from financing activities amounted to RMB23.8 million for the fiscal year ended August 31, 2011, primarily attributable to RMB218.5 million in proceeds raised from new borrowings, offset in part by RMB180.0 million in repayments of borrowings and RMB14.2 million in payment of interest expense.

Working Capital

We intend to continue to finance our working capital with cash generated from our operations, by renewing our existing banking facilities and by obtaining new banking facilities in the future. We have closely monitored the level of our working capital and will continue to do so, particularly in view of our strategy to continue expanding our school network. Our Co-CFOs, Ms. Jingxia Zhang and Mr. Bin Xu, are mainly responsible for ensuring that our working capital requirements are met.

Our working capital requirements are affected by a range of factors, including the size of our school network, the cost of maintaining, renovating and upgrading existing school premises, building additional premises for our existing schools, purchasing educational equipment and facilities for our new schools, and the staff costs associated with our schools. Our Directors believe, and the **[REDACTED]** concur, that our cash, the anticipated cash flow from operations, bank borrowings and **[REDACTED]** will be sufficient to meet our anticipated cash needs for at least twelve months from the date of this **[REDACTED]**.

CONTRACTUAL OBLIGATIONS, CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Operating Leases

Property rental income earned during the years ended August 31, 2011, 2012 and 2013 and for the six months ended February 28, 2014 was approximately RMB1.0 million, RMB3.6 million, RMB3.8 million and RMB1.9 million, respectively. All of the properties held have committed tenants for the next 2 years.

At the end of the reporting periods, the Group had contracted with tenants for the following future minimum lease payments:

	At August 31,			February 28, 2014
	2011	**2012**	**2013**	
		(RMB'000)		
Within one year	2,065	3,196	3,484	2,904
In the second to fifth years inclusive	5,881	8,297	3,625	2,355
Over five years	—	—	—	
Total	7,946	11,493	7,109	5,259

Capital Commitments

We made capital commitments of RMB6.0 million, RMB11.4 million, RMB23.7 million and RMB14.9 million in the fiscal years ended August 31, 2011, 2012 and 2013 and the six months ended February 28, 2014, respectively, and such sums included payments on construction projects in prior years. In the past, our capital expenditures were primarily used to construct educational facilities for our business.

The following table sets forth the capital commitments of the Group the end of the reporting periods:

	As at August 31,			As at February 28, 2014
	2011	**2012**	**2013**	
		(RMB'000)		
Capital expenditure contracted for but not provided in the Financial Information in respect of the acquisition of — property, plant and equipment	6,022	11,370	23,684	14,946

Contingent Liabilities

Except as disclosed in the indebtedness statement as set out below, we did not have any trade payables, outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities as of April 30, 2014, being the latest practicable date for the purpose of the indebtedness statement, and was not involved in any material legal proceedings. The Directors are not aware of any pending or potential material legal proceedings involving our Group.

CAPITAL EXPENDITURES

Our capital expenditures consist primarily of maintaining, renovating and upgrading existing school premises, building additional premises for our existing schools, and purchasing educational equipment and facilities for our new schools. Our capital expenditures for the years ended August 31, 2011, 2012 and 2013 and the six months ended February 28, 2014 were, RMB167.1 million, RMB106.1 million, RMB239.7 million and RMB76.3 million, respectively. Our capital expenditures during the Track Record Period were primarily related to the construction of additional school premises in Wuhan, Tianjin and Dalian and the purchase of land use rights and the construction of school premises for our new schools in Zhenjiang and Shanghai.

The following table sets forth our capital expenditures for the years ended August 31, 2011, 2012 and 2013 and the six months ended February 28, 2014:

	Year ended August 31,			Six months ended February 28,	
	2011	2012	2013	2013	2014
			(RMB'000)		
				(Unaudited)	
Property, plant and equipment	130,066	93,306	200,135	53,538	73,343
Prepaid lease payments	4,498	9,034	37,200	19,076	—
Purchase of books for lease	2,182	3,739	2,413	2,265	2,967
Payment for acquisition of Tianjin Taida Maple in 2008	30,375	—	—	—	—
Total	167,121	106,079	239,748	74,879	76,310

INDEBTEDNESS

The following table sets forth our borrowings as of the dates indicated:

	Year ended August 31,			As at February 28, 2014	As at April 30, 2014
	2011	2012	2013		
			(RMB'000)		
					(unaudited)
Bank borrowings					
Secured	198,500	90,000	145,000	99,000	89,000
Unsecured	35,000	80,000	130,000	135,000	135,000
	233,500	170,000	275,000	234,000	224,000
Carrying amounts repayable:					
Within one year	233,500	170,000	215,000	234,000	224,000
More than one year, but not exceeding two years	—	—	60,000	—	—
	233,500	170,000	275,000	234,000	224,000
Redeemable convertible preferred shares	307,260	317,700	381,420	405,112	434,603
Warrants	28,620	30,405	38,815	—	—

As of August 31, 2013, we had one long-term loan agreement with an aggregate balance of RMB60.0 million outstanding. The long-term loan bears a fixed interest rate of 6.765%, is secured by our buildings and land use rights and is guaranteed by Dalian Maple Leaf Educational Group Co., Ltd.

As of August 31, 2013 we had six short-term loan agreements with a total of RMB215.0 million. Most of these loans are guaranteed by Dalian Maple Leaf Educational Group Co., Ltd. The short term loans are for working capital purposes, with a maturity term of one year. As of August 31, 2013, the interest rates for five of the short-term loans were fixed rates ranging from 6.0% to 6.9% per annum. The remaining short-term loan had a variable interest rate. The effective interest rate for this short-term loan was 6.3% per annum.

As of August 31, 2013, an aggregate of RMB145 million in bank loans were secured by our buildings and land use rights. Our loan agreements require us to obtain the banks' consent and/or inform the banks in advance should our schools consolidate or merge with, amalgamate into or transfer substantially their entire assets to any other parties.

As of August 31, 2013, we recognized an amount of RMB381.4 million as the financial liabilities of our redeemable convertible preferred shares and an amount of RMB38.8 million as the financial liabilities of our Series A Warrant.

As of April 30, 2014, which is the latest practicable date for our indebtedness statement, we had five short-term loans with an aggregate balance of RMB165 million and one long-term loan with a balance of RMB59 million outstanding, all of which are for working capital purposes and are repayable within one year. Most of these loans are guaranteed by Dalian Maple Leaf Educational Group Co., Ltd. As of April 30, 2014, the interest rates for short-term loans were fixed rates ranging from 6.0% to 6.9% per annum. One of the short-term loans was secured by our buildings and land use rights. The long-term loan had a fix interest rate of 6.77% per annum and was secured by our buildings and land use rights. As of April 30, 2014, we recognized an amount of RMB434.6 million as a financial liability in relation to our Preferred Shares.

Our Directors have confirmed that we have not had any material default with regards to any bank borrowings and have not breached any material covenants in our bank borrowings during the Track Record Period and up to the Latest Practicable Date. We believe that there are no material covenant in our outstanding bank borrowings. Our Directors have confirmed that we do not have any plan to raise material external debt financing as of the Latest Practicable Date.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Foreign Exchange Risk

Substantially all of our revenue and expenses are denominated in Renminbi. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge our exposure to such risk. Although in general, our exposure to foreign exchange risk should be limited, the value of your investment in our Shares will be affected by the exchange rate between the Hong Kong dollar and the Renminbi because the value of our business is effectively denominated in Renminbi, while the Shares will be traded in Hong Kong dollars.

The change in the value of Renminbi against the Hong Kong dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. For instance, in the PRC from 1995 until July 2005, the conversion of the Renminbi into foreign currencies, including the Hong Kong dollar and US dollar, was based on fixed rates set by the PBOC. The PRC government, however, has, with effect from July 21, 2005, reformed the exchange rate regime by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. On July 21, 2005, this revaluation resulted in the Renminbi appreciating against the US dollar and the Hong Kong dollar by approximately 2% on that date. On September 23, 2005, the PRC government widened the daily trading band for the Renminbi against non-US dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system. As a consequence, the Renminbi has fluctuated sharply since July 2008 against other freely traded currencies, in tandem with the U.S. dollar. On June 20, 2010, the PBOC announced that it intended to further reform the Renminbi exchange rate regime by enhancing the flexibility of the Renminbi exchange rate. On April 16, 2012, the PBOC enlarged the previous floating band of the trading prices of the Renminbi against the US dollar in the inter-bank spot foreign exchange market from 0.5% to 1% in order to further improve the managed floating Renminbi exchange rate regime based on market supply and demand with reference to a basket of currencies. On March 15, 2014, the PBOC further enlarged the floating band of the trading prices of the Renminbi against the

US dollar in the inter-bank spot foreign exchange market from 1% to 2%, effective from March 17, 2014. However, it remains difficult to predict how this new policy may impact the Renminbi exchange rate. To the extent that we need to convert Hong Kong dollars we receive from this offering into Renminbi for our operations, appreciation of the Renminbi against the Hong Kong dollar would have an adverse effect on the Renminbi amount we receive from the conversion. Conversely, if we decide to convert the Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our Shares or for other business purposes, appreciation of the Hong Kong dollar against the Renminbi would have a negative effect on the Hong Kong dollar amounts available to us.

[REDACTED]

Interest Risk

Our exposure to interest rate risk primarily relates to the interest rates for our outstanding debt and the interest income generated by excess cash invested in liquid investments with original maturities of three months or less. As of April 30, 2014, we had RMB165 million of short-term loans and RMB59 million of long-term loan outstanding. All of our loans are subject to a fixed interest rate, varying from 6.0% to 6.9%. We have not used derivative financial instruments in our investment portfolio. Interest earning instruments carry a degree of interest rate risk. We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in market interest rates. However, our future interest income may fall short of expectation due to changes in market interest rates.

Inflation Risk

Since our inception, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the consumer price index in China increased by 5.4% in 2011, fell by 2.6% in 2012 and increased by 2.6% in 2013. Although we have not, in the past, been materially affected by inflation since our inception, we can provide no assurance that we will not be affected in the future by higher rates of inflation in China.

KEY FINANCIAL RATIOS

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

	As at/for the years ended August 31,			As at/for the six months ended February 28,
	2011	2012	2013	2014
Return on equity	-13.2%	24.5%	7.9%	12.9%
Return on total assets	-2.9%	6.4%	1.8%	3.8%
Current ratio	0.25	0.31	0.34	0.20
Gearing ratio	80.5%	44.2%	65.8%	48.8%
Interest coverage ratio	-1.05	7.77	3.65	8.69

As of August 31, 2011, 2012 and 2013 and February 28, 2014, our return on equity, which is calculated as net income divided by shareholders' equity for the respective year or period, was approximately -13.2%, 24.5%, 7.9% and 12.9%, respectively. The increase in our return on equity during the year ended August 31, 2012 was primarily attributable to our profit for the year increasing at a higher rate than our shareholders' equity during the period, which was primarily due to change in fair value of the Preferred Shares.

As of August 31, 2011, 2012 and 2013 and February 28, 2014, our return on total assets, which is calculated as profit for the year divided by total assets for the respective year or period, which was approximately -2.9%, 6.4%, 1.8% and 3.8%, respectively. The increase in our return on total assets during the year ended August 31, 2012 was primarily attributable to our profit increasing at a higher rate than our total assets during the period, which was primarily due to change in fair value of the Preferred Shares.

As of August 31, 2011, 2012 and 2013 and February 28, 2014, our current ratio, which is calculated as current assets divided by current liabilities as of the end of the respective year/period, 0.25, 0.31, 0.34 and 0.20, respectively. The increase in current ratio during the Track Record Period reflects the increase in our current assets outpacing the rate of growth of our current liabilities.

As of August 31, 2011, 2012 and 2013 and February 28, 2014, our gearing ratio, which is calculated as total borrowings divided by total equity as of the end of the respective year/period, was approximately 80.5%, 44.2%, 65.8% and 48.8%, respectively. The decrease in our gearing ratio during the year ended August 31, 2012 was primarily due to the decrease in our total borrowings as a result of repayment of loans of RMB233.5 million.

For the years ended August 31, 2011, 2012 and 2013 and the six months ended February 28, 2014, our interest coverage, which is calculated as profit before tax and interest expense divided by interest expense for the respective year or period, was -1.05, 7.77, 3.65 and 8.69, respectively. The increase in our interest coverage for the year ended August 31, 2012 was primarily due to the increase in our profit before tax and interest expense as a result of a smaller increase in the fair value of Preferred shares. The decrease in our interest coverage for the year ended August 31, 2013 was primarily due to an increase in interest on bank loans.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We had not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we did not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We did not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

DIVIDEND POLICY

We have never declared or paid any dividends on our Ordinary Shares. We have no present plan to declare and pay any dividends on our shares or Shares in the near future. We currently intend to retain our available funds and any future earnings to operate and expand our business. Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors which our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law. Our Shareholders in a general meeting must approve any declaration of dividends, which must not exceed the amount recommended by our Board. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board.

As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries and, particularly, our consolidated affiliated entities, which are primarily incorporated in the PRC. Our consolidated affiliated entities must comply with their respective constitutional documents and the laws and regulations of the PRC in declaring and paying dividends to us. Pursuant to the laws applicable to the PRC's Foreign Investment Enterprises, the Company's subsidiaries and consolidated affiliated entities in the PRC must make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of each relevant entity prior to payment of dividends. These reserves include (i) a general reserve and (ii) a development fund. Subject to certain cumulative limits, the general reserve requires annual appropriations of 10% of after-tax profits as determined under PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital. PRC laws and regulations require private schools where the sponsors require reasonable returns to make annual appropriations of 25% of after-tax income to its development fund prior to payments of dividend. Such appropriations are required to be used for the construction or maintenance of the school or for the procurement or upgrading of educational equipment. In the case of a private school where the sponsors do not require reasonable returns, the school is required to make annual appropriations equivalent to no less than 25% of the annual increase of net assets of the school as determined in accordance with generally accepted accounting principles in the PRC.

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

DISTRIBUTABLE RESERVES

Under the Cayman Companies Law, the share premium of the Company may be distributed, subject to the provisions of the Company's Memorandum or Articles of Association and provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debt as and when they fall due in the ordinary course of business.

[REDACTED]

RELATED PARTY TRANSACTIONS

For details of the related party transactions, see Note 37 to the Accountant's Report set forth in Appendix I to this **[REDACTED]**. Our Directors confirm that all related party transactions are conducted on normal commercial terms, and that their terms are fair and reasonable. We expect to settle our related party balances before the **[REDACTED]**.

[REDACTED]

[REDACTED]

[PROFIT FORECAST FOR THE YEAR ENDING AUGUST 31, 2014

Our Directors believe that, on the bases and assumptions set out in the section headed "Profit Forecast" as set out in Appendix III to this **[REDACTED]**, and in the absence of unforeseen circumstances, our forecast consolidated net profit attributable to the equity holders of the Company for the year ending August 31, 2014 is expected to be not less than RMB40.0 million. The profit forecast is subject to adjustment of change in fair value on Preferred Shares, change in fair value on warrants, gain on cancellation on warrants and may be further updated.]

PROPERTY INTERESTS

Except for our properties in Dalian, the value of which is apprised in the Property Valuation Report set forth in Appendix III to this **[REDACTED]**, no single property we own has a carrying amount of 15% or more of our total assets. DTZ Debenham Tie Leung Limited, an independent property valuation firm, has valued the properties owned by us in Dalian as at March 31, 2014. The text of its letter, summary of values and valuation certificate are set out in the section headed "Appendix IV — Property Valuation Report" to this **[REDACTED]**.

The following table presents the reconciliation of the net book value of the relevant property interests, including land use rights, as at March 31, 2014 to their fair value as at March 31, 2014 as stated in the section headed "Property Valuation Report" as set out in Appendix IV to this **[REDACTED]**.

Property interests reconciliation

	RMB'000
Net book amount of property interests of the Group as of February 28, 2014	381,908
Less: Depreciation during March 2014	(809)
Net book amount as of March 31, 2014	381,099
Valuation deficit	(213,099)
Valuation of properties as of March 31, 2014 as set out in "Appendix IV — Property Valuation Report"	168,000

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our Directors confirm that since February 28, 2014 (being the date to which the latest audited consolidated financial information of our Group was prepared) and up to the Latest Practicable Date, there had been no material change in the industry in which we operate or to our business and financial condition that would materially affect the information shown in our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this **[REDACTED]**. During the same periods, our results of operations were largely in line with our expectations.

[REDACTED]

FUTURE PLANS

See the section headed "Business — Our Strategies" in this **[REDACTED]** for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the **[REDACTED]** of approximately HK$**[REDACTED]** after deducting **[REDACTED]** and other estimated expenses paid and payable by us in the **[REDACTED]**, assuming **[REDACTED]** is exercised and **[REDACTED]** HK$**[REDACTED]**, being the mid-point of the **[REDACTED]** range of HK$**[REDACTED]** to HK$**[REDACTED]**. We intend to use the net proceeds we will receive from **[REDACTED]** for the following purposes:

- approximately **[REDACTED]**% (approximately HK$**[REDACTED]**) to apply towards the expansion of our school network in China, in particular the development of new schools in certain major cities in China;
- approximately **[REDACTED]**% (approximately HK$**[REDACTED]**) to apply towards the maintenance, renovation and upgrade of our existing schools, such as the boys' schools on our Dalian campus;
- approximately **[REDACTED]**% (approximately HK$**[REDACTED]**) to apply towards the acquisition of schools, except for preschools, in major cities in China to supplement our school network. As of the Latest Practicable Date, we had not identified any specific acquisition target;
- approximately **[REDACTED]**% (approximately HK$**[REDACTED]**) to repay our bank loans as follows:

Bank	Amount (RMB)	Interest rate (per annum)	Maturity date	Usage
China Merchants Bank	40 million	6.60%	September 25, 2014	Working capital purposes
Bank of China	30 million	6.44%	September 19, 2014	Working capital purposes
Bank of China	20 million	6.44%	December 19, 2014	Working capital purposes
Bank of Shanghai	45 million	6.00%	December 30, 2014	Working capital purposes
Hankou Bank	30 million	6.00%	April 18, 2015	Working capital purposes
Hankou Bank	59 million	6.77%	January 18, 2015	Working capital purposes

- approximately **[REDACTED]**% (approximately HK$**[REDACTED]**) as our working capital.

In the event that the **[REDACTED]** is set at the high point of the **[REDACTED]**, the net proceeds of the **[REDACTED]**, assuming the **[REDACTED]** is not exercised, will increase to approximately HK$**[REDACTED]**. Under such circumstances, the additional net proceeds will be used for the expansion of our school network in China. In the event that the **[REDACTED]** is set at the low point of the **[REDACTED]**, the net proceeds of the **[REDACTED]**, assuming the **[REDACTED]** is not exercised, will decrease to approximately HK$**[REDACTED]**. Under such circumstances, the reduced amount of net proceeds will be deducted from the amount applied towards acquisition of schools and working capital.

If the **[REDACTED]** is exercised in full, the net proceeds from the **[REDACTED]** will increase by HK$**[REDACTED]**, assuming an **[REDACTED]**, being the mid-point of the proposed **[REDACTED]**. In such event, the additional net proceeds will be used for the expansion of our school network in China.

To the extent that the net proceeds of the **[REDACTED]** are not immediately required for the above purposes or if we are unable to put into effect any part of our development plan as intended, we may hold such funds in short-term deposits so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the **[REDACTED]** Rules.

Since we are an offshore holding company, we will need to make capital contributions and loans to our PRC subsidiaries or through loans to our consolidated affiliated entities such that the net proceeds of this offering can be used in the manner described above. Such capital contributions and loans are subject to a number of limitations and approval processes under PRC laws and regulations. There are no costs associated with registering loans or capital contributions with relevant PRC authorities, other than nominal processing charges. Under PRC laws and regulations, the PRC governmental authorities are required to process such approvals or registrations or deny our application within a prescribed period, which are usually less than 90 days. The actual time taken, however, may be longer due to administrative delay. We cannot assure you that we can obtain the approvals from the relevant governmental authorities, or complete the registration and filing procedures required to use our net proceeds as described above, in each case on a timely basis, or at all. This is because PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC operating subsidiaries or consolidated affiliated entities, which could materially and adversely affect our liquidity and our ability to fund and expand our business. See the section headed "Risk Factors — Risks Relating to Our Contractual Arrangements" in this **[REDACTED]**.

BACKGROUND

Introduction

Due to regulatory restrictions on foreign ownership in our schools in the PRC as further described below, we conduct a substantial portion of our business through our consolidated affiliated entities in China. We do not hold any equity interests in our consolidated affiliated entities. Rather, through a series of Contractual Arrangements, we effectively control these consolidated affiliated entities and are able to derive substantially all of their economic benefits, and expect to continue to do so.

The Contractual Arrangements among us, Beipeng Software, our consolidated affiliated entities and shareholders of our consolidated affiliated entities enable us to:

(i) receive substantially all of the economic benefits from our consolidated affiliated entities in consideration for the services provided by Beipeng Software, whose primary businesses are software development, system integration and the provision of other technology-related services;

(ii) exercise effective control over our consolidated affiliated entities; and

(iii) hold an exclusive option to purchase all or part of the equity interests in our consolidated affiliated entities when and to the extent permitted by PRC laws.

As a holding company, our ability to pay dividends and other cash distributions to our Shareholders depends on our ability to receive dividends and other distributions from Beipeng Software. The amount of dividends and other distributions paid to us by Beipeng Software in turn depends on the service fees paid to Beipeng Software from our consolidated affiliated entities and from Dalian Maple Leaf High School. However, there are restrictions under PRC laws for the payment of dividends to us by Beipeng Software. In addition, if Beipeng Software incurs debt on its own behalf, the instruments governing the debt may restrict its ability to make payments or distributions to us. Furthermore, relevant PRC laws and regulations permit payments of dividends by Beipeng Software only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC laws and regulations, Beipeng Software is required to set aside at least 10% of its after-tax profits based on PRC accounting standards each year to fund a statutory reserve until the accumulated amount of such reserve has exceeded 50% of its registered capital. This reserve is not distributable as dividends. In addition, although Dalian Maple Leaf High School is our PRC subsidiary, it is not allowed to distribute dividends under PRC law due to its being an entity that does not require a "reasonable return". For more details on "reasonable returns", see the section headed "Regulatory Overview — Regulations on Private Education in the PRC" in this **[REDACTED]**. Consequently, each of Beipeng Software and Dalian Maple Leaf High School is restricted in its ability to transfer a portion of its net assets to us or any of our other subsidiaries in the form of dividends, loans or advances.

Beipeng Software could have charged our consolidated affiliated entities for intellectual property licenses as well as comprehensive technical and educational consultancy services in the amounts of RMB20.5 million, RMB20.3 million, RMB22.8 million and RMB7.9 million for the financial years ended August 31, 2011, 2012, 2013 and the six months ended February 28, 2014, respectively. However, in 2012 our Board determined that in order to finance the continued expansion of our business it would be preferable for the license and services fees payable to Beipeng Software under the Exclusive Management Consultancy and Business Cooperation Agreements (as defined below) for those three years to be retained by our consolidated affiliated entities. As of the Latest Practicable Date, Beipeng Software had received an aggregate of RMB2.8 million under the Exclusive Management Consultancy and Business Cooperation Agreements. Beipeng Software has not paid any dividends to us since it has an accumulated loss.

We do not hold equity interests in our consolidated affiliated entities; however, as a result of the Contractual Arrangements further described below, we have consolidated the financial results of our consolidated affiliated entities in our consolidated financial statements in accordance with IFRS. For the financial years ended August 31, 2011, 2012, 2013 and the six months ended February 28, 2014, RMB145.4 million, RMB187.0 million, RMB239.1 million and RMB172.7 million, respectively, or 42.0%, 45.2%, 50.7% and 71.1%, respectively, of our total net revenue was attributable to our consolidated affiliated entities. The remaining portion of our total net revenue for those years was attributable to revenue generated by Dalian Maple Leaf High School, one of our PRC subsidiaries.

For a detailed discussion of the risks associated with the Contractual Arrangements, see the section headed "Risk Factors — Risks Relating to Our Contractual Arrangements" in this **[REDACTED]**.

PRC laws and regulations relating to the education industry

PRC laws and regulations currently prohibit foreign ownership of elementary and middle schools in China. Furthermore, although PRC laws and regulations allow foreign investment in foreign national schools, preschools and high schools, government authorities either impose restrictions in this respect or, as a matter of policy, withhold approval for such ventures altogether. The Contractual Arrangements set out below are therefore necessary to achieve our business objectives, although they have been as narrowly tailored as possible so as to minimize potential conflict with current PRC laws and regulations.

Elementary Schools and Middle Schools

Pursuant to the Implementation Opinions on Encouraging and Guiding Private Fund's Entry into the Education Sector and Promoting Healthy Development of Private Education (關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見) promulgated by the MOE on June 18, 2012 (the "**Implementation Opinions**"), foreign-invested companies that engage in educational activities in the PRC should comply with the Foreign Investment Catalog. Elementary and middle schools offer compulsory education for students from grade one to nine, and such education falls within the "prohibited" category set forth in the Foreign Investment Catalog.

As a result, foreign investors (including individuals, companies, partnerships, educational institution and any other entities) are prohibited from owning elementary schools or middle schools in the PRC, whether through direct investments or through wholly-owned subsidiaries in the PRC. For this reason, the elementary schools and middle schools that are operated by us in the PRC are held by Dalian Science and Education and Dalian Educational Group, which are directly or indirectly wholly-owned by the Founder's Sister, and controlled by us pursuant to the Contractual Arrangements.

Moreover, our PRC Legal Counsel, Tian Yuan Law Firm, has opined that all possible actions or steps necessary for it to confirm that the Contractual Arrangements with respect to the operation of elementary and middle school businesses are valid, legal and binding and do not contravene PRC laws and regulations have been taken.

Foreign National Schools

Pursuant to the Administrative Measures, legally established foreign institutions, foreign invested enterprises, PRC branches of international organizations and foreign individuals who are legally residing in the PRC may apply to operate foreign national schools in accordance with the provisions thereof. According to the Administrative Measures, to operate a foreign national school, the investor should submit applications to the relevant educational authorities at the provincial, autonomous region or municipality level where the school is intended to operate and, after receiving a pre-approval from such educational authorities, the application will be forwarded to the relevant education department of the State Council for final approval. Pursuant to the September

2012 State Council Decision, the authority for approving foreign national schools was delegated to the relevant educational authorities at the provincial level.

As at February 28, 2014, we have two foreign national schools in Dalian, Liaoning province and Wuhan, Hubei province, respectively, through the Founder, a Canadian citizen qualified to be the foreign investor of a foreign national school in China under PRC laws, being the owner of the Foreign Schools. With the assistance of our PRC Legal Counsel, we have consulted the Department of Education of Hubei and Liaoning, respectively, with respect to changing the owner of the Foreign Schools from the Founder to us. However, according to the relevant educational authorities, due to the fact that the authority for approving Foreign Schools has only recently been delegated by the MOE to the relevant educational authorities at the provincial level pursuant to the September 2012 State Council Decision, and no detailed policies or regulations with regard to the change of owner of the Foreign Schools have yet been issued at the provincial level, the Department of Education of Hubei and Liaoning have confirmed that they will not accept any application for the change of owner from the Founder to us until the detailed policies and regulations have been issued. Therefore, the Founder will continue to be the owner of the Foreign Schools until the relevant provincial educational authorities approve the change of sponsor.

Our PRC Legal Counsel has opined that all possible actions or steps necessary for it to confirm that the Contractual Arrangements with respect to the operation of the Foreign Schools are valid, legal and binding and do not contravene PRC laws and regulations have been taken. If the detailed policies and procedures with respect to the application for the change of owner are issued and the relevant provincial educational authorities start accepting the applications, we will use our best endeavors to promptly obtain approval for the change of owner and operate the Foreign Schools without having to rely on the Contractual Arrangements.

Preschools and High Schools

The operation of preschools in the PRC is not regulated by the Foreign Investment Catalog. However, pursuant to the Sino-Foreign Regulation, foreign educational institutions and other foreign entities or individuals are prohibited from independently establishing and operating schools or other educational institutions (including preschools, secondary schools and other levels of schools) primarily intended for PRC students. In addition, if foreign educational institutions operate schools in the PRC primarily intended for PRC students through joint ventures with PRC educational institutions, they are required to comply with the Sino-Foreign Regulation.

The operation of high schools in the PRC falls within the "restricted" category of the Foreign Investment Catalog and is explicitly restricted to Sino-foreign cooperation, which means that foreign investors may only operate high schools through joint ventures with PRC incorporated entities that are in compliance with the Sino-Foreign Regulation. Pursuant to the Sino-Foreign Regulation, the foreign investor in a Sino-foreign joint venture school for PRC students at the preschool or high school level (a "**Sino-Foreign Joint Venture Private School**") must be a foreign educational institution with relevant qualification and experience (the "**Qualification Requirement**"). Furthermore, pursuant to the Implementation Opinions, the foreign portion of the total investment in a Sino-Foreign Joint Venture Private School should be below 50% (the "**Foreign Ownership Restriction**") and the establishment of these schools is subject to approval of education authorities at the provincial level.

We have consulted the relevant educational authorities that have jurisdiction over some regions where we currently offer preschool and high school education to PRC students with the assistance of our PRC Legal Counsel with regard to the current policies on foreign investment for preschools and high schools. These authorities include the International Cooperation and Exchange Division of Hubei Education Department (湖北省教育廳對外合作交流處), the International Cooperation and Exchange Division of Tianjin Education Commission (天津市教育委員會國際合作交流處), the International Cooperation and Exchange Division of

Chongqing Education Commission (重慶市教育委員會國際合作交流處), the International Cooperation and Exchange Division of Jiangsu Education Department (江蘇省教育廳國際合作交流處), the International Cooperation and Exchange Division of Liaoning Education Department (遼寧省教育廳國際合作交流處), the Preschool Division of Liaoning Education Department (遼寧省教育廳學前教育處), the Henan Education Department (河南省教育廳) and the Shanghai Education Commission (上海市教育委員會). During the consultation, these authorities expressed the opinion that:

(i) the foreign investor in a Sino-Foreign Joint Venture Private School should be an educational institution that already provides the same level of education in a foreign country, namely education for preschool or high school students; and

(ii) as a matter of policy, no Sino-Foreign Joint Venture Private School has been approved in their respective jurisdictions after the Sino-Foreign Regulation became effective on September 1, 2003.

We recently learned that one Sino-Foreign Joint Venture Private School was approved by the Committee of Education in Shanghai this year.

Due to the regulatory restrictions stated above, our preschools and high schools are either in the form of a "Sino-Foreign Joint Venture Private School", as in the case of Dalian Maple Leaf High School, or in the form of a domestic Chinese preschool or high school, as in the case of our other preschools and high schools.

Dalian Maple Leaf High School was established as a "Sino-Foreign Joint Venture Private School" in 1996 with the approval of the Department of Education of Liaoning Province. According to our PRC Legal Counsel, at that time, there was no law in China that imposed any restrictions on foreign investments in high schools. Dalian Maple Leaf High School, which is owned as to 95% by Maple Leaf Educational Systems Limited and 5% by Dalian Science and Education, by applying for an operating permit after the implementation of the Sino-Foreign Regulation, is exempted from the application of the Qualification Requirement under the Sino-Foreign Regulation, according to our PRC Legal Counsel. However, due to the Sino-Foreign Regulation, we are unable to convert Dalian Maple Leaf High School from a Sino-Foreign Joint Venture Private School into our wholly-owned school. Furthermore, none of our other preschools or high schools can be structured as "Sino-Foreign Joint Venture Private Schools" as neither we nor any of our subsidiaries outside of the PRC operate any preschool or high school or offer preschool or high school education. We therefore do not yet meet the Qualification Requirement that foreign investors in a Sino-Foreign Joint Venture Private School must be educational institutions that already provide education for preschool or high school students under the Sino-Foreign Regulation. As such, our schools that offer preschool or high school education other than Dalian Maple Leaf High School to PRC students are wholly-owned by the Founder's Sister and controlled by us pursuant to the Contractual Arrangements. Dalian Maple Leaf High School does not need to meet the percentage requirement set forth in the Foreign Ownership Restriction as defined above.

Our PRC Legal Counsel advised that it is currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant educational authority that it meets the Qualification Requirement. Furthermore, as noted above, the relevant PRC educational authorities that have jurisdiction over some regions where we offer preschool and high school education informed us that as a matter of policy, no Sino-Foreign Joint Venture Private School has been approved in their respective jurisdictions since the Sino-Foreign Regulation became effective on September 1, 2003.

Our PRC Legal Counsel has opined that, despite the Company not meeting the Qualification Requirement, the Contractual Arrangements in relation to the operation of preschools and high schools are valid, legal and binding and do not contravene PRC laws and regulations. According to our PRC Legal Counsel, under PRC laws and regulations, the preschools and high schools have been legally established and the failure to meet the Qualification Requirement does not render our preschool and high school businesses as illegal operations in the PRC. Even though no positive regulatory assurance has been obtained from relevant PRC regulatory authorities with respect to the use of the Contractual Arrangements in the education industry, and it is impracticable to obtain such assurance, no relevant PRC regulatory authorities have ever issued any regulations, rules or notices to prohibit the use of such Contractual Arrangements in the education industry.

Impact of Qualification Requirement and Contingency Plan to Meet It

In the opinion of our PRC Legal Counsel, if the PRC regulatory environment changes and both the Qualification Requirement and the Foreign Ownership Restriction are removed (and assuming there are no other changes in the relevant PRC laws and regulations), we will be able to restructure our operations and unwind the Contractual Arrangements with respect to our preschools and high schools so that we are able to directly operate our school without using the Contractual Arrangements. However, our PRC Legal Counsel noted that if the Foreign Ownership Restriction is removed but the Qualification Requirement remains (and assuming there are no other changes in the relevant PRC laws and regulations), it may be necessary for us to continue to operate our preschools and high schools using the Contractual Arrangements while at the same time working towards meeting the Qualification Requirement. To unwind the Contractual Arrangements when the Company cannot satisfy the Qualification Requirement may contravene the relevant PRC laws and regulations.

In order to prepare for the potential contingency noted above where the Foreign Ownership Restriction is removed but the Qualification Requirement remains, we have adopted a specific plan and begun to take concrete steps which we, in conjunction with our PRC Legal Counsel, reasonably believe are meaningful endeavors to demonstrate compliance with the Qualification Requirement.

As of the Latest Practicable Date, we had taken the following concrete steps to implement the plan adopted by our Board:

- We are negotiating with the local government in South Korea to explore an school expansion opportunity in Suncheon City, namely, the Maple Leaf International Academy (the "**Korean School**"). In relation to the Korean School, we had incurred costs of approximately US$1 million up until February 28, 2014. If we can establish the Korean School, we plan to operate it as our international school in South Korea so that it would help us satisfy the Qualification Requirement.
- Our overseas experience also includes elective summer and winter vacation activities, such as summer and winter camps and English training courses in Canada, Australia and the United States. We 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. Through our camps and tours, our students have visited post-secondary institutions in Canada, Australia and the United States. We have also recently developed summer camps in South Korea. For more details, see the section headed "Business — Other Services — Summer and Winter Camps and Tours" in this **[REDACTED]**.

In the opinion of our PRC Legal Counsel, if the Foreign Ownership Restriction is removed but the Qualification Requirement remains and assuming the Korean School or another entity established by us gains a level of foreign experience sufficient to demonstrate compliance with the Qualification Requirement in the future, we will be able to operate our schools in the PRC directly through the Korean School or such other entity.

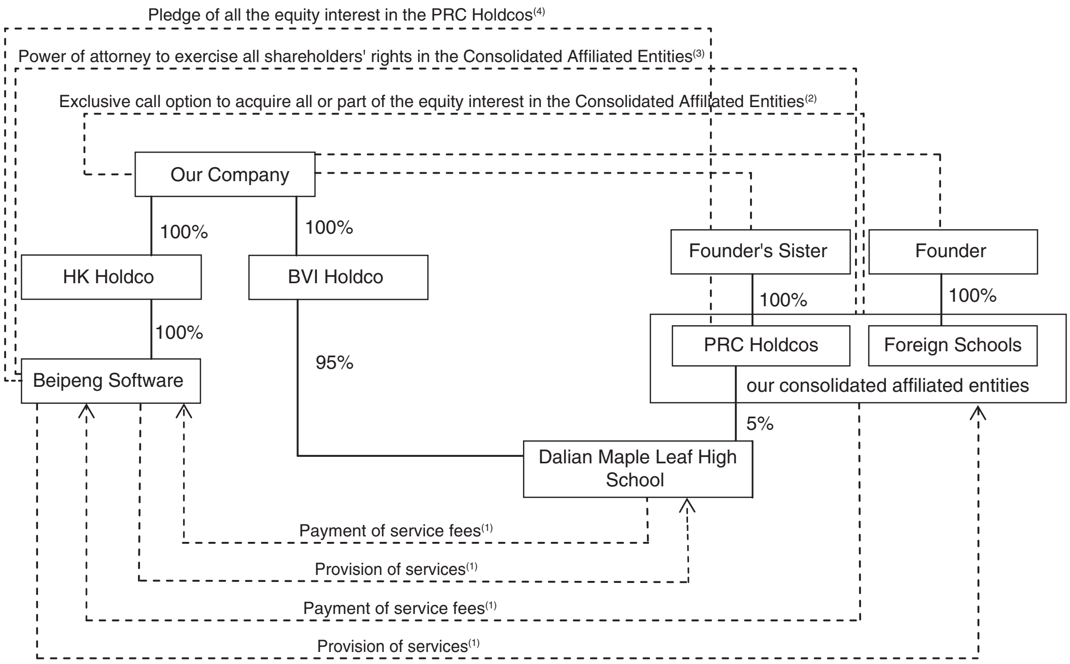
Furthermore, we have undertaken to the **[REDACTED]** that we will:

(i) under the guidance of our PRC Legal Counsel, continue to keep ourselves updated with regard to all relevant regulatory developments and guidance relating to the Qualification Requirement; and

(ii) provide periodic updates in our annual and interim reports after **[REDACTED]** to inform our Shareholders of our efforts and actions undertaken to comply with the Qualification Requirement.

CONTRACTUAL ARRANGEMENTS

The following simplified diagram illustrates the flow of economic benefits from our consolidated affiliated entities to our Group stipulated under the Contractual Arrangements:



Note:

1. See the section headed "Contractual Arrangements — Exclusive Management Consultancy and Business Cooperation Agreements" in this **[REDACTED]**.
2. See the section headed "Contractual Arrangements — Call Option Agreements" in this **[REDACTED]**.
3. See the section headed "Contractual Arrangements — Powers of Attorney" in this **[REDACTED]**.
4. See the section headed "Contractual Arrangements — Equity Pledge Agreements" in this **[REDACTED]**.
5. "__________" denotes direct legal and beneficial ownership in the equity interest and "............." denotes Contractual Arrangements.

A description of each of the specific agreements that comprise the Contractual Arrangements, which superseded an earlier set of agreements signed in 2007 and 2010, is set out below.

Exclusive Management Consultancy and Business Cooperation Agreements

Pursuant to the exclusive management consultancy and business cooperation agreements (i) among Beipeng Software, Dalian Educational Group and any of its subsidiaries and schools and the Founder's Sister, (ii) among Beipeng Software and Dalian Maple Leaf High School and (iii) among Beipeng Software, Wuhan Foreign School, Dalian Foreign School and the Founder entered into on May 11, 2014, respectively (the "**Exclusive Management Consultancy and Business Cooperation Agreements**"), each of which superseded all previous agreements among the parties with respect to subject matters thereof, Beipeng Software has the exclusive right to provide, or designate any third party to provide each of our consolidated affiliated entities and Dalian Maple Leaf High School with intellectual property development and licensing services as well as comprehensive technical and educational consultancy services. Such services include educational software and course materials, research and development, employee training, technology development, transfer and consulting services, public relation services, market survey, research and consulting services, market development and planning services, human resource and internal information management, network development, upgrade and ordinary maintenance services, sales of proprietary products, and software and trademark and know-how licensing and other additional services as the parties may mutually agree from time to time. Without Beipeng Software's prior written consent, none of the consolidated affiliated entities or Dalian Maple Leaf High School may accept services covered by the Exclusive Management Consultancy and Business Cooperation Agreements from any third party.

Beipeng Software owns all intellectual property rights arising out of the performance of this agreement. Our consolidated affiliated entities and Dalian Maple Leaf High School agree to pay service fees equal to 100% of their net income after deducting the relevant reserved funds as required by relevant PRC laws and regulations to Beipeng Software and adjust the service fees after good faith negotiations. For the financial years ended August 31, 2011, 2012, 2013 and the six months ended February 28, 2014, the amount of fees Beipeng Software could have charged under all of the Exclusive Management Consultancy and Business Cooperation Agreements was RMB20.5 million, RMB20.3 million, RMB22.8 million and RMB7.9 million, respectively. The Exclusive Management Consultancy and Business Cooperation Agreements will not expire unless the parties mutually agree to terminate.

Furthermore, in order to prevent the leakage of assets and values of the consolidated affiliated entities to their respective shareholders, under the Exclusive Management Consultancy and Business Cooperation Agreements, without the prior written approval from Beipeng Software, the consolidated affiliated entities and Dalian Maple Leaf High School shall not enter into any transaction (save as those transactions entered into in the ordinary course of business) that may affect its assets, obligations, rights or operation, including but not limited to (i) the provision of any guarantee to any third party or the creation of any encumbrances in relation to its assets; (ii) the entering into of any loan or debt obligations owing to any third party; (iii) the disposal or acquisition of any assets (including but not limited to intellectual properties) with a value higher than RMB500,000.

In addition, under the Exclusive Management Consultancy and Business Cooperation Agreements, without the prior written consent of Beipeng Software, none of the consolidated affiliated entities or Dalian Maple Leaf High School shall change or remove the members of its board of directors who are appointed by Beipeng Software in accordance with the memorandum and articles of association of each of the consolidated affiliated entities and Dalian Maple Leaf High School. Beipeng Software also has the right to appoint the school principals, financial controllers and other senior managers of the consolidated affiliated entities and Dalian Maple Leaf High School. Beipeng Software has absolute control over the distribution of dividends or any other amounts to the shareholders of the consolidated affiliated entities and Dalian Maple Leaf High School as the consolidated affiliated entities, Dalian Maple Leaf High School and their shareholders have undertaken not to make any distribution without Beipeng Software's prior written consent. Beipeng software also has the right to periodically receive or inspect the accounts of the consolidated affiliated entities and Dalian Maple Leaf High School and the financial results of the consolidated affiliated entities and Dalian Maple Leaf High School can be consolidated into our Group's financial information as if they were our Group's subsidiaries.

Call Option Agreements

Under the two call option agreements (i) by and among our Company, Dalian Educational Group and the Founder's Sister dated May 11, 2014 and (ii) by among our Company, Dalian Science and Education and the Founder's Sister dated May 11, 2014 (the "**PRC Holdco Call Option Agreements**"), the Founder's Sister, unconditionally and irrevocably agreed to grant us or our designated third party an exclusive option to purchase part or all of the equity interests in the PRC Holdcos, as the case may be, for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations, under circumstances in which our company or its designated third party is permitted under PRC laws and regulations to own all or part of the equity interests of the PRC Holdcos. Where the purchase price is required by the relevant PRC laws and regulations to be an amount other than nil consideration, the Founder's Sister shall return the amount of purchase price she has received to each of the PRC Holdcos, our Company or our designated third party. Our Company has the sole discretion to decide when to exercise the option, and whether to exercise the option in part or in full. The key factor for us to decide whether to exercise the option is whether the current regulatory restrictions on foreign investment in the educational business will be removed in the future, the likelihood of which we are not in a position to know or comment on at the Latest Practicable Date.

Under the call option agreements entered into by and among our Company, the Founder and each of our Foreign Schools, both dated May 11, 2014 (the "**Foreign School Call Option Agreements**", and together with the "**PRC Holdco Call Option Agreements**", the "**Call Option Agreements**"), the Founder unconditionally and irrevocably agreed to grant us or our designated third party an exclusive option to purchase from the Founder part or all of his interests in our Foreign Schools, as the case may be, for nil consideration or the minimum amount of consideration permitted by the applicable PRC laws and regulations under circumstances in which our Company or our designated third party requires to own all or part of such interests held by the Founder to the extent permitted under PRC laws and regulations. Where the purchase price is required by the relevant PRC laws and regulations to be an amount other than nil consideration, the Founder shall return the amount of purchase price he has received to each of the Foreign Schools, our Company or our designated third party. Our Company has the sole discretion to decide when to exercise the option and whether to exercise the option in part or in full. The key factor for us to decide whether to exercise the option is whether the current government approval policy and practice on the change of sponsor of foreign national schools will become clear, the likelihood of which we are not in a position to know or comment on at the Latest Practicable Date.

Each of the Call Option Agreements supersedes all previous agreements among the parties with respect to the subject matters thereof, and each of which is for an indefinite term commencing on May 11, 2014 and being the date of the Call Option Agreements, until it is terminated (i) upon the exercise of the exclusive option by the Company or its designated third party to purchase from the Founder's Sister or the Founder all of their respective interests in the PRC Holdcos and the Foreign Schools, or (ii) upon any agreement reached among the parties thereto in relation to the termination of the Call Option Agreement.

In order to prevent the flow of the assets and value of our consolidated affiliated entities to their respective shareholders, pursuant to the Call Option Agreements, none of the assets of the consolidated affiliated entities are to be sold, transferred or otherwise disposed of without the written consent of the Company. In addition, under the Call Option Agreements, none the shareholders of the consolidated affiliated entities may transfer or permit the encumbrance of or allow any guarantee or security to be created on any of his or her equity interests in the consolidated affiliated entities without the Company's prior written consent.

In addition, the consolidated affiliated entities are not allowed to make any distributions to their registered shareholders without the prior written consent of Beipeng Software. In the event that the registered shareholders of the consolidated affiliated entities receive any profit distribution or dividend from the consolidated affiliated entities, the registered shareholders must immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to the Company. If the Company exercises this option, all or any part of the equity interests of the consolidated affiliated entities acquired would be transferred to the Company and the benefits of equity ownership would flow to the Company and its shareholders.

Equity Pledge Agreements

Pursuant to the equity pledge agreements entered into by and among Beipeng Software, Dalian Educational Group and the Founder's Sister dated May 26, 2014, and by and among Beipeng Software, Dalian Science and Education and the Founder's Sister dated May 26, 2014 (the "**Equity Pledge Agreements**"), the Founder's Sister, unconditionally and irrevocably pledged all of the equity interests in the PRC Holdcos, respectively, to Beipeng Software to guarantee performance of the obligations of the PRC Holdcos and their respective subsidiaries and schools under the Exclusive Management Consultancy and Business Cooperation Agreements and performance of her obligations under the Call Option Agreements and Powers of Attorney with Beipeng Software. Under the Equity Pledge Agreements, the Founder's Sister has agreed that, without the prior written consent of Beipeng Software, she will not transfer or dispose the pledged equity interests or create or allow any encumbrance on the pledged equity interests that would prejudice Beipeng Software's interest. The equity pledge is required to be registered under the relevant laws and regulations. We filed the Equity Pledge Agreements, the identification card of the shareholder, the business licenses of the consolidated affiliated entities and other relevant documents with the corresponding local administration bureau for industry and commerce and completed the registrations for the two equity pledges. The equity pledge registration of Dalian Educational Group was completed on May 30, 2014 with the Dalian Administration Bureau for Industry and Commerce. The equity pledge registration of Dalian Science and Education was completed on May 28, 2014, with the Dalian Administration Bureau for Industry and Commerce of Dalian Economic and Technical Development Zone. Our PRC Legal Counsel has confirmed that the Equity Pledge Agreements have been duly registered with the relevant PRC legal authority pursuant to PRC laws and regulations. The Equity Pledge Agreements shall remain valid until (i) all the contractual obligations of the PRC Holdcos, their respective subsidiaries and schools and the Founder's Sister are satisfied in full under the Exclusive Management Consultancy and Business Cooperation Agreements, the Call Option Agreements and Powers of Attorney; or (ii) the nullification or termination of the Exclusive Management Consultancy and Business Cooperation Agreements, the Call Option Agreements and Powers of Attorney, whichever is later.

There is no equity pledge arrangement between the Founder and the Company. Even if we were to make an equity pledge arrangement with the Founder, such arrangement would be unenforceable under PRC laws and regulations, as interests in schools are not pledgeable under PRC laws and any equity pledge arrangements with respect to interests in schools cannot be registered with the relevant PRC regulatory authorities. Only legally established foreign institutions, foreign invested enterprises, PRC branches of international organizations and foreign individuals who are legally residing in the PRC are permitted to operate and be sponsors of a foreign national school under the relevant PRC laws and regulations. An entity held by a PRC citizen or a domestic enterprise cannot be a sponsor of a foreign national school. Therefore, the Founder cannot hold his interest in the Foreign Schools through a PRC holding company. To further enhance the Company's security over the Foreign Schools, the Company has taken measures to ensure that the company seals of the Foreign Schools are properly secured, are within the full control of the Company and cannot be used by the Founder without its permission. Such measures include arranging for the company seals of the Foreign Schools to be kept in the safe custody of the Finance Department and setting up lines of authority for using the company seals, financial chops and business registration certificates such that the company seals, financial chops and business registration certificates can only be used under direct authorization of the Company.

Powers of Attorney

The Founder's Sister has executed an irrevocable power of attorney dated May 11, 2014 (the "**PRC Holdco Power of Attorney**") appointing Beipeng Software, or any person designated by Beipeng Software, as her attorney-in-fact to appoint directors and vote on her behalf on all matters of the PRC Holdcos requiring shareholder approval under the articles of associations of each entity and under the relevant PRC laws and regulations. The power of attorney remains effective as long as the Founder's Sister remains a shareholder of Dalian Educational Group and Dalian Science and Education, unless Beipeng Software requests to replace the appointed designee under the PRC Holdco Power of Attorney.

The Founder, with respect to our Foreign Schools, has executed an irrevocable power of attorney dated May 11, 2014 (the "**Foreign School Power of Attorney**", and together with the "**PRC Holdco Power of Attorney**", the "**Powers of Attorney**") appointing Beipeng software, or any person designated by Beipeng Software, as his attorney-in-fact to appoint directors and vote on his behalf or on behalf of such directors to vote on all matters of our Foreign Schools requiring director approval under the articles of associations of each entity and under the relevant PRC laws and regulations. The power of attorney remains effective as long as the Founder retains interests in, and remains a director of, our Foreign Schools, unless Beipeng Software requests to replace the appointed designee under the Foreign School Power of Attorney.

The articles of association of the PRC Holdcos each state that the shareholders, in a shareholders' meeting, have the power to approve the operating strategy and investment plan, elect the members of the board of directors and approve their compensation, and review and approve the annual budget and earning distribution plan for each entity. Therefore, through the irrevocable power of attorney arrangement, we and our wholly-owned PRC subsidiary, Beipeng Software, have the ability to exercise effective control over the PRC Holdcos through shareholder votes and, through such votes, to also control the composition of the board of directors for each entity.

The articles of association of our Foreign Schools each state that the directors whom are appointed by the investors of the schools, in a board of directors' meeting, have the power to approve the operating strategy and investment plan, elect principals and other senior management and approve their compensation, and review and approve the annual budget and earning distribution plan for each entity. Therefore, through the irrevocable power of attorney arrangement, we and our wholly-owned PRC subsidiary, Beipeng Software, have the ability to exercise effective control over our Foreign Schools through our appointing directors and director votes.

In addition, the Powers of Attorney specifically provide that (i) the attorney-in-fact is entitled to sign minutes, file documents with the relevant companies registries, and (ii) in the event of a winding-up of any of the consolidated affiliated entities, the attorney-in-fact has the right to appoint a liquidator to deal or manage the assets obtained after such winding-up for the benefit of our Company and its shareholders.

Those of our powers to direct the activities of our consolidated affiliated entities that most significantly impact these entities' economic performance include:

(i) as the attorney-in-fact of shareholders, we elect all members of the board of directors for each of our consolidated affiliated entities, approve the director compensation, review and approve annual budget and vote on all matters that requiring approval from shareholders;

(ii) through the control over the consolidated affiliated entities' boards, we appoint all senior management, approve executive compensation and review and approve operating, investing, and financing plans; and

(iii) Through control over the management team, we effectively control the daily operations of our consolidated affiliated entities.

Dispute Resolution

In the event of any dispute with respect to the construction and performance of the provisions, each of the Exclusive Management Consultancy and Business Cooperation Agreements, Call Option Agreements and Equity Pledge Agreements stipulates that the parties shall negotiate in good faith to resolve the dispute. In the event the parties fail to reach an agreement on the resolution of such a dispute, any party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing, and the language used during arbitration shall be Chinese. The arbitration ruling shall be final and binding on all parties.

The dispute resolution clause of each of the Contractual Arrangements also provide that the arbitral tribunal may award remedies over the shares or land assets of the consolidated affiliated entities and Dalian Maple Leaf High School, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of the consolidated affiliated entities; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of the Company) and the PRC (being the place of incorporation of the consolidated affiliated entities and Dalian Maple Leaf High School) also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the shares or properties of the consolidated affiliated entities and Dalian Maple Leaf High School.

However, our PRC Legal Counsel has advised that the tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of the consolidated affiliated entities or Dalian Maple Leaf High School pursuant to current PRC laws. In addition, interim remedies or enforcement orders granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable under the current PRC laws.

Our PRC Legal Counsel has advised us that the practical consequences for the Group arising from the possible non-enforceability of provisions in the agreements underlying the Contractual Arrangements are as follows:

(i) Should Beipeng Software intend to seek interim remedies in support of the arbitration when formation of the arbitral tribunal is pending or under appropriate circumstances, Beipeng Software may either seek (a) the interim remedies available from a PRC arbitral tribunal described below or (b) the interim remedies before a PRC court pursuant to Articles 100 and 101 of the PRC Civil Procedure Law and Article 28 of the PRC Arbitration Law, rather than before any courts in Hong Kong or the Cayman Islands.

(ii) Under current PRC law, the remedies that arbitral tribunals, including the China International Economic and Trade Arbitration Commission, are empowered to award are limited to the following:

- cessation of infringements;
- removal of obstacles;
- elimination of dangers;
- return of property;
- restoration of original condition;
- repair, reworking or replacement;
- compensation for losses;
- payment of breach of contract damages;
- elimination of ill effects and rehabilitation of reputation; and
- extension of apology.

Because the remedies that the China International Economic and Trade Arbitration Commission is empowered to award do not include injunctive relief or winding up orders, under PRC law, Beipeng Software can only seek similar but not identical remedies, such as cessation of infringements or return of property, from the China International Economic and Trade Arbitration Commission. Alternatively, Beipeng Software may seek similar remedies from a competent court, such as interim measures (e.g., asset preservation) over the assets or shares of the consolidated affiliated entities and Dalian Maple Leaf High School and winding up orders against the consolidated affiliated entities under appropriate circumstances.

(iii) Even if the abovementioned provisions may not be enforceable under current PRC laws, our PRC Legal Counsel has confirmed that the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreements under the Contractual Arrangements.

Succession

The provisions set out in the Contractual Arrangements are also binding on the successors of the shareholders of the consolidated affiliated entities, as if the successor was a signing party to the Contractual Arrangements. Although the Contractual Arrangements do not specify the identity of successors to such shareholders, under the succession law of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents and any breach by the successors would be deemed to be a breach of the Contractual Arrangements. In case of a breach, Beipeng Software or the Company can enforce its right against the successors. Further, pursuant to the Powers of Attorney, in the event of death or any other event which causes the inability of the Founder or Founder's Sister to perform their day-to-day obligations, the successor of the Founder or Founder's Sister is to inherit any of the rights and obligations of the Founder or the Founder's Sister subject to him or her being bound by the provisions of the Powers of Attorney.

In addition, the spouses of each of the Founder and the Founder's Sister executed an irrevocable undertaking on May 11, 2014 (the "**Spouse's Undertakings**") whereby the spouses expressly and irrevocably (i) acknowledge the entry into of the Contractual Arrangements by the Founder and the Founder's Sister, respectively; (ii) undertake that they shall not take any actions that are in conflict with purpose and intention of the Contractual Arrangements, including but not limited to acknowledging that any equity interests held by the shareholders do not fall within the scope of their community properties; and (iii) confirm that their consent and approval is not required for the implementation of the Contractual Arrangements, any amendments thereto or the termination thereof.

Therefore, our PRC Legal Counsel is of the view that (i) the Contractual Arrangements provide protection to the Group even in the event of death of the shareholders of the consolidated affiliated entities; and (ii) the death of the such shareholders would not affect the validity of the Contractual Arrangements, and Beipeng Software or the Company can enforce its right under the Contractual Arrangements against the successors of such shareholders.

Conflicts of Interests

The Founder and the Founder's Sister have undertaken that during the period that the Contractual Arrangements remain effective, (i) unless otherwise agreed to by Beipeng Software in writing, they would not, directly or indirectly (either on their own account or through any natural person or legal entity) participate, or be interested, or engage in, acquire or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may potentially be in competition with the businesses of the consolidated affiliated entities or any of its affiliates; and (ii) any of their actions or omissions would not lead to any conflict of interest between them and Beipeng Software (including but not limited to its shareholders). Furthermore, in the event of the occurrence of a conflict of interests (where Beipeng Software has the sole absolute discretion to determine whether such conflict arises), they agree to take any appropriate actions as instructed by Beipeng Software.

Loss Sharing

None of the agreements constituting the Contractual Arrangements provide that the Company or Beipeng Software, is obligated to share the losses of the consolidated affiliated entities or provide financial support to the consolidated affiliated entities. Further, each of the PRC Holdcos is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Under PRC laws and regulations, our Company or Beipeng Software, as the primary beneficiary of the consolidated affiliated entities, is not expressly required to share the losses of the consolidated affiliated entities or provide financial support to the consolidated affiliated entities. Despite the foregoing, given that our Group conducts its businesses in the PRC through the consolidated affiliated entities which hold the requisite PRC licenses and approvals, and that the consolidated affiliated entities' financial condition and results of operations are consolidated into our Company's financial statements and results of operations under the applicable accounting principles, our Company's business, financial condition and results of operations would be adversely affected if the consolidated affiliated entities suffer losses. Therefore, the provisions in the contractual arrangements are tailored so as to limit, to the greatest extent possible, the potential adverse effect on Beipeng Software and the Company resulting from any loss suffered by the consolidated affiliated entities.

For instance, as provided in the Call Option Agreements, none of the assets of the consolidated affiliated entities are to be sold, transferred or otherwise disposed of without the written consent of our Company. In addition, under the Call Option Agreements, none of the shareholders of the consolidated affiliated entities may transfer or permit the encumbrance of or allow any guarantee or security to be created on any of his or her equity interests in the consolidated affiliated entities without the Company's prior written consent.

In addition, under the Exclusive Management Consultancy and Business Cooperation Agreements, without the prior written consent of Beipeng Software, the consolidated affiliated entities and Dalian Maple Leaf High School shall not change or remove the members of the boards of directors who are appointed by Beipeng Software in accordance with the memorandum and articles of association of each of the consolidated affiliated entities and Dalian Maple Leaf High School. Beipeng Software also has the right to appoint the school principals, financial controllers and other senior managers of the consolidated affiliated entities and Dalian Maple Leaf High School. Beipeng Software has absolute control over the distribution of dividends or any other amounts to the shareholders of the consolidated affiliated entities and Dalian Maple Leaf High School as the consolidated affiliated entities, Dalian Maple Leaf High School and their shareholders have undertaken not to make any distribution without the prior written consent of Beipeng Software. Beipeng software also has the right to periodically receive or inspect the accounts of the consolidated affiliated entities and Dalian Maple Leaf High School and the financial results of the consolidated affiliated entities and Dalian Maple Leaf High School can be consolidated into our Group's financial information as if they were our Group's subsidiaries.

Liquidation

According to the Exclusive Management Consultancy and Business Cooperation Agreements and the Call Option Agreements, the shareholders of the consolidated affiliated entities and Dalian Maple Leaf High School undertake to appoint a committee designated by Beipeng Software as the liquidation committee upon the winding up of the consolidated affiliated entities and Dalian Maple Leaf High School to manage their assets. However, in the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation, all of the remaining assets and residual interests of consolidated affiliated entities and Dalian Maple Leaf High School shall be transferred to Beipeng Software after such liquidation pursuant to PRC laws.

Insurance

The Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

Company's Confirmation

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through the consolidated affiliated entities under the Contractual Arrangements.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, Tian Yuan Law Firm, our PRC Legal Counsel, is of the opinion that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations and that:

(i) each of Beipeng Software, the consolidated affiliated entities and Dalian Maple Leaf High School is a duly incorporated and validly existing company or school, and their respective establishment is valid, effective and complies with the relevant PRC laws; each of the Founder and the Founder's Sister, is a natural person with full civil and legal capacity. Each of Beipeng Software, the consolidated affiliated entities, Dalian Maple Leaf High School, the Founder and the Founder's Sister has obtained all necessary approvals and authorizations to execute and perform the Contractual Arrangements.

(ii) as at the date of issuing their PRC opinion, no PRC laws explicitly prohibit contractual arrangements in the private education industry in China and none of the content or the execution of the Contractual Arrangements violates any provisions of PRC laws. Parties to each of the agreements are entitled to execute the agreements and perform their respective obligations thereunder. Each of the agreements is binding on the parties thereto and none of them constitutes "concealment of illegal intentions with a lawful form;

(iii) none of the Contractual Arrangements violates any provisions of the articles of association of the consolidated affiliated entities, Dalian Maple Leaf High School and Beipeng Software;

(iv) each of the Contractual Arrangements is binding on the assignees or successors of the parties thereto. In the event of bankruptcy of any of the consolidated affiliated entities or Dalian Maple Leaf High School, Beipeng Software or the Company is entitled to enforce its rights against the assignees or successors of any of the shareholder of the consolidated affiliated entities;

(v) the parties to each of the Contractual Arrangements are not required to obtain any approvals or authorizations from the PRC governmental authorities, except that the Call Option Agreements are subject to approval by MOFCOM or its branch, and registration with the local administration bureau for industry and commerce upon the exercise by the Company of its rights under the Call Option Agreements to acquire all or part of the equity interests in the consolidated affiliated entities. On August 8, 2006, six PRC governmental and regulatory agencies, including MOFCOM and the CSRC, promulgated the Rules on Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者並購境內企業的規定, the "**M&A Rules**"), a regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on September 8, 2006 and revised on June 22, 2009. Pursuant to the M&A Rules, the acquisition of a PRC domestic enterprise by a Foreign Investor (as defined in the M&A Rules) is subject to approval by, and registration with the relevant PRC regulatory authorities. In the event that our Company exercises of its rights under the Call Option Agreements to acquire all or part of the equity interests in the consolidated affiliated entities, it will need to obtain the approval of relevant PRC regulatory authorities pursuant to the M&A Rules.

(vi) neither Beipeng Software nor our Company is obligated to share the losses of the consolidated affiliated entities, Dalian Maple Leaf High School, the Founder or the Founder's Sister or provide financial support to the consolidated affiliated entities and Dalian Maple Leaf High School. Each of the consolidated affiliated entities is a limited liability company or school and shall be solely liable for its own debts and losses with assets and properties owned by it;

(vii) each of the Contractual Arrangements is enforceable under PRC laws, except for the following provisions regarding dispute resolution and the liquidating committee:

a. the Contractual Arrangements provide that any dispute shall be submitted to the China International Economic and Trade Arbitration Centre for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing. They also provide that the arbitrator may award interim remedies over the shares or land assets of the consolidated affiliated entities and Dalian Maple Leaf High School or injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of the consolidated affiliated entities and Dalian Maple Leaf High School; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of the Company) and the PRC (being the place of incorporation of the consolidated affiliated entities) also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the shares or properties of the consolidated affiliated entities and Dalian Maple Leaf High School. However, our PRC Legal Counsel has advised that the tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of the consolidated affiliated entities or Dalian Maple Leaf High School pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable in China; and

b. the Contractual Arrangements provide that the shareholders of the consolidated affiliated entities and Dalian Maple Leaf High School undertake to appoint a committee designated by Beipeng Software as the liquidation committee upon the winding up of the consolidated affiliated entities and Dalian Maple Leaf High School to manage their assets. However, in the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation, these provisions may not be enforceable under PRC Laws.

We have been advised by our PRC Legal Counsel, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to the above opinion of our PRC Legal Counsel. We have been further advised by our PRC Legal Counsel that if the PRC government finds that the Contractual Arrangements do not comply with PRC government restrictions on foreign investment in the education business, we could be subject to severe penalties, which could include:

(i) revoking the business and operating licenses of Beipeng Software and the consolidated affiliated entities;

(ii) restricting or prohibiting related party transactions between Beipeng Software and the consolidated affiliated entities;

(iii) imposing fines or other requirements with which we, Beipeng Software or the consolidated affiliated entities may find difficult or impossible to comply;

(iv) requiring us, Beipeng Software or the consolidated affiliated entities to restructure the relevant ownership structure or operations; and

(v) restricting or prohibiting the use of any proceeds from the **[REDACTED]** to finance our business and operations in China.

The imposition of any of these penalties could have a material adverse effect on our ability to conduct our business. See the sections headed "Risk Factors — Risks Relating to Our Contractual Arrangements — If the PRC government finds that the agreements that establish the structure for operating our business in China do not comply with applicable PRC laws and regulations, we could be subject to severe penalties and our business may be materially and adversely affected" and "Risk Factors — Risks Relating to Doing Business in China — Uncertainties with respect to the PRC legal system could materially and adversely affect us" in this **[REDACTED]**.

Accounting Aspects of the Contractual Arrangements

Consolidation of Financial Results of the Consolidated Affiliated Entities

According to IFRS 10 — Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although our Company does not directly or indirectly own the consolidated affiliated entities, the Contractual Arrangements as mentioned above enable our Company to exercise control over the consolidated affiliated entities.

Under the Exclusive Management Consultancy and Business Cooperation Agreements, it was agreed that, in consideration of the services provided by Beipeng Software, each of the consolidated affiliated entities and Dalian Maple Leaf High School will pay service fees to Beipeng Software. The service fees, subject to Beipeng Software's adjustment, are equal to 100% of the net income after deducting the relevant reserved funds as required by relevant laws and regulations of the consolidated affiliated entities and Dalian Maple Leaf High School. Beipeng Software may adjust the service fees at its discretion and allow the consolidated affiliated entities and Dalian Maple Leaf High School to retain sufficient working capital to carry out any growth plans. Beipeng software also has the right to periodically receive or inspect the accounts of the consolidated affiliated entities and Dalian Maple Leaf High School. Accordingly, Beipeng Software has the ability, at its sole discretion, to extract substantially all of the economic benefit of the consolidated affiliated entities and Dalian Maple Leaf High School through the Exclusive Management Consultancy and Business Cooperation Agreements.

In addition, under the Call Option Agreements among the parties, the Company has absolute control over the distribution of dividends or any other amounts to the shareholders of the consolidated affiliated entities as the Company's prior written consent is required before any distribution can be made. In the event that the registered shareholders of the consolidated affiliated entities receive any profit distribution or dividend from the consolidated affiliated entities, the registered shareholders must immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to the Company.

As a result of these Contractual Arrangements, our Company has obtained control of the consolidated affiliated entities through Beipeng Software and, at our Company's sole discretion, can receive substantially all of the economic interest returns generated by the consolidated affiliated entities. Accordingly, the consolidated affiliated entities' results of operations, assets and liabilities, and cash flows are consolidated into the Company's financial statements.

In this regard, our Directors consider that the Company can consolidate the financial results of the consolidated affiliated entities into our Group's financial information as if they were our Group's subsidiaries. The basis of consolidating the results of the consolidated affiliated entities is disclosed in note 3 to the Accountant's Report set out in Appendix I to this **[REDACTED]**.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of **[REDACTED]**, the Founder and Sherman Investment collectively will be our Controlling Shareholders directly and beneficially interested in approximately 53.84% of our issued share capital. Sherman Investment is a holding company incorporated in the BVI that is wholly-owned by our Founder, Mr. Jen.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Our Board is satisfied, on the basis of the following, that our Group is capable of carrying on its business independently of the Controlling Shareholders and its associates after the **[REDACTED]**.

Operational Independence

Our Group is not operationally dependent on the Controlling Shareholders. We do not rely on the Controlling Shareholders for our business development, staffing or marketing and sales activities. Our Directors and senior management are responsible for the conduct of our business. We have independent access to our customers and an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently. Our Directors are of the view that there is no operational dependence by us on our Controlling Shareholders.

Management Independence

Our Board consists of eight Directors, comprising four executive Directors, two non-executive Directors (one of whom will cease to be a Director after **[REDACTED]**) and three independent non-executive Directors. Mr. Jen is our Executive Director, Chairman of the Board and Co-Chief Executive Officer.

Our daily management and operations are carried out by a senior management team. None of the members of our senior management team hold any board or other executive position in, or are employed by, any entity controlled by the Controlling Shareholders outside the Group.

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs. We also have our own treasury function which is operated independently from the Controlling Shareholders. We are capable of obtaining financing from third parties, if necessary, without reliance on the Controlling Shareholders. Our Directors are of the view that there is no financial dependence by us on our Controlling Shareholders.

NON-COMPETITION UNDERTAKING

In March 2008, each of our Founder, Ms. Amy Yan, Shu Ling Jen and Sherman Investment undertook to the Company and Sequoia Capital China Growth Fund I, L.P. not to establish new entities or schools that are in competition with the entities or schools directly or indirectly controlled by us without our consent.

CORPORATE GOVERNANCE

Our Company has adopted the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**Code**") and will comply with the code provisions in the Code. The Code sets out principles of good corporate governance in relation to, among other matters, directors, the chairman and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration and communications with shareholders.

Our Company is also required to comply with the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, which provides, among other matters, prohibitions on directors' dealings in securities and protection of minority shareholders' rights.

Our Directors are therefore satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority shareholders' rights after the **[REDACTED]**.

Our Company is committed to the view that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on our Board which can effectively exercise independent judgment. Our independent non-executive Directors, details of whom are set out in the section headed "Directors and Senior Management" in this **[REDACTED]**, individually and together possess the requisite knowledge and experience to be a member of our Board. All of our independent non-executive Directors are experienced and will provide impartial and professional advice to protect the interest of our minority Shareholders.

CONFIRMATION

As of the Latest Practicable Date, neither our Controlling Shareholders nor any of our Directors were interested in the business of operating international schools or educational institutions, other than our Group, which, competes or is likely to compete, either directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

We have entered into a number of continuing agreements and arrangements with our connected persons in our ordinary and usual course of business. **[REDACTED]**, the transactions disclosed in this section will constitute continuing connected transactions under the Listing Rules.

Non-Exempt Continuing Connected Transactions

We set out below details of the continuing connected transactions for our Group, which are subject to the annual reporting, annual review, announcement, circular and shareholders' approval requirements under Rules 14A.49, 14A.55, 14A.35, 14A.46, 14A.47, 14A.36 and 14A.37 of the Listing Rules.

Contractual Arrangements

As disclosed in the section headed "Contractual Arrangements" in this **[REDACTED]**, due to regulatory restrictions on foreign ownership in our schools in the PRC, we conduct a substantial portion of our business through our consolidated affiliated entities in China. We do not hold any equity interests in our consolidated affiliated entities which are held by the Founder's Sister and the Founder. Rather, through a series of contractual arrangements (the "**Contractual Arrangements**"), we effectively control these consolidated affiliated entities and are able to derive substantially all of their economic benefits, and expect to continue to do so. The Contractual Arrangements among us, Beipeng Software, our consolidated affiliated entities and shareholders of our consolidated affiliated entities enable us to (i) receive substantially all of the economic benefits from our consolidated affiliated entities in consideration for the services provided by Beipeng Software; (ii) exercise effective control over our consolidated affiliated entities; and (iii) hold an exclusive option to purchase all or part of the equity interests in our consolidated affiliated entities when and to the extent permitted by PRC laws.

The Contractual Arrangements consist of five types of agreements: (a) the Exclusive Management Consultancy and Business Cooperation Agreements, (b) the Call Option Agreements, (c) the Equity Pledge Agreements, (d) the Powers of Attorney and (e) the Spouse's Undertakings (terms are defined in the section headed "Contractual Arrangements" in this **[REDACTED]**). See the section headed "Contractual Arrangements" in this **[REDACTED]** for detailed terms of these agreements.

Listing Rules Implications

The table below sets forth the connected persons of our Company involved in the Contractual Arrangements and the nature of their connection with our Group. The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company **[REDACTED]**.

Name	Connected relationship
Founder	The Founder is our Controlling Shareholder and our chairman of the Board and is therefore our connected person pursuant to Rule 14A.07(1) of the Listing Rules.
Founder's Sister	The Founder's Sister is the sister of the Founder and is therefore an associate of the Founder and our connected person pursuant to Rules 14A.12(2)(a) and 14A.07(4) of the Listing Rules.
Dalian Educational Group	Dalian Educational Group is wholly owned by the Founder's Sister and is therefore an associate of the Founder and our connected person pursuant to Rules 14A.12(2)(b) and 14A.07(4) of the Listing Rules.
Dalian Science and Education	Dalian Science and Education is 95.3% indirectly owned by the Founder's Sister via Dalian Educational Group, which she controls, and is therefore an associate of the Founder and our connected person pursuant to Rules 14A.12(2)(b) and 14A.07(4) of the Listing Rules.
Wuhan Foreign School	Wuhan Foreign School is wholly owned by the Founder and is therefore an associate of the Founder and a connected person pursuant to Rules 14A.12(1)(c) and 14A.07(4) of the Listing Rules.
Dalian Foreign School	Dalian Foreign School is wholly owned by the Founder and is therefore an associate of the Founder and a connected person pursuant to Rules 14A.12(1)(c) and 14A.07(4) of the Listing Rules.

Our PRC Legal Counsel is of the opinion that, except that the provisions in the agreements underlying the Contractual Arrangements setting forth that courts in Hong Kong and the Cayman Islands may grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal and that the arbitral body may award injunctive relief over the shares or land assets of the consolidated affiliated entities and order the winding up of the consolidated affiliated entities may not be enforceable under PRC laws (see the section headed "Risk Factors — Risks Relating to Our Contractual Arrangements — Certain terms of our contractual arrangements may not be enforceable under PRC laws" in this **[REDACTED]**), each of the agreements underlying the Contractual Arrangements are legal and valid and do not violate PRC laws, rules and regulations, including those applicable to the business of our Company, Beipeng Software and our consolidated affiliated entities, and the articles of association of each of Beipeng Software and our consolidated affiliated entities, and are legally binding on and enforceable against each party of each of the agreements in accordance with their terms and provisions under PRC laws and regulations.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group's legal structure and business operations, that such transactions have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

Our Directors also believe that our Group's structure whereby the financial results of the consolidated affiliated entities are consolidated into our Group's financial statements as if they were our Group's subsidiaries, and the flow of economic benefits of their business to our Group places our Group in a special position in relation to relevant rules concerning connected transactions under the Listing Rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing agreements to be entered into between the consolidated affiliated entities and any member of our Group ("**New Intergroup Agreements**") technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administration costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement and independent shareholders' approval requirements.

Application for waiver

In view of the above, we have applied to the Stock Exchange for, [and the Stock Exchange has agreed] to grant, a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance with (i) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements, (ii) the requirement of setting an annual cap for the fees payable to Beipeng Software under the Contractual Arrangements, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less, for so long as Shares are listed on the Stock Exchange subject however to the following conditions:

(a) No change without independent non-executive Directors' approval

No change to the Contractual Arrangements (including with respect to any fees payable to Beipeng Software thereunder) will be made without the approval of the independent non-executive Directors;

(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our Company's independent shareholders. Once independent shareholders' approval of any change has been obtained, no further announcement or approval of the independent shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) Economic benefits flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the consolidated affiliated entities through (i) our Group's option (if and when so allowed under the applicable PRC laws) to acquire, all or part of the entire equity interests in the consolidated affiliated entities for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations, (ii) the business structure under which the profit generated by the consolidated affiliated entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to the Beipeng software by the consolidated affiliated entities under the Exclusive Management Consultancy and Business Cooperation Agreements, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of the consolidated affiliated entities.

(d) Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on the one hand, and the consolidated affiliated entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and, or reproduction of the Contractual Arrangements, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) Ongoing reporting and approvals

Our Group will disclose details relating to the Contractual Arrangements on an on-going basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with relevant provisions of the Listing Rules.

- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements and that the profit generated by the consolidated affiliated entities has been substantially retained by the Beipeng Software, (ii) no dividends or other distributions have been made by the consolidated affiliated entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and the consolidated affiliated entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of the Shareholders as a whole.

- Our Company's auditor will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by the consolidated affiliated entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.

- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", the consolidated affiliated entities will be treated as our Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the consolidated affiliated entities and its associates will be treated as connected persons of our Company (excluding for this purpose, the consolidated affiliated entities), and transactions between these connected persons and our Group (including for this purpose, the consolidated affiliated entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.

- The consolidated affiliated entities will undertake that, for so long as the Shares are listed on the Stock Exchange, the consolidated affiliated entities will provide our Group's management and our Company's auditor full access to its relevant records for the purpose of our Company's auditor's review of the connected transactions.

In addition, we have also applied to the Stock Exchange for, [and the Stock Exchange has agreed to grant,] a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance with (i) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under any New Intergroup Agreements, (ii) the requirement of setting an annual cap for the fees payable by/to any member of our Group to/from the consolidated affiliated entities under any New Intergroup Agreements, and (iii) the requirement of limiting the term of any New Intergroup Agreement to three years or less, for so long as Shares are listed on the Stock Exchange subject however to the condition that the Contractual Arrangements subsist and that the consolidated affiliated entities will continue to be treated as our Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the and its associates will be treated as connected persons of our Company (excluding for this purpose, the consolidated affiliated entities), and transactions between these connected persons and our Group (including for this purpose, the consolidated affiliated entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules. We will comply with the applicable requirements under the Listing Rules, and will immediately inform the Stock Exchange if there are any changes to these continuing connected transactions.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors have reviewed the relevant documents and information provided by our Group, has obtained necessary representations and confirmations from our Company and our Directors and has participated in the due diligence and discussions with our management and our PRC Legal Counsel. Based on the above, the Joint Sponsors are of the view that the Contractual Arrangements are fundamental to our Group's legal structure and business operations and that the Contractual Arrangements have been entered into in our ordinary and usual course of business, on normal commercial terms and are fair and reasonable and are in the interests of the Shareholders as a whole.

The Joint Sponsors are of the view that with respect to the term of the relevant agreements underlying the Contractual Arrangements which is of a duration longer than three years, it is a justifiable and normal business practice to ensure that (i) the financial and operational policies of the consolidate affiliated entities can be effectively controlled by the Beipeng Software, (ii) the Beipeng Software can obtain the economic benefits derived from the consolidated affiliated entities, and (iii) any possible leakages of assets and values of the consolidated affiliated entities can be prevented, on an uninterrupted basis.

In preparation for the **[REDACTED]**, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemptions from the Predecessor Companies Ordinance:

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Our headquarters is located in Dalian. Substantially all of the business operations of our Group are located in the PRC and most of our executive Directors ordinarily reside in the PRC. We do not and, for the foreseeable future, will not have sufficient management presence in Hong Kong.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted us, a waiver] from strict compliance with the requirements of Rule 8.12 of the Listing Rules, subject to us putting in place certain measures in order to ensure that effective communication is maintained between the Stock Exchange and us. For further details of such waiver, see the section headed "Directors and Senior Management — Management Presence" in this **[REDACTED]**.

CONNECTED TRANSACTIONS

We have entered into certain transactions which would constitute continuing connected transactions of our Company under the Listing Rules following the completion of the Global Offering. We have applied to the Stock Exchange for, [and the Stock Exchange has granted us,] a waiver from strict compliance with (i) the announcement and independent shareholders' approval requirements, (ii) the annual cap requirement, and (iii) the requirement of limiting the term of the continuing connected transactions set out in Chapter 14A of the Listing Rules for such continuing connected transactions. For further details in this respect, see the section headed "Connected Transactions" in this **[REDACTED]**.

DISCLOSURES RELATING TO THE GRANTEES OF [REDACTED] SHARE OPTIONS

We have applied to the SFC for, [and the SFC has granted us,] an exemption from the strict compliance with the disclosure requirements under Paragraph 10(d) of Part I of the Third Schedule to the Predecessor Companies Ordinance and to the Stock Exchange for, [and the Stock Exchange has granted us,] a waiver from strict compliance with the requirements under Rule 17.02(1)(b) of and paragraph 27 of Part A of Appendix 1 to the Listing Rules in connection with the information of the granting of options under the **[REDACTED]** Share Option Scheme on the grounds that:

(a) in light of the large number of grantees involved, strict compliance with such disclosure requirements in setting out full details of all the grantees under the **[REDACTED]** Share Option Scheme in the **[REDACTED]** would be unduly burdensome for the Company;

(b) the grant and exercise in full of the options granted under the **[REDACTED]** Share Option Scheme would not cause any material adverse impact on the financial position of the Company;

(c) non-compliance with the above disclosure requirements would not prevent the Company from providing its potential investors with an informed assessment of the activities, assets, liabilities, financial position, management and prospects of the Company; and

(d) material information relating to the options under the **[REDACTED]** Share Option Scheme will be disclosed in the **[REDACTED]**, including the total number of Shares subject to **[REDACTED]** Share Option Scheme, the exercise price per Share, the potential dilution effect on the shareholding and impact on earnings per Share upon full exercise of the options granted under the **[REDACTED]** Share Option Scheme. The Directors consider that the information that is reasonably necessary for the potential investors to make an informed assessment of the Company in their investment decision making process has been included in the **[REDACTED]**.

(1) The waiver from the Stock Exchange [has been granted on the conditions that]:

(a) the following information will be clearly disclosed in the **[REDACTED]**:

(i) on an individual basis, full details of all options granted by the Company under the **[REDACTED]** Share Option Scheme to each of the Directors, members of the senior management of the Group and connected persons of the Group, and such details shall include all the particulars required under Rule 17.02(1)(b) of and paragraph 27 of Part A of Appendix 1 to the Listing Rules and paragraph 10 of Part 1 of the Third Schedule to the Predecessor Companies Ordinance;

(ii) in respect of the options granted under the **[REDACTED]** Share Option Scheme other than those referred to in sub-paragraph (1)(a)(i) above, on an aggregated basis, (1) the aggregate number of grantees and the number of shares subject to the options granted under the **[REDACTED]** Share Option Scheme, (2) the consideration paid for the grant of the options under the **[REDACTED]** Share Option Scheme and (3) the exercise period and the exercise price for the options granted under the **[REDACTED]** Share Option Scheme;

(iii) the aggregate number of Shares underlying the options granted under the Pre-IPO Share Option Scheme and the percentage to the Company's total issued share capital represented by such number of Shares; and

(iv) the dilutive effect and impact on earnings per Share upon full exercise of the options granted under the **[REDACTED]** Share Option Scheme; and

(b) a list of all the grantees (including those persons whose details have already been disclosed in the **[REDACTED]**) who have been granted options under the **[REDACTED]** Share Option Scheme (including the persons referred to in sub-paragraph (a)(i) above) containing all the particulars as required under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A of the Listing Rules and paragraph 10 of Part 1 of the Third Schedule to the Predecessor Companies Ordinance will be made available for public inspection in accordance with the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VII to the **[REDACTED]**.

(2) The exemption from the SFC [has been granted on the following conditions]:

(a) on an individual basis, full details of all options granted by the Company under the **[REDACTED]** Share Option Scheme to each of the Directors, members of the senior management of the Group and connected persons of the Group are disclosed in the **[REDACTED]**, such details shall include all the particulars required under paragraph 10 of Part I of the Third Schedule to the Predecessor Companies Ordinance;

(b) in respect of the options granted by the Company under the **[REDACTED]** Share Option Scheme other than those referred to in sub-paragraph (2)(a)(i) above, on an aggregated basis, (1) the aggregate number of grantees and the number of shares subject to the options granted under the **[REDACTED]** Share Option Scheme, (2) the consideration paid for the grant of the options granted under the **[REDACTED]** Share Option Scheme, and (3) the exercise period and the exercise price for the options granted under the **[REDACTED]** Share Option Scheme; and

(c) a list of all the grantees (including those persons whose details have already been disclosed in the **[REDACTED]**) who have been granted options under the **[REDACTED]** Share Option Scheme (including the persons referred to in sub-paragraph (a)(i) above) containing all the particulars as required under paragraph 10 of Part 1 of the Third Schedule to the Predecessor Companies Ordinance will be made available for public inspection in accordance with the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VII to the **[REDACTED]**.

Further details of the **[REDACTED]** Share Option Scheme are set out in the section headed "Statutory and General Information — **[REDACTED]** Share Option Scheme" in Appendix VI to this **[REDACTED]**.

[ACCOUNTS IN THIS [REDACTED]

The Accountants' Report set out in Appendix I to this **[REDACTED]** contains the consolidated results of our Group for the three financial years ended August 31, 2013 and the [six] months ended [February 28], 2014. Rule 4.04(1) of the Listing Rules requires that the consolidated results of our Group in respect of each of the three financial years immediately preceding the issue of the **[REDACTED]** be included in the Accountants' Report to this **[REDACTED]**. Section 342(1)(b) of the Predecessor Companies Ordinance requires all **[REDACTED]** to include, among other things, matters specified in the Third Schedule of the Predecessor Companies Ordinance. Paragraph 27 of Part I of the Third Schedule of the Companies Ordinance requires the listing applicant to set out in the **[REDACTED]** a statement as to the gross trading income or sales turnover during each of the three years immediately preceding the issue of the **[REDACTED]**, including an explanation of the method used for the computation of such income or turnover and a reasonable breakdown of the more important trading activities. Paragraph 31 of Part II of the Third Schedule of the Predecessor Companies Ordinance requires that the listing applicant to include in the **[REDACTED]** a report by the auditors with respect to the profits and losses and assets and liabilities of the listing applicant in respect of each of the three financial years immediately preceding the issue of the **[REDACTED]**.

We have applied for (i) a waiver from the Stock Exchange from strict compliance with Rule 4.04(1) of the Listing Rules; and (ii) a certificate of exemption under section 342A of the Predecessor Companies Ordinance from the SFC from strict compliance with paragraphs 27 and 31 of the Third Schedule to the Predecessor Companies Ordinance, in relation to the inclusion of the Accountants' Report for the full financial year ended August 31, 2014 in this **[REDACTED]**, on the following grounds:

- if the accountants are required to complete the auditing work for [six] months ending August 31, 2014, the additional time required would result in our Company being unable to issue the **[REDACTED]** according to the timetable contemplated. Therefore it will be unduly burdensome to include in the **[REDACTED]** the audited financial statements of our Company for the full financial year ended August 31, 2014;
- a profit forecast for the financial year ended August 31, 2014 will be appended to the **[REDACTED]** to ensure that sufficient information is provided to potential investors to make an informed assessment of the financial position of the Group;
- notwithstanding that the **[REDACTED]** will not include the audited financial statements for the [six] months ended August 31, 2014, our Directors confirm that they have performed sufficient due diligence to ensure that, up to the date of this **[REDACTED]**, there is no material adverse change in our financial or trading position or prospects since [February 28], 2014, and there is no event since [February 28], 2014 which would materially affect the information shown in the Accountants' Report set forth in Appendix I to this **[REDACTED]**; and
- in view of the reasons above, our Directors are of the view that all information that is reasonably necessary for the potential investors to make an informed assessment of the activities or financial position of our Group has been included in this **[REDACTED]**, therefore the granting of a waiver and an exemption from compliance with such requirements would not prejudice the interests of the investing public.

The waiver from strict compliance with Rule 4.04(1) of the Listing Rules [was granted by the Stock Exchange] on the following conditions:

(i) We list on the Stock Exchange by November 30, 2014.

(ii) We obtain a certificate of exemption from the SFC on compliance with the requirements set out in paragraphs 27 of Part I and 31 of Part II of the Third Schedule to the Predecessor Companies Ordinance.

(iii) A profit forecast for the year ended August 31, 2014 will be included in the **[REDACTED]**.

(iv) A statement made by our Directors confirming that there has been no material adverse change in our financial or trading position or prospects from [February 28], 2014 will be included in the **[REDACTED]**.

The certificate of exemption [has been granted by the SFC] under section 342A of the Predecessor Companies Ordinance on the conditions that (i) the particulars of the exemption be set forth in this **[REDACTED]** and (ii) this **[REDACTED]** be issued on or before [October 31], 2014.

[REDACTED]

[REDACTED]

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is **[REDACTED]** for subscription under **[REDACTED]** on the terms and subject to the conditions set out in this **[REDACTED]**, the Application Forms and the Hong Kong Underwriting Agreement at the **[REDACTED]**.

Subject to (i) the Listing Committee granting listing of, and permission to deal in, the existing issued Shares, the Shares to be issued pursuant to the RSU Scheme, the **[REDACTED]** and the **[REDACTED]** on the **[REDACTED]** of the **[REDACTED]**, and the Shares which may fall to be issued pursuant to the exercise of any options granted under the **[REDACTED]** Share Option Scheme and the **[REDACTED]** Share Option Scheme and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement (including, among others, the **[REDACTED]** (on behalf of the Underwriters) and us agreeing on the **[REDACTED]**), the Hong Kong Underwriters have severally but not jointly, or jointly and severally agreed to subscribe or procure subscribers for their respective applicable proportions (set out in the Hong Kong Underwriting Agreement) of the **[REDACTED]** now being offered that are not taken up under the **[REDACTED]**, on the terms and subject to the conditions set out in this **[REDACTED]**, the related Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed, becoming unconditional and not having been terminated.

Grounds for Termination

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

UNDERTAKINGS

[REDACTED]

(A) Undertaking by Our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) will be issued or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the Listing Date), except pursuant to the **[REDACTED]** or for the circumstances provided under Rule 10.08 of the Listing Rules.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

TOTAL COMMISSIONS AND EXPENSES FOR THE [REDACTED]

Assuming an **[REDACTED]**, the aggregate commissions and fees, together with the Stock Exchange listing fee, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the **[REDACTED]**, are estimated to amount in aggregate to be approximately HK$**[REDACTED]** or **[REDACTED]** which are payable by us. During the Track Record Period, RMB**[REDACTED]** of such expenses were charged to our profit and loss during the Track Record Period. For the remaining expenses, we expect to charge RMB**[REDACTED]** to our profit and loss and the balance of RMB**[REDACTED]** to be capitalized.

UNDERWRITERS' INTERESTS IN OUR COMPANY

Except for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement, none of the Underwriters has any shareholding interests in our Company or any of our subsidiaries or any right or options (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a report, prepared for the purpose of inclusion in this **[REDACTED]**, *received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.*

Deloitte.
德勤

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[Date]

The Directors
China Maple Leaf Educational Systems Limited
[REDACTED]

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to China Maple Leaf Educational Systems Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended August 31, 2013 and the six months ended February 28, 2014 (the "Relevant Periods") for inclusion in the **[REDACTED]** of the Company dated [●] (the "**[REDACTED]**") in connection with the **[REDACTED]**.

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Companies Law Chapter 22 of the Cayman Islands on June 5, 2007.

At the end of each reporting period and at the date of this report, the Company has the following subsidiaries:

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Group — As at August 31, 2011	2012	2013	As at February 28, 2014	Date of this report	Principal activities
Maple Leaf Educational Systems Limited ("Maple BVI")	April 28, 1992 British Virgin Islands ("BVI")	United States Dollars ("USD") 500,000	100%	100%	100%	100%	100%	Investment holding
Dalian Maple Leaf International School ("Dalian Maple Leaf High School") 大連楓葉國際學校 (Note iii)	April 15, 1996 The People's Republic of China (the "PRC")	USD5,000,000	100%	100%	100%	100%	100%	High school education
Tech Global Investment Limited ("HK Tech")	June 7, 2007 Hong Kong	Hong Kong Dollars ("HK$") 5,000,000	100%	100%	100%	100%	100%	Investment holding
Dalian Beipeng Educational Software Development Inc. ("Beipeng Software") 大連北鵬教育軟件開發有限公司	March 10, 2008 The PRC	USD20,000,000	100%	100%	100%	100%	100%	Technical support
Hong Kong Maple Leaf Educational Systems Limited ("Maple HK")	February 10, 2009 Hong Kong	HK$10,000,000	100%	100%	100%	100%	100%	Investment holding
Dalian Maple Leaf International School (Dalian Middle School and Elementary School) ("Dalian Junior")(Note iii) 大連楓葉國際學校（民辦初中、小學）	September 3, 1996 The PRC	RMB8,500,000	100%	100%	100%	100%	100%	Middle and elementary school education
Dalian Maple Leaf Educational Group Co., Ltd. ("Dalian Educational Group") 大連楓葉教育集團有限公司	May 23, 2003 The PRC	RMB140,000,000	100%	100%	100%	100%	100%	Investment holding
Dalian Maple Leaf Foreign National School ("Dalian Foreign School") (Note ii) 大連楓葉外籍人員子女學校	August 31, 2005 The PRC	nil	100%	100%	100%	100%	100%	Education-related services

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Group: As at August 31, 2011	2012	2013	As at February 28, 2014	Date of this report	Principal activities
Wuhan Maple Leaf Foreign National School ("Wuhan Foreign School") (Note ii) 武漢楓葉外籍人員子女學校	December 9, 2006 The PRC	nil	100%	100%	100%	100%	100%	Education-related services
Dalian Maple Leaf Science and Education Co., Ltd ("Dalian Science and Education") 大連楓葉科教有限公司	January 9, 2003 The PRC	RMB8,500,000	100%	100%	100%	100%	100%	Investment holding
Shenyang Maple Leaf International School ("Shenyang Maple") (Note i) 瀋陽楓葉國際學校	December 14, 2005 The PRC	N/A	100%	N/A	N/A	N/A	N/A	Inactive and deregistered
Dalian Maple Leaf Fengqiao Preschool ("Fengqiao") (Note ix) 大連楓葉楓橋園幼兒園	August 31, 2006 The PRC	RMB200,000	100%	100%	100%	100%	100%	Preschool education
Dalian Maple Leaf Lanxi Wenyuan Preschool ("Lanxi") (Note ix) 大連楓葉蘭溪文苑幼兒園	June 1, 2007 The PRC	RMB200,000	100%	100%	100%	100%	100%	Preschool education
Dalian Maple Leaf Qianshan Xincheng Preschool ("Qianshan") 大連楓葉千山心城幼兒園	September 22, 2005 The PRC	RMB200,000	100%	100%	100%	100%	100%	Preschool education
Wuhan Maple Leaf International School ("Wuhan Maple") 武漢楓葉國際學校	June 26, 2007 The PRC	RMB 21,303,454	100%	100%	100%	100%	100%	High school education
Dalian Maple Leaf Sunshine Preschool ("Yuexiu") 大連楓葉陽光月秀幼兒園	March 24, 2008 The PRC	RMB500,000	100%	100%	100%	100%	100%	Preschool education
Dalian Maple Leaf Jiabao Preschool ("Jiabao") (Note ix) 大連楓葉佳寶幼兒園	April 24, 2008 The PRC	RMB200,000	100%	100%	100%	100%	100%	Preschool education
Dalian Maple Leaf Jinhai Preschool ("Jinhai") (Note ix) 大連楓葉金海幼兒園	April 1, 2009 The PRC	RMB100,000	100%	100%	100%	100%	100%	Preschool education
Dalian Maple Leaf Xiangzhou Preschool ("Xiangzhou") 大連沙河口楓葉香洲心城幼兒園	April 10, 2009 The PRC	RMB200,000	100%	100%	100%	100%	100%	Preschool education
Tianjin Taida Maple Leaf International School ("Tianjin Taida Maple") 天津泰達楓葉國際學校	September 1, 2008 The PRC	RMB 8,000,000	100%	100%	100%	100%	100%	High, middle and elementary school education
Chongqing Maple Leaf International School ("Chongqing Maple") 重慶楓葉國際學校	June 25, 2009 The PRC	RMB 43,500,000	100%	100%	100%	100%	100%	High and middle school education
Dalian Maple Leaf Kaifaqu Preschool ("Kaifaqu") 大連開發區楓葉幼兒園	December 10, 2009 The PRC	RMB200,000	100%	100%	100%	100%	100%	Preschool education
Wuhan Maple Leaf School ("Wuhan Junior") 武漢楓葉學校（原名為"武漢楓葉初級中學"）	June 24, 2010 The PRC	RMB 2,000,000	100%	100%	100%	100%	100%	Middle and elementary school education
Dalian Maple Leaf Xianghe Huayuan Preschool ("Xianghe") 大連市甘井子區楓葉祥和花園幼兒園	December 3, 2010 The PRC	RMB200,000	100%	100%	100%	100%	100%	Preschool education

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Group: As at August 31, 2011	2012	2013	As at February 28, 2014	Date of this report	Principal activities
Dalian Maple Leaf Zhonghua Mingcheng Preschool ("Mingcheng") 大連西崗楓葉中華名城幼兒園	June 10, 2011 The PRC	RMB500,000	100%	100%	100%	100%	100%	Preschool education
Zhenjiang Maple Leaf International School ("Zhenjiang Maple") 鎮江楓葉國際學校	June 21, 2011 The PRC	RMB 10,000,000	100%	100%	100%	100%	100%	High, middle and elementary school education
Henan Maple Leaf International School ("Henan Maple") 河南楓葉國際學校	April 26, 2012 The PRC	RMB 2,010,000	N/A	100%	100%	100%	100%	High, middle and elementary school education
Inter Mongolia Erdos Maple Leaf International School ("Erdos Maple") 內蒙古鄂爾多斯楓葉國際學校	April 26, 2012 The PRC	RMB30,000	N/A	100%	100%	100%	100%	Middle and elementary school education
Mapleleaf International Academy ("Maple Korea") (Note vi)	April 27, 2012 The Republic of Korea (the "Korea")	Korea won ("KWR") 1,500,000,000	N/A	100%	100%	100%	100%	Education related services
Inter Mongolia Erdos Maple Leaf The first Preschool ("Erdos Preschool") 楓葉第一幼兒園	May 17, 2012 The PRC	RMB30,000	N/A	100%	100%	100%	100%	Preschool education
Shanghai Maple Leaf International School ("Shanghai Maple") 上海楓葉國際學校	March 20, 2013 The PRC	RMB 5,000,000	N/A	N/A	100%	100%	100%	High and middle school education
Pingdingshan Maple Leaf International School ("Pingdingshan Maple") 平頂山楓葉國際學校	January 20, 2014 The PRC	RMB 1,000,000	N/A	N/A	N/A	100%	100%	Middle and elementary school education

(i) Shenyang Maple has been inactive since establishment. Capital injection has not been completed since establishment. Its license to provide educational service expired on November 23, 2010 and its private non-enterprise registration certificate expired on December 13, 2011.

(ii) The registered capital of Dalian Foreign School and Wuhan Foreign School is nil as there is no capital requirement for foreign schools under the PRC laws and regulations.

(iii) Dalian Junior obtained the approval from Dalian Education Committee in September 1996, stating that Dalian Junior provides educational service of middle school and elementary school in the form of combination with Dalian Maple Leaf High School. Dalian Junior obtained its own private non-enterprise registration certificate on July 17, 2013 and it was accounted for together with Dalian Maple Leaf High School till then.

(iv) Except for HK Tech, Maple HK and Maple BVI which are directly held by the Company, all subsidiaries are indirectly held by the Company.

(v) The English names of the subsidiaries established in the PRC are for identification purpose only. The official names of these companies are in Chinese.

(vi) Maple Korea was formed by Dalian Maple Leaf High School in the Korea in April 2012 providing education related services in Korea.

(vii) Except for Dalian Maple Leaf High School and Beipeng Software, all subsidiaries established in the PRC are controlled by the Group through the contractual arrangements, details of which are set out in note 1 of the Section A below.

(viii) The legal forms of Beipeng Software, Dalian Educational Group and Dalian Science and Education were limited liability companies incorporated in the PRC. All other entities established in the PRC are schools not requiring for reasonable returns, including high schools, middle schools, elementary schools and preschools.

(ix) Fengqiao, Lanxi, Jiabao and Jinhai were acquired from independent third parties on August 31, 2006, June 1, 2007, April 24, 2008 and April 1, 2009, respectively.

The Company's financial year end date is August 31, which is consistent with the school year. Except for Maple BVI, HK Tech, Maple HK and Maple Korea that have a financial year end of August 31, all subsidiaries have a financial year end of December 31.

The statutory financial statements of the following subsidiaries established in the PRC were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by the following certified public accountants registered in the PRC.

Name of subsidiaries	Financial year/ period ended	Name of auditors
Dalian Maple Leaf High School	December 31, 2010	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2011	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2012	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2013	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
Beipeng Software	December 31, 2010	Dalian Ding Xin CPA Ltd.* (大連鼎鑫會計師事務所有限公司)
	December 31, 2011	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2012	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2013	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
Dalian Educational Group	December 31, 2010	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2011	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2012	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2013	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
Dalian Foreign School	December 31, 2010	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2011	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2012	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2013	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
Dalian Science and Education	December 31, 2010	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2011	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2012	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2013	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
Fengqiao	December 31, 2010	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2011	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2012	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2013	Dalian Yong Jia CPA Ltd.* (大連永佳會計師事務所有限公司)
Lanxi	December 31, 2010	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2011	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2012	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2013	Dalian Yong Jia CPA Ltd.* (大連永佳會計師事務所有限公司)
Qianshan	December 31, 2010	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2011	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2012	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2013	Dalian Yong Jia CPA Ltd.* (大連永佳會計師事務所有限公司)

Name of subsidiaries	Financial year/ period ended	Name of auditors
Yuexiu	December 31, 2010	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2011	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2012	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2013	Dalian Yong Jia CPA Ltd.* (大連永佳會計師事務所有限公司)
Jiabao	December 31, 2010	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2011	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2012	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2013	Dalian Yong Jia CPA Ltd.* (大連永佳會計師事務所有限公司)
Jinhai	December 31, 2010	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2011	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2012	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2013	Dalian Yong Jia CPA Ltd.* (大連永佳會計師事務所有限公司)
Xiangzhou	December 31, 2010	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2011	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2012	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2013	Dalian Yong Jia CPA Ltd.* (大連永佳會計師事務所有限公司)
Tianjin Taida Maple	December 31, 2010	Tianjin Jun Tian CPA Ltd.* (天津市君天會計師事務所有限公司)
	December 31, 2011	Tianjin Jun Tian CPA Ltd.* (天津市君天會計師事務所有限公司)
	December 31, 2012	Tianjin Jun Tian CPA Ltd.* (天津市君天會計師事務所有限公司)
	December 31, 2013	Tianjin Jun Tian CPA Ltd.* (天津市君天會計師事務所有限公司)
Kaifaqu	December 31, 2010	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2011	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2012	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2013	Dalian Yong Jia CPA Ltd.* (大連永佳會計師事務所有限公司)
Wuhan Junior	From June 24, 2010 to December 31, 2010	Wuhan Hong Xin CPA Ltd.* (武漢宏信會計師事務所有限公司)
	December 31, 2011	Wuhan Hong Xin CPA Ltd.* (武漢宏信會計師事務所有限公司)
	December 31, 2012	Wuhan Hong Xin CPA Ltd.* (武漢宏信會計師事務所有限公司)
	December 31, 2013	Wuhan Hong Xin CPA Ltd.* (武漢宏信會計師事務所有限公司)
Xianghe	December 31, 2011	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2012	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2013	Dalian Yong Jia CPA Ltd.* (大連永佳會計師事務所有限公司)
Mingcheng	From June 10, 2011 to December 31, 2011	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2012	Dalian Yong Jia CPA Ltd.* (大連永佳會計師事務所有限公司)
	December 31, 2013	Dalian Yong Jia CPA Ltd.* (大連永佳會計師事務所有限公司)
Zhenjiang Maple	December 31, 2013	Jiangsu GongZheng Tianye CPA LLP.Zhenjiang* (江蘇公證天業 會計師事務所(特殊普通合夥)鎮江分所)
Henan Maple	From April 26, 2012 to December 31, 2012	Luo Yang Xin De CPA Ltd.* (洛陽市信德會計師事務所)

Name of subsidiaries	Financial year/ period ended	Name of auditors
Erdos Maple	From April 26, 2012 to December 31, 2012	Erdos Jin Tian Ping United CPA Ltd.* (鄂爾多斯金天平聯合 會計師事務所)
Erdos Preschool	From May 17, 2012 to December 31, 2012	Erdos Jin Tian Ping United CPA Ltd.* (鄂爾多斯金天平聯合 會計師事務所)
Shanghai Maple	From March 20, 2013 to December 31, 2013	Shanghai Yin Hu CPA Ltd.* (上海銀滬會計師事務所)
Dalian Junior (Note x)	From July 17, 2013 to December 31, 2013	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)

* The English name is for identification purpose only.

(x) No audited financial statements have been prepared for the years ended December 31, 2011 and 2012 due to reasons set out in note (iii) above.

According to the Law for Promoting Private Education, the private schools should engage external auditors to issue audit report for each fiscal year. Wuhan Foreign School, Wuhan Maple and Chongqing Maple have not engaged an auditor to issue statutory financial statements for the years ended December 31, 2010, 2011, 2012 and 2013 and Zhenjiang Maple has not engaged an auditor to issue statutory financial statements for the period from June 21, 2011 to December 31, 2011 and for the year ended December 31, 2012 since local authorities did not ask for audited financial statements of these entities during the annual inspection of the school licenses of these entities.

No statutory financial statements were prepared for Shenyang Maple and Maple Korea as they were inactive during the Relevant Periods since their respective date of establishment.

No statutory financial statements for the period from December 3, 2010 to December 31, 2010 were prepared for Xianghe as it was newly established in December 2010.

No statutory financial statements have been prepared for Pingdingshan Maple since its dates of establishment as it was newly established in January 2014.

No statutory financial statements have been prepared for Henan Maple, Erdos Maple and Erdos Preschool for the year ended December 31, 2013 as of date of this report.

No statutory audited financial statements have been prepared for the Company and Maple BVI as they were incorporated in jurisdictions where there are no statutory audit requirements.

HK Tech and Maple HK have not engaged an auditor to audit the statutory financial statements for the years ended August 31, 2011, 2012 and 2013.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") (the "Underlying Financial Statements").

We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "**[REDACTED]** and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustments are considered necessary to adjust the Underlying Financial Statements for the preparation of this report for inclusion in the **[REDACTED]**.

The directors of the Company are responsible for preparing the Underlying Financial Statements and the contents of the **[REDACTED]** in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information, and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group and of the Company as at August 31, 2011, 2012 and 2013 and February 28, 2014 and of the consolidated results and cash flows of the Group for the Relevant Periods.

The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the six months ended February 28, 2013 together with the notes thereon have been extracted from the Group's unaudited consolidated financial statements for the same period (the "February 28, 2013 Financial Information") which were prepared by the directors of the Company solely for the purpose of this report. We have reviewed the February 28, 2013 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the February 28, 2013 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the February 28, 2013 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the February 28, 2013 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conforms with IFRSs.

A. FINANCIAL INFORMATION

Consolidated Statements of Profit or Loss and Other Comprehensive Income

		Year ended August 31,			Six months ended February 28,	
	NOTES	2011	2012	2013	2013	2014
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	5	346,091	413,459	471,219	209,848	242,924
Cost of revenue		(189,687)	(222,342)	(268,751)	(126,263)	(144,072)
Gross profit		156,404	191,117	202,468	83,585	98,852
Investment and other income	6	1,588	4,872	4,859	2,441	3,162
Other income, gains and losses	7	6,701	(1,633)	101	352	2
Marketing expenses		(13,861)	(14,409)	(20,886)	(9,362)	(8,869)
Administrative expenses		(34,256)	(47,934)	(56,118)	(26,851)	(31,157)
Finance costs	8	(14,952)	(15,234)	(15,554)	(6,622)	(8,414)
Other expenses		(6,279)	(1,433)	(1,515)	(755)	(4,000)
Change in fair value on redeemable convertible preferred shares	30	(104,040)	(10,440)	(63,720)	(37,800)	(23,692)
Change in fair value on warrants	30	(21,960)	(1,785)	(8,410)	(5,241)	(3,695)
Gain on cancellation of warrants	30	—	—	—	—	42,510
(Loss) profit before taxation		(30,655)	103,121	41,225	(253)	64,699
Taxation	9	(7,575)	(9,153)	(8,043)	(3,464)	(2,930)
(Loss) profit for the year/period	10	(38,230)	93,968	33,182	(3,717)	61,769
Other comprehensive income (expense):						
Items that may be subsequently reclassified to profit or loss:						
Change in fair value of available-for-sale investments		—	63	316	513	(176)
Exchange difference arising on the transaction of foreign operation		—	59	(120)	249	307
Other comprehensive (expense) income for the year/period		—	122	196	762	131
Total comprehensive (expense) income for the year/period		(38,230)	94,090	33,378	(2,955)	61,900
(Loss) earnings per share						
Basic	13	(0.05)	0.12	0.04	(0.01)	0.08
Diluted	13	(0.05)	0.10	0.04	(0.01)	0.03

A. FINANCIAL INFORMATION – continued

Consolidated Statements of Financial Position

		The Group			
		At August 31,			At February 28, 2014
	NOTES	2011	2012	2013	
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	882,953	961,387	1,177,025	1,200,805
Prepaid lease payments	15	162,733	167,546	196,589	194,095
Investment properties	16	20,412	19,558	18,704	18,276
Goodwill	17	3,980	1,982	1,982	1,982
Available-for-sale investments	19	4,418	3,177	3,493	3,317
Books for lease		2,565	4,028	3,309	4,882
Deposits for construction of property and land use right		3,037	3,193	1,227	1,037
		1,080,098	1,160,871	1,402,329	1,424,394
CURRENT ASSETS					
Deposit, prepayments and other receivables	20	13,283	12,483	16,256	16,698
Bank balances and cash	22	234,903	297,036	409,303	192,878
		248,186	309,519	425,559	209,576
CURRENT LIABILITIES					
Deferred revenue	23	319,847	357,475	408,325	246,611
Other payables and accrued expenses	24	87,087	109,842	188,607	140,776
Amounts due to related parties	37	13,822	13,805	13,491	13,394
Income tax payable		10,205	14,873	17,541	16,075
Bank borrowings	26	233,500	170,000	215,000	234,000
Redeemable convertible preferred shares	30	307,260	317,700	381,420	405,112
Warrants	30	28,620	30,405	38,815	—
		1,000,341	1,014,100	1,263,199	1,055,968
NET CURRENT LIABILITIES		(752,155)	(704,581)	(837,640)	(846,392)
TOTAL ASSETS LESS CURRENT LIABILITIES		327,943	456,290	564,689	578,002
CAPITAL AND RESERVES					
Share capital	28	511	511	511	511
Reserves		289,560	383,722	417,131	479,031
		290,071	384,233	417,642	479,542
NON-CURRENT LIABILITIES					
Deferred tax liabilities	25	4,572	9,057	14,347	16,060
Bank borrowings	26	—	—	60,000	—
Deposit received in respect of disposal of properties	27	30,000	60,000	70,000	80,000
Other non-current liabilities		3,300	3,000	2,700	2,400
		37,872	72,057	147,047	98,460
		327,943	456,290	564,689	578,002

A. FINANCIAL INFORMATION – continued

The Company's Statements of Financial Position

		The Company			
		At August 31,			At February 28,
	NOTES	2011	2012	2013	2014
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Investments in subsidiaries	18	192,696	192,696	192,696	192,696
Available-for-sale investments	19	4,418	3,177	3,493	3,317
		197,114	195,873	196,189	196,013
CURRENT ASSETS					
Other receivables		—	—	—	296
Bank balances and cash	22	321	455	1,968	3,594
		321	455	1,968	3,890
CURRENT LIABILITIES					
Other payables		—	—	126	1,159
Amounts due to subsidiaries	21	8,714	8,714	10,151	12,390
Redeemable convertible preferred shares	30	307,260	317,700	381,420	405,112
Warrants	30	28,620	30,405	38,815	—
		344,594	356,819	430,512	418,661
NET CURRENT LIABILITIES		(344,273)	(356,364)	(428,544)	(414,771)
TOTAL ASSETS LESS CURRENT LIABILITIES		(147,159)	(160,491)	(232,355)	(218,758)
CAPITAL AND RESERVES					
Share capital	28	511	511	511	511
Reserves	29	(147,670)	(161,002)	(232,866)	(219,269)
		(147,159)	(160,491)	(232,355)	(218,758)

A. FINANCIAL INFORMATION – continued

Consolidated Statements of Changes in Equity

	Share capital	Share premium	Investment valuation reserve	Translation reserve	Statutory surplus reserve	Share option reserve	Accumulated (losses) profits	Attributable to owners of the Company
	RMB'000	RMB'000 Note 29(a)	RMB'000	RMB'000	RMB'000 Note 29(b)	RMB'000	RMB'000	RMB'000
At September 1, 2010	511	24,940	—	—	88,630	3,569	210,298	327,948
Loss and total comprehensive expense for the year	—	—	—	—	—	—	(38,230)	(38,230)
Transfer	—	—	—	—	20,258	—	(20,258)	—
Share-based payments	—	—	—	—	—	353	—	353
At August 31, 2011	511	24,940	—	—	108,888	3,922	151,810	290,071
Other comprehensive income for the year	—	—	63	59	—	—	—	122
Profit for the year	—	—	—	—	—	—	93,968	93,968
Total comprehensive income for the year	—	—	63	59	—	—	93,968	94,090
Transfer	—	—	—	—	26,748	—	(26,748)	—
Share-based payments	—	—	—	—	—	72	—	72
At August 31, 2012	511	24,940	63	59	135,636	3,994	219,030	384,233
Other comprehensive income for the year	—	—	316	(120)	—	—	—	196
Profit for the year	—	—	—	—	—	—	33,182	33,182
Total comprehensive income for the year	—	—	316	(120)	—	—	33,182	33,378
Transfer	—	—	—	—	27,847	—	(27,847)	—
Share-based payments	—	—	—	—	—	31	—	31
At August 31, 2013	511	24,940	379	(61)	163,483	4,025	224,365	417,642
Other comprehensive expense for the period	—	—	(176)	307	—	—	—	131
Profit for the period	—	—	—	—	—	—	61,769	61,769
Total comprehensive (expense) income for the period	—	—	(176)	307	—	—	61,769	61,900
At February 28, 2014	511	24,940	203	246	163,483	4,025	286,134	479,542
Unaudited								
For the six months ended February 28, 2013								
At September 1, 2012	511	24,940	63	59	135,636	3,994	219,030	384,233
Other comprehensive income for the period	—	—	513	249	—	—	—	762
Loss for the period	—	—	—	—	—	—	(3,717)	(3,717)
Total comprehensive income (expense) for the period	—	—	513	249	—	—	(3,717)	(2,955)
Share-based payments	—	—	—	—	—	11	—	11
At February 28, 2013	511	24,940	576	308	135,636	4,005	215,313	381,289

A. FINANCIAL INFORMATION – continued

Consolidated Statements of Cash Flows

	Year ended August 31,			Six months ended February 28,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
OPERATING ACTIVITIES					
(Loss) profit before taxation	(30,655)	103,121	41,225	(253)	64,699
Adjustments for:					
Finance costs	14,952	15,234	15,554	6,622	8,414
Interest Income	(379)	(1,059)	(960)	(513)	(1,043)
Exchange loss (gain)	(730)	3	(185)	(86)	(42)
Depreciation of property, plant and equipment	25,241	25,966	29,873	14,802	17,215
Depreciation of investment properties	854	854	854	428	428
Amortization of books for lease	1,934	2,276	3,132	1,745	1,394
Release of prepaid lease payment	4,033	4,041	4,473	2,094	2,494
Gain on disposal of available-for-sale investments	(689)	(186)	—	—	—
Impairment loss on available-for-sale inverstments	555	—	—	—	—
Dividends from available-for-sale investments	(184)	(183)	(144)	(61)	(64)
Loss (gain) on disposal of property, plant and equipment	345	(53)	(286)	(301)	22
Share-based payments	353	72	31	11	—
Change in fair value on redeemable convertible preferred shares	104,040	10,440	63,720	37,800	23,692
Change in fair value on warrants	21,960	1,785	8,410	5,241	3,695
Gain on cancellation of warrants	—	—	—	—	42,510
Impairment loss on goodwill	—	1,998	—	—	—
Operating cash flows before movements in working capital	141,630	164,309	165,697	67,529	78,394
(Increase) decrease in deposits, prepayment and other receivables	3,138	980	(3,089)	(3,026)	(442)
Increase (decrease) in deferred revenue	74,656	37,628	50,850	(147,609)	(161,714)
Increase (decrease) in other payables and accrued expenses	15,864	12,806	35,941	(11,475)	(15,644)
Cash generated from (used in) operations	235,288	215,723	249,399	(94,581)	(99,406)
Interest received	379	1,059	960	513	1,043
Income tax paid	—	—	(85)	(82)	(2,683)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	235,667	216,782	250,274	(94,150)	(101,046)
INVESTING ACTIVITIES					
Payments for property, plant and equipment	(130,066)	(93,306)	(200,135)	(53,538)	(73,343)
Prepaid lease payments paid	(4,498)	(9,034)	(37,200)	(19,076)	—
Purchase of books for lease	(2,182)	(3,739)	(2,413)	(2,265)	(2,967)
Dividends received from available-for-sale investments	184	183	144	61	64
Proceeds from disposal of property, plant and equipment	239	150	437	374	54
Proceeds from disposal of available-for-sale investments	2,200	1,490	—	—	—
Deposit received in respect of disposal of properties	10,000	30,000	10,000	10,000	10,000
Refund of deposits for construction of property and land use right	—	—	1,966	1,966	190
Payment for acquisition of Tianjin Taida Maple in 2008	(30,375)	—	—	—	—
NET CASH USED IN INVESTING ACTIVITIES	(154,498)	(74,256)	(227,201)	(62,478)	(66,002)

A. FINANCIAL INFORMATION – continued

Consolidated Statements of Cash Flows – continued

	Year ended August 31,			Six months ended February 28,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
FINANCING ACTIVITIES					
Proceeds from bank borrowings	218,500	170,000	275,000	165,000	85,000
Repayment of bank borrowings	(180,000)	(233,500)	(170,000)	(60,000)	(126,000)
Interest paid	(14,177)	(16,879)	(15,654)	(6,667)	(8,369)
Repayment to related parties	(537)	—	—	—	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES	23,786	(80,379)	89,346	98,333	(49,369)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	104,955	62,147	112,419	(58,295)	(216,417)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	130,038	234,903	297,036	297,036	409,303
Effect of foreign exchange rate changes	(90)	(14)	(152)	13	(8)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, REPRESENTING BANK BALANCES AND CASH	234,903	297,036	409,303	238,754	192,878

Notes to the Financial Information

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands on June 5, 2007 as an exempted company under the Cayman Companies Law. Its parent is Sherman Investment Holdings Company (incorporated in the British Virgin Islands) and its ultimate controlling party is Mr. Sherman Jen, who is also the Chairman and managing director of the Company. The addresses of the registered office of the Company is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and the address of principal place of business of the Company is Maple Leaf Education Campus, 9 Central Street, Jinshitan National Tourist Area, Dalian, Liaoning Province 116650, the PRC.

The Group operates a network of bilingual private schools and preschools in the PRC under the "Maple Leaf" brand, focusing on high schools that offer dual-diploma curriculum (British Columbia curriculum and Chinese curriculum) and bilingual education within the PRC.

Due to regulatory restrictions on foreign ownership in the schools in the PRC, the Group conducts a substantial portion of the business through Dalian Educational Group, Dalian Science and Education, Dalian Foreign School and Wuhan Foreign School ("Consolidated Affiliated Entities") in the PRC. The wholly-owned subsidiary, Beipeng Software, has entered into the contractual arrangements (the "Contractual Arrangements") with the Consolidated Affiliated Entities and their respective equity holders, which enable Beipeng Software and the Group to:

- exercise effective financial and operational control over the Consolidated Affiliated Entities;
- exercise equity holders' voting rights of the Consolidated Affiliated Entities;
- receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities in consideration for the business support, technical and consulting services provided by Beipeng Software;
- obtain an irrevocable and exclusive right to purchase all or part of equity interests in the Consolidated Affiliated Entities from the respective equity holders at nil consideration or a minimum purchase price permitted under PRC laws and regulations. Beipeng Software may exercise such options at any time until it has acquired all equity interests and/or all assets of the Consolidated Affiliated Entities. In addition, the Consolidated Affiliated Entities are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of Beipeng Software; and
- obtain a pledge over the entire equity interest of Dalian Educational Group and Dalian Science and Education from their equity holders as collateral security for all of Dalian Educational Group and Dalian Science and Education's payments due to Beipeng Software and to secure performance of Dalian Educational Group and Dalian Science and Education and their respective subsidiaries obligations under the Contractual Arrangements.

There are no such pledge agreements for Dalian Foreign School and Wuhan Foreign School due to the PRC law restriction. To further enhance the Company's security over Dalian Foreign School and Wuhan Foreign School, the Company segregated the duties of different people and functions to ensure that the company seals of Dalian Foreign School and Wuhan Foreign School are properly secured, are within the full control of the Company and cannot be used without its permission.

The Group does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Group has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is considered to have control over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION – continued

indirect subsidiaries. The Group has consolidated the assets, liabilities, revenue, income and expenses of Dalian Foreign School, Wuhan Foreign School, Dalian Science and Education, Dalian Educational Group and Dalian Educational Group's subsidiaries in the Financial Information of the Group during the Relevant Periods.

The following financial statement balances and amounts of the Consolidated Affiliated Entities and the Consolidated Affiliated Entities' subsidiaries were included in the Financial Information:

	Year ended August 31,			Six months ended February 28,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	145,442	186,975	239,079	107,775	172,742
Profit before taxation	31,474	38,833	54,581	22,098	45,202

	At August 31,			At February 28,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	539,296	620,913	875,209	900,294
Current assets	141,422	159,836	279,821	132,341
Current liabilities	(333,174)	(346,724)	(489,383)	(438,512)
Non-current liabilities	—	—	(60,000)	(10,000)

The Financial Information is presented in RMB, which is same as the functional currency of the Company.

The Group had net current liabilities of approximately RMB846,392,000 as at February 28, 2014 of which current liabilities of approximately RMB234,000,000 and RMB405,112,000 were attributable to bank borrowings due within one year and redeemable convertible preferred shares, respectively. The Company had net current liabilities of approximately RMB414,771,000 as at February 28, 2014 of which current liabilities of approximately RMB12,390,000 and RMB405,112,000 were attributable to amounts due to subsidiaries and redeemable convertible preferred shares, respectively.

Taking into account the financial resources of the Group, including the Group's unutilized banking facilities, the binding agreements signed with banks from February 2014 to May 2014 to renew or refinance the banking facilities upon maturity, and the supplement agreement signed in June 2014 by the Company and holders of the redeemable convertible preferred shares that the Series A Preferred Shares would not be redeemed until December 31, 2015, the Directors of the Company are of the opinion that the Group and the Company has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, the Financial Information have been prepared on a going concern basis.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purposes of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently applied the International Accounting Standards ("IASs"), IFRSs, amendments and the related Interpretations ("IFRICs"), which are effective for the accounting period beginning on September 1, 2013 throughout the Relevant Periods.

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

At the date of this report, the following new and revised standards, amendments or interpretations have been issued which are not yet effective. The Group has not early adopted these standards, amendments or interpretations in the preparation of the Financial Information for the Relevant Periods.

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[1]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[6]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization[6]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[2]
IFRS 9	Financial Instruments[3]
IFRS 14	Regulatory Deferral Accounts[5]
IFRS 15	Revenue from Contracts with Customers[7]
IFRIC 21	Levies[1]

1 Effective for annual periods beginning on or after January 1, 2014

2 Effective for annual periods beginning on or after July 1, 2014

3 Available for application — the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalized

4 Effective for annual periods beginning on or after July 1, 2014, with limited exceptions

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

6 Effective for annual periods beginning on or after January 1, 2016

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

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of IFRS 9 are described as follows:

- All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting

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

periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

Based on the Group's financial assets and financial liabilities as at February 28, 2014, the directors of the Company anticipate that the adoption of IFRS 9 in the future may have impact on the Group's redeemable convertible preferred shares and have no significant impact on the amounts of the Group's other financial assets and financial liabilities. Regarding the Group's redeemable convertible preferred shares, it is not applicable to provide a reasonable estimate of that effect until a detail review has been completed.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with IFRSs. In addition, the Financial Information includes applicable disclosures required by the **[REDACTED]**.

Basis of presentation

The Financial Information have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of presentation – continued

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities (including the consolidated affiliated entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

(i) has power over the investee;

(ii) is exposed, or has rights, to variable returns from its involvement with the investee; and .

(iii) has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policy.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statements of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of the each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statements of profit or loss and other comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of returns, discounts, and sales related tax.

Service income includes tuition fees and boarding fees from primary schools, secondary schools and post-secondary schools of the Group and tuition fees from preschool services.

The tuition fees from preschools of the Group is paid in advance at the beginning of every month. Revenue is recognized after a service contract is signed, the price is fixed or determinable, and services are provided.

Tuition and boarding fees received from primary schools, secondary schools and post-secondary schools are generally paid in advance at the beginning of school year or semester, and are initially recorded as deferred revenue. Tuition and boarding fees are recognized proportionately over the relevant period of the applicable program. The portion of tuition and boarding payments received from students but not earned is recorded deferred revenue and is reflected as a current liability as such amounts represent revenue that the Group expects to earn within one year. The academic year of the Group's school is generally from September to August of the following year.

The Group also provides overseas studies consulting services and organises winter and summer vacation activities to students. Revenue from such services are recognized when the related services are rendered and when it is probable that the economic benefits from the services rendered will flow to the Group and such benefit could be reliably measured.

The Group also rents educational books to students for post-secondary education. Book rental fee is generally billed to a student at the beginning of an academic year and is recognized on a straight-line basis over the period of renting. Rental fees paid in advance are recorded as deferred revenue.

Revenue from the sale of educational materials is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of the income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Investments in subsidiaries

Investments in subsidiaries are stated in the statements of financial position of the Company at cost less any identified impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into Renminbi using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are charged as expenses when employees have rendered services entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment – continued

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognized so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognized.

Prepaid lease payments

Prepaid lease payments represent payments for obtaining land use right and is amortized to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use right certificate granted for usage by the Group in the PRC and the remaining terms of the operating license of the PRC entity, whichever is the shorter. Prepaid lease payments which is to be amortized to profit or loss in the next twelve months is classified as current assets.

Books for lease

Books for lease are stated in the consolidated statements of financial position at cost less subsequent accumulated amortization and subsequent accumulated impairment losses, if any. Amortization is recognized in the consolidated statements of profit or loss and other comprehensive income on a straight-line basis over the period of the books' economic life.

Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment of tangible assets – continued

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flow are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets for which the estimated of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the assets (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the assets (or a cash-generating unit) is increased to the revised estimated of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the two categories, including loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including other receivables and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Interest income is recognized by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognized in other comprehensive income, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in equity is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For financial assets carried at amortized cost, the amount of impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of other receivables, where the carrying amount is reduced through the use of an allowance account. When other receivables are considered uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Impairment of financial assets – continued

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investment revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entity are recognized at the proceeds received, net of direct issue costs.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss (“FVTPL”) when the financial liability is either held for trading or it is designated as at fair value through profit or loss on initial recognition.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminated or significant reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Redeemable convertible preferred shares issued by the Company comprise the host debt instrument and the embedded derivatives (including the redemption option and conversion option) and are designated as financial liabilities at fair value through profit or loss on initial recognition. The conversion option allows the holder to convert the preferred shares into ordinary shares and will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company’s own equity instruments, and therefore it does not meet the equity classification. At the end of each reporting period subsequent to initial recognition, the entire redeemable convertible preferred shares are measured at fair value, with changes in fair value arising on remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss includes any interest paid on the financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities at fair value through profit or loss – continued

Transaction costs that relate to the issue of the redeemable convertible preferred shares designated as financial liabilities at fair value through profit or loss are charged to profit or loss immediately

Other financial liabilities

Other financial liabilities including other payables, bank borrowings, amounts due to related parties and other non-current liabilities are subsequently measured at amortized cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis other than those financial liabilities classified as at fair value through profit or loss, of which the interest expense is included in net gains or losses.

Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

The Group derecognizes financial liability when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Equity-settled share-based payment transactions

Share options granted to employees

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When the share options are exercised, the amount previously recognized in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share option reserve will be transferred to accumulated profits.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Equity-settled share-based payment transactions – continued

Share options granted to consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognized as expenses, with a corresponding increase in equity (share option reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgments

The following are the critical judgments, apart from those involving estimations, that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the Financial Information.

(a) Contractual Arrangements

The Group conducts a substantial portion of the business through the Consolidated Affiliated Entities in the PRC due to regulatory restrictions on foreign ownership in the Group's schools in the PRC. The Group does not have any equity interest in the Consolidated Affiliated Entities. The directors of the Company assessed whether or not the Group has control over the Consolidated Affiliated Entities based on whether the Group has the power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities. After assessment, the directors of the Company concluded that the Group has control over the Consolidated Affiliated Entities as a result of the Contractual Arrangements and other measures and accordingly, the Group has consolidated the financial information of Dalian Foreign School, Wuhan Foreign School, Dalian Science and Education, Dalian Educational Group and Dalian Educational Group's subsidiaries in the Financial Information during the Relevant Periods.

Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among Beipeng Software, the Consolidated Affiliated Entities and their equity holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY– continued

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months from the end of each reporting period.

(a) Useful life and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. Management will increase the depreciation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. As at August 31, 2011, 2012 and 2013 and February 28, 2014, the carrying amount of property, plant and equipment are RMB882,953,000, RMB961,387,000, RMB1,177,025,000 and RMB1,200,805,000 respectively. Any change in these estimates may have a material impact on the results of the Group.

(b) Fair value of redeemable convertible preferred shares and warrants

The fair value of the redeemable convertible preferred shares and warrants are calculated using the valuation techniques. These techniques include discounted cash flow analysis and option pricing method. Valuation techniques are certified by independent and recognized international business valuers before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by valuers make the maximum use of market inputs and rely as little as possible on the Group's specific data. The model involves estimates on time to expiration, risk free rate, other comparable public companies share price volatility and others. As at August 31, 2011, 2012 and 2013 and February 28, 2014, the carrying amount of the redeemable convertible preferred shares is RMB307,260,000, RMB317,700,000, RMB381,420,000 and RMB405,112,000 respectively.

As at August 31, 2011, 2012 and 2013 and February 28, 2014, the carrying amount of the warrants is RMB28,620,000, RMB30,405,000, RMB38,815,000 and RMB nil respectively.

Should any of the estimates be revised, it may lead to a material change to the fair value of the redeemable convertible preferred shares and warrants.

5. REVENUE AND SEGMENT INFORMATION

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

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

5. REVENUE AND SEGMENT INFORMATION – continued

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

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

	Year ended August 31,			Six months ended February 28,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Tuition and boarding fees	304,728	367,059	405,962	193,579	225,113
Others	41,363	46,400	65,257	16,269	17,811
	346,091	413,459	471,219	209,848	242,924

Major customers

No single customer contributes over 10% or more of total revenue of the Group during the Relevant Periods.

Geographical information

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

6. INVESTMENT AND OTHER INCOME

	Year ended August 31,			Six months ended February 28,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest income	379	1,059	960	513	1,043
Dividends income from available-for-sale investments	184	183	144	61	64
Rental income from investment properties	1,025	3,630	3,755	1,867	1,888
Others	—	—	—	—	167
	1,588	4,872	4,859	2,441	3,162

7. OTHER INCOME, GAINS AND LOSSES

	Year ended August 31,			Six months ended February 28,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Gain on disposal of available-for-sale investments	689	186	—	—	—
Impairment loss on available-for-sale investments	(555)	—	—	—	—
(Loss) gain on disposal of property, plant and equipment	(345)	53	286	301	(22)
Net foreign exchange gain (loss)	730	(3)	185	86	42
Compensation(Note)	6,093	—	—	—	—
Impairment loss on goodwill (Note 17)	—	(1,998)	—	—	—
Others	89	129	(370)	(35)	(18)
	6,701	(1,633)	101	352	2

Note: The amounts include compensation of RMB4,670,000 from Shengyang Xiaopeng Housing Development Limited (the "Shenyang Xiaopeng") for settlement of a lawsuit. Shenyang Xiaopeng was an independent third party with the original intention of establishing Shenyang Maple together with Dalian Educational Group. Shenyang Xiaopeng did not fulfill certain requirements as agreed in the cooperation agreement which was then dissolved by the court in December 2008. Thus Dalian Educational Group became the sole legal owner of Shenyang Maple. In April 2011, Shenyang Xiaopeng reached a mutual agreement to settle the lawsuit and Shenyang Xiaopeng agreed to pay the Group RMB4,670,000 as compensation, which was recorded as other income for the year ended August 31, 2011. RMB3,200,000 has not yet been received as at August 31, 2011 and recorded as compensation receivable (note 20). In addition, the amounts include compensation of RMB1,423,000 received from the relevant PRC government for the requisition of a piece of land in a school campus of the Group for public construction purposes.

8. FINANCE COSTS

	Year ended August 31,			Six months ended February 28,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest expense on bank borrowings-wholly repayable within 5 years	15,560	15,850	15,554	6,622	8,414
Less: amounts capitalized	608	616	—	—	—
	14,952	15,234	15,554	6,622	8,414

The weighted average capitalization rates on funds borrowed generally are 6.90% and 7.19% for the years ended August 31, 2011 and 2012, respectively.

9. TAXATION

	Year ended August 31,			Six months ended February 28,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
The charge comprises					
Current tax:					
PRC Enterprise Income Tax ("EIT")	3,372	4,668	2,753	1,090	1,217
Deferred tax:					
Current year (Note 25)	4,203	4,485	5,290	2,374	1,713
	7,575	9,153	8,043	3,464	2,930

9. TAXATION – continued

The income tax expense for the year/period can be reconciled to the (loss) profit before taxation as follows:

	Year ended August 31,			Six months ended February 28,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
(Loss) profit before taxation	(30,655)	103,121	41,225	(253)	64,699
Tax at PRC EIT rates of 25%	(7,664)	25,780	10,306	(63)	16,175
Tax effect of tax loss not recognized	15,371	17,684	20,485	9,378	13,587
Utilization of tax loss previously not recognized	(1,246)	(903)	(2,452)	(449)	(2,343)
Tax effect of income not taxable for tax purposes	(69,632)	(83,804)	(90,822)	(42,193)	(51,317)
Tax effect of expenses not deductible for tax purposes	70,746	50,396	70,526	36,791	26,828
Tax charge for the year/period	7,575	9,153	8,043	3,464	2,930

The Company was incorporated in the Cayman Islands and Maple BVI was incorporated in the BVI that are tax exempted as no business carried out in Cayman Islands and BVI under the tax laws of the Cayman Islands and the BVI.

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

All subsidiaries of the Company established in the PRC are subject to the PRC EIT of 25% during the Relevant Periods.

According to the Implementation Rules for the Law for Promoting Private Education, except for preschools, private schools for which the sponsors do not require reasonable returns are eligible to enjoy the same enterprise income tax exemption treatment as public schools. DL High School, DL Junior, TJ Maple, WH Maple and WH Junior have been granted enterprise income tax exemption for the tuition income from relevant local tax authorities. During the years ended August 31, 2011, 2012 and 2013 and six months ended February 28, 2013 and 2014, the tuition income not taxable is RMB278,527,000, RMB335,215,000, RMB363,287,000, RMB168,772,000 (unaudited) and RMB190,146,000, respectively, and the related expense not deductible is RMB112,848,000, RMB128,822,000, RMB142,729,000, RMB78,771,000 (unaudited) and RMB77,055,000, respectively.

As at August 31, 2011, 2012, and 2013 and February 28, 2014, the Group has unused tax loss of RMB45,962,000, RMB44,323,000, RMB34,766,000 and RMB25,516,000 respectively available for offset against future profits. No deferred tax assets have been recognized in respect of such tax losses due to the unpredictability of future tax profit streams. Tax losses of RMB25,516,000 as of February 28, 2014 will expire in various years before 2019.

Under the EIT law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the Financial Information in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB186,783,000, RMB264,998,000, RMB342,250,000 and RMB553,568,000 at August 31, 2011, 2012 and 2013 and at February 28, 2014, respectively, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

10. (LOSS) PROFIT FOR THE YEAR/PERIOD

	Year ended August 31,			Six months ended February 28,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
(Loss) profit for the year/period has been arrived at after charging (crediting):					
Staff costs, including directors' remuneration					
— salaries and other allowances	131,309	156,978	189,003	87,246	101,947
— retirement benefit scheme contributions	3,841	5,196	6,815	3,791	5,409
— share-base payments	353	72	31	11	—
Total staff costs	135,503	162,246	195,849	91,048	107,356
Gross rental income from investment properties	(1,025)	(3,630)	(3,755)	(1,867)	(1,888)
Less:					
Direct operating expense (including depreciation) incurred for investment properties that generated rental income during the year/period (included in other expenses)	593	1,319	1,406	697	754
Direct operating expense (including depreciation) incurred for investment properties that did not generate rental income during the year/period (included in other expenses)	537	114	109	58	4
	105	(2,197)	(2,240)	(1,112)	(1,130)
Depreciation of property, plant and equipment	25,241	25,966	29,873	14,802	17,215
Depreciation of investment properties	854	854	854	428	428
Release of prepaid lease payments	4,033	4,041	4,473	2,094	2,494
Amortization of books for lease	1,934	2,276	3,132	1,745	1,394
Auditors' remuneration	5,845	3,774	53	6	2,050
Listing-related expenses (included in other expenses)	5,149	—	—	—	3,232

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

Details of the emoluments paid to the directors of the Company for the Relevant Periods are as follows:

For the year ended August 31, 2011:

	Directors' fee	Salaries and other allowances	Share-based payments	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
— Penner Susanne Charlotte	—	670	—	—	670
— Sherman Jen	—	500	—	—	500
— Zhang Jingxia	—	244	17	5	266
	—	1,414	17	5	1,436

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – continued

For the year ended August 31, 2012:

	Directors' fee	Salaries and other allowances	Share-based payments	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
— Penner Susanne Charlotte (Note)	—	341	—	—	341
— Sherman Jen	—	2,000	—	—	2,000
— Zhang Jingxia	—	1,000	18	3	1,021
— Sutherland Colleen Dawn (Note)	—	295	—	—	295
	—	3,636	18	3	3,657

For the year ended August 31, 2013:

	Directors' fee	Salaries and other allowances	Share-based payments	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
— Sherman Jen	—	2,000	—	—	2,000
— Zhang Jingxia	—	1,000	—	—	1,000
— Sutherland Colleen Dawn	—	694	—	—	694
	—	3,694	—	—	3,694

For the six months ended February 28, 2014:

	Directors' fee	Salaries and other allowances	Share-based payments	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
— Sherman Jen	—	1,000	—	—	1,000
— Zhang Jingxia	—	500	—	—	500
— Sutherland Colleen Dawn	—	323	—	—	323
	—	1,823	—	—	1,823

For the six months ended February 28, 2013 (unaudited):

	Directors' fee	Salaries and other allowances	Share-based payments	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
— Sherman Jen	—	1,000	—	—	1,000
— Zhang Jingxia	—	500	—	—	500
— Sutherland Colleen Dawn	—	356	—	—	356
	—	1,856	—	—	1,856

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – continued

Note: Ms. Penner Susanne Charlotte resigned as an executive director of the Company on March 15, 2012. Ms. Sutherland Colleen Dawn was appointed as an executive director of the Company with effect from March 15, 2012.

No emoluments were paid or payable to Mr. Howard Robert Balloch, the non-executive director of the Company during the years ended August 31, 2011, 2012 and 2013 and the six months ended February 28, 2013 and 2014.

Employees

The five highest paid individuals of the Group included one, three, three, three (unaudited) and three directors for the years ended August 31, 2011, 2012 and 2013 and the six months ended February 28, 2013 and 2014 respectively whose emoluments are included in the disclosures above. The emoluments of the remaining four, two, two, two (unaudited) and two individuals for the years ended August 31, 2011, 2012 and 2013 and the six months ended February 28, 2013 and 2014, respectively, are as follows:

	Year ended August 31,			Six months ended February 28,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries and other benefits	2,439	1,427	1,883	974	890
Share-based payments	—	—	—	—	—
Retirement benefit scheme contributions	—	—	—	—	—
	2,439	1,427	1,883	974	890

The emoluments of the five highest paid individuals, other than directors, were within the following bands:

	Year ended August 31,			Six months ended February 28,	
	2011	2012	2013	2013	2014
				(Unaudited)	
HK$ nil to HK$1,000,000	4	2	1	2	2
HK$1,000,001 to HK$1,500,000	—	—	—	—	—
HK$1,500,001 to HK$2,000,000	—	—	1	—	—

During the Relevant Periods, no remuneration was paid by the Group to the directors of the Company or the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any remuneration during the Relevant Periods.

12. DIVIDENDS

No dividend has been paid or proposed by the Company during the Relevant Periods, nor has any dividend been proposed since the end of the reporting period.

13. (LOSS) EARNINGS PER SHARE

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

	Year ended August 31,			Six months ended February 28,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
(Loss) earnings:					
(Loss) earnings for the purpose of calculating basic earnings per share	(38,230)	93,968	33,182	(3,717)	61,769
Change in fair value on redeemable convertible preferred shares	—	10,440	—	—	—
Change in fair value on warrant and gain on cancellation of warrants	—	—	—	—	(38,815)
(Loss) earnings for the purpose of calculating diluted earnings per share	(38,230)	104,408	33,182	(3,717)	22,954

	Number of shares				
	August 31,			February 28,	
	2011	2012	2013	2013	2014
				(unaudited)	
Numbers of shares:					
Number of ordinary shares for the purpose of calculating basic earnings per share	770,883,458	770,883,458	770,883,458	770,883,458	770,883,458
Effect of dilutive of ordinary shares:					
Redeemable convertible preferred shares	—	229,116,553	—	—	—
Warrants	—	—	—	—	13,664,841
Share options	—	3,298,386	5,549,997	—	7,064,290
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	770,883,458	1,003,298,397	776,433,455	770,883,458	791,612,589

The weighted average number of shares for the purpose of calculating basic earnings per share and diluted earnings per share has been adjusted for the effect of the capitalization issue as described more fully in Appendix VI to the Prospectus.

For the years ended August 31, 2011 and 2013, and for the six months ended February 28, 2013 and 2014, the computation of diluted (loss) earnings per share does not assume the conversion of the Company's outstanding redeemable convertible preferred shares since their conversion would result in an increase in the earnings per share or decrease in loss per share.

For the year ended August 31, 2011, 2012 and 2013 and for the six months ended February 28, 2013, the computation of diluted (loss) earnings per share does not assume the exercise of the Company's outstanding warrants to redeemable convertible preferred shares and the conversion of the exercised redeemable convertible preferred shares to the ordinary shares since their exercise and conversion would result in an increase in earnings per share or decrease in loss per share.

For the year ended August 31, 2011 and the six months ended February 28, 2013, the computation of loss per share does not assume the exercise of the outstanding share options as it would result in a decrease in loss per share.

14. PROPERTY, PLANT AND EQUIPMENT

The Group	Buildings	Leasehold improvements	Motor vehicles	Furniture and fixtures	Computer equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At September 1, 2010	745,346	5,279	6,077	11,432	33,544	88,722	890,400
Additions	551	—	806	576	2,927	94,212	99,072
Transfer	108,637	—	—	—	—	(108,637)	—
Disposals	—	(1,509)	(495)	(745)	(2,547)	—	(5,296)
At August 31, 2011	854,534	3,770	6,388	11,263	33,924	74,297	984,176
Additions	943	—	1,468	1,231	6,032	94,770	104,444
Transfer	91,119	—	—	—	—	(91,119)	—
Disposals	—	—	(1,174)	(38)	(143)	—	(1,355)
Exchange adjustment	—	—	—	—	—	53	53
At August 31, 2012	946,596	3,770	6,682	12,456	39,813	78,001	1,087,318
Additions	18,887	21	1,085	1,404	8,540	215,822	245,759
Transfer	93,374	—	—	—	—	(93,374)	—
Disposals	—	—	(955)	(74)	(628)	—	(1,657)
Exchange adjustment	—	—	—	—	—	(97)	(97)
At August 31, 2013	1,058,857	3,791	6,812	13,786	47,725	200,352	1,331,323
Additions	957	—	—	5,182	8,691	25,981	40,811
Transfer	211,108	—	—	—	—	(211,108)	—
Disposals	—	—	—	(326)	(724)	—	(1,050)
Exchange adjustment	—	—	—	—	—	260	260
At February 28, 2014	1,270,922	3,791	6,812	18,642	55,692	15,485	1,371,344
DEPRECIATION							
At September 1, 2010	54,496	2,730	3,852	4,236	15,380	—	80,694
Provided for the year	16,656	882	686	1,037	5,980	—	25,241
Eliminated on disposals	—	(1,509)	(405)	(480)	(2,318)	—	(4,712)
At August 31, 2011	71,152	2,103	4,133	4,793	19,042	—	101,223
Provided for the year	17,982	500	834	1,523	5,127	—	25,966
Eliminated on disposals	—	—	(1,115)	(27)	(116)	—	(1,258)
At August 31, 2012	89,134	2,603	3,852	6,289	24,053	—	125,931
Provided for the year	20,832	539	945	1,421	6,136	—	29,873
Eliminated on disposals	—	—	(907)	(6)	(593)	—	(1,506)
At August 31, 2013	109,966	3,142	3,890	7,704	29,596	—	154,298
Provided for the period	12,128	239	515	811	3,522	—	17,215
Eliminated on disposals	—	—	—	(307)	(667)	—	(974)
At February 28, 2014	122,094	3,381	4,405	8,208	32,451	—	170,539
NET BOOK VALUES							
At August 31, 2011	783,382	1,667	2,255	6,470	14,882	74,297	882,953
At August 31, 2012	857,462	1,167	2,830	6,167	15,760	78,001	961,387
At August 31, 2013	948,891	649	2,922	6,082	18,129	200,352	1,177,025
At February 28, 2014	1,148,828	410	2,407	10,434	23,241	15,485	1,200,805

14. PROPERTY, PLANT AND EQUIPMENT – continued

The above items of property, plant and equipment, other than construction in progress, after taking into account their estimated residual value of 5% of the cost, are depreciated on a straight-line basis at the following rates per annum:

Buildings	1.9% to 3.2%
Leasehold improvements	19%
Motor vehicles	19%
Furniture and fixtures	11.9% to 19%
Computer equipment	19%

At August 31, 2011, 2012 and 2013 and February 28, 2014, the Group had pledged its buildings with an aggregate carrying value of RMB358,393,000, RMB270,704,000, RMB276,450,000 and RMB125,146,000 respectively, to secure for general banking facilities granted to the subsidiaries of the Group.

The Group's buildings are situated on land in the PRC held by the Group under medium-term lease.

At August 31, 2011, 2012 and 2013 and February 28, 2014, the accumulated borrowing costs capitalized to construction in progress were RMB608,000, RMB Nil, RMB Nil and RMB Nil, respectively.

At February 28, 2014, the Group is in the process of obtaining the property certificate for the buildings with carrying value of RMB280,619,000 which are located in the PRC.

15. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise leasehold land in the PRC under medium-term lease and are analyzed for reporting purposes as:

The Group	At August 31, 2011	2012	2013	At February 28, 2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets (included in deposits, prepayment and other receivables)	3,991	4,171	4,855	4,855
Non-current assets	162,733	167,546	196,589	194,095
	166,724	171,717	201,444	198,950

The prepaid lease payments represent the land use rights and are amortized on a straight-line basis over lease terms of 41 to 50 years as stated in the relevant land use right certificates granted for usage by the Group in the PRC.

At August 31, 2011, 2012 and 2013 and February 28, 2014, the Group had pledged of its land use rights with an aggregate carrying value of RMB75,111,000, RMB50,842,000, RMB57,481,000 and RMB24,603,000 respectively, to banks to secure the credit facilities granted to the Group.

At August 31, 2011, 2012 and 2013 and February 28, 2014, the carrying value of the land use right of RMB46,304,000, RMB45,252,000, RMB44,200,000 and RMB43,674,000 respectively is allocated by the government. The Group is legally entitled to use it for 50 years which is stated in the corresponding state-owned land use certificate. However, without the relevant administrative authorities' permission, the Group cannot transfer, lease or mortgage such land use right allocated by the government.

16. INVESTMENT PROPERTIES

The Group	RMB'000
COST	
At September 1, 2010, August 31, 2011, 2012 and 2013 and February 28, 2014	26,057
DEPRECIATION	
At September 1, 2010	4,791
Provided for the year	854
At August 31, 2011	5,645
Provided for the year	854
At August 31, 2012	6,499
Provided for the year	854
At August 31, 2013	7,353
Provided for the period	428
At February 28, 2014	7,781
CARRYING VALUES	
At August 31, 2011	20,412
At August 31, 2012	19,558
At August 31, 2013	18,704
At February 28, 2014	18,276

The fair value of the Group's investment properties at August 31, 2011, 2012 and 2013 and February 28, 2014 was RMB54,000,000, RMB54,000,000, RMB55,000,000 and RMB55,000,000 respectively. The fair value has been arrived at based on a valuation carried out by DTZ Debenham Tie Leung Limited ("DTZ"), an independent valuer not connected with the Group. DTZ, located in 16th Floor Jardine House 1 Connaught Place Central Hong Kong, is a member of the Hong Kong Institute of Surveyors. The valuation was determined by capitalizing the rental income derived from the existing tenancies with due provision for the reversionary income potential of the property interests. The key inputs are term capitalization rate and market unit rent of individual unit.

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at August 31, 2011, 2012 and 2013 and February 28, 2014 are as follows:

	Carrying value	Level 3 Fair value
	RMB'000	RMB'000
Commercial property units located in Dalian		
At August 31, 2011	20,412	54,000
At August 31, 2012	19,558	54,000
At August 31, 2013	18,704	55,000
At February 28, 2014	18,276	55,000

The above investment properties are depreciated on a straight-line basis at 3.2% per annum.

The Group's investment properties are situated on land in the PRC held by the Group under medium-term lease.

17. GOODWILL

The Group	RMB'000
COST	
At September 1, 2010, August 31, 2011, 2012 and 2013 and February 28, 2014	6,588
IMPAIRMENT	
At September 1, 2010 and August 31, 2011	2,608
Provided for the year	1,998
At August 31, 2012 and 2013 and February 28, 2014	4,606
CARRYING VALUES	
At August 31, 2011	3,980
At August 31, 2012 and 2013 and February 28, 2014	1,982

The goodwill was arose from acquisitions of Jiabao, Fengqiao, Lanxi and Jinhai preschools in April 2008, August 2006, June 2007 and April 2009 respectively. Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated (net of accumulated impairment losses) as follows:

	At August 31, 2011	At August 31, 2012 and 2013 and February 28, 2014
		RMB'000
Cash-generating units:		
Jiabao	1,998	—
Fengqiao	—	—
Lanxi	1,026	1,026
Jinhai	956	956
	3,980	1,982

The Group tests goodwill annually for impairment or more frequently if there are indicates that goodwill might be impaired. During the years ended August 31, 2011 and 2013 and six months ended February 28, 2014, management of the Group determines that there are no impairments of any of its cash-generating units containing goodwill. During the year ended August 31, 2012, the Group recognized an impairment loss of RMB1,998,000 in relation to goodwill arising on acquisition of Jiabao preschool. Jiabao did not meet the budget since several new preschools established nearby and competition is more intensive than expected. The management adjusted the cash flow projections accordingly and recognized goodwill impairment in the year ended August 31, 2012.

The basis of the recoverable amounts of the above cash-generating units and their major underlying assumptions are summarized below:

Jiabao

The recoverable amount of this unit has been determined based on value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and discount rate of 14.20% and 14.55% for the years ended August 31, 2011 and 2012 respectively. Jiabao's cash flows beyond the five-year period are extrapolated using 2% growth rate for the years ended August 31, 2011 and 2012 respectively which is based on the preschool's historical growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash flows which include budgeted revenue and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

17. GOODWILL – continued

Jinhai

The recoverable amount of this unit has been determined based on value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and discount rate of 14.20%, 14.55%, 15.22% and 14.70% for the years ended August 31, 2011, 2012 and 2013 and six months ended February 28, 2014 respectively. Jinhai's cash flows beyond the five-year period are extrapolated using 5% growth rate for the years ended August 31, 2011, 2012 and 2013 and six months ended February 28, 2014 respectively which is assumed based on the preschool's historical growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash flows which include budgeted revenue and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the long-lived assets of this unit to exceed their aggregate recoverable amount.

Lanxi

The recoverable amount of this unit has been determined based on value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and discount rate of 14.20%, 14.55%, 15.22% and 14.70% for the years ended August 31, 2011, 2012 and 2013 and six months ended February 28, 2014 respectively. Lanxi's cash flows beyond the five-year period are extrapolated using 4% growth rate for the years ended August 31, 2011, 2012 and 2013 and six months ended February 28, 2014 respectively which is based on the preschool's historical growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash flows which include budgeted revenue and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the long-lived assets of this unit to exceed their aggregate recoverable amount.

18. INVESTMENTS IN SUBSIDIARIES

The Company	At August 31, 2011	At August 31, 2012	At August 31, 2013	At February 28, 2014
	RMB'000	RMB'000	RMB'000	RMB'000
Investments in unlisted shares, at cost				
Maple BVI	45,351	45,351	45,351	45,351
HK Tech	137,895	137,895	137,895	137,895
Maple HK	9,450	9,450	9,450	9,450
	192,696	192,696	192,696	192,696

19. AVAILABLE-FOR-SALE INVESTMENTS

The Group and the Company	At August 31, 2011	At August 31, 2012	At August 31, 2013	At February 28, 2014
	RMB'000	RMB'000	RMB'000	RMB'000
Equity securities listed in Hong Kong at fair value (note 34 (c))	4,418	3,177	3,493	3,317

The fair value of the available-for-sale investments were determined based on the quoted bid market price available on the **[REDACTED]** at the end of each reporting period.

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Group	Year ended August 31, 2011	2012	2013	At February 28, 2014
	RMB'000	RMB'000	RMB'000	RMB'000
Prepaid rent and other prepaid expenses	4,494	5,210	6,315	6,589
Other deposits	986	1,440	1,380	1,351
Compensation receivable (Note 7)	3,200	—	—	—
Prepaid lease payments	3,991	4,171	4,855	4,855
Staff advances	330	955	1,129	605
Other receivables	282	707	2,577	3,298
	13,283	12,483	16,256	16,698

21. AMOUNTS DUE TO SUBSIDIARIES

The Company	At August 31, 2011	2012	2013	At February 28, 2014
	RMB'000	RMB'000	RMB'000	RMB'000
Maple HK	8,714	8,714	8,714	8,714
Dalian Maple Leaf High School	—	—	923	2,147
Dalian Foreign School	—	—	514	1,342
Dalian Junior	—	—	—	187
	8,714	8,714	10,151	12,390

The amounts due to the subsidiaries are unsecured, interest-free and repayable on demand.

22. BANK BALANCES AND CASH

The Group and the Company

Bank balance and cash comprise cash and short-term deposits held by the Company and the Group with an original maturity of three months or less.

As at August 31, 2011, 2012, and 2013 and February 28, 2014, the Company's bank deposits carried a weighted-average interest rate of 0.001%, 0.001%, 0.001% and 0.001% per annum, respectively.

As at August 31, 2011, 2012 and 2013 and February 28, 2014, the Group's bank deposits carried a weighted-average interest rate of 0.53%, 0.35%, 0.47% and 0.35% per annum, respectively.

22. BANK BALANCES AND CASH – continued

At the end of the reporting period, included in bank balances are the following amounts denominated in currencies other than the functional currency of the relevant group entity to which they relate.

	The Group				The Company			
	At August 31,			At February 28,	At August 31,			At February 28,
	2011	2012	2013	2014	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Currency:								
US dollar ("USD")	2,138	3,587	4,549	7,961	—	—	1,581	3,249
HK dollar ("HK$")	360	616	528	510	321	455	387	345
	2,498	4,203	5,077	8,471	321	455	1,968	3,594

23. DEFERRED REVENUE

	At August 31,			At February 28,
The Group	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Tuition and boarding fees	303,208	335,313	381,130	225,311
Others	16,639	22,162	27,195	21,300
	319,847	357,475	408,325	246,611

24. OTHER PAYABLES AND ACCRUED EXPENSES

	At August 31,			At February 28,
The Group	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Other tax payables	3,858	9,015	13,229	13,973
Payables for purchase of property, plant and equipment	32,286	42,964	88,588	56,056
Miscellaneous expenses received from students (Note)	23,617	29,427	50,216	34,215
Deposits received from students	14,079	15,120	16,083	16,746
Accrued payroll	6,813	4,498	6,143	5,522
Prepayment from lessee	2,170	1,629	663	260
Accrued operating expenses	67	262	779	1,870
Accrued **[REDACTED]** expenses	—	—	—	1,890
Accrued interest expenses	1,542	513	413	458
Payable for land use right	—	—	3,000	—
Other payables	2,655	6,414	9,493	9,786
	87,087	109,842	188,607	140,776

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

25. DEFERRED TAXATION

The following are the major deferred tax liabilities recognized and movements thereon during the Relevant Periods:

The Group	Others (note)
	RMB'000
At September 1, 2010	369
Charge to profit or loss	4,203
At August 31, 2011	4,572
Charge to profit or loss	4,485
At August 31, 2012	9,057
Charge to profit or loss	5,290
At August 31, 2013	14,347
Charge to profit or loss	1,713
At February 28, 2014	16,060

Note: The amount represents the deferred tax liabilities on the temporary differences arising from the services income from the Consolidated Affiliated Entities under the Contractual Arrangements.

26. BANK BORROWINGS

	At August 31,			At February 28,
The Group	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings:				
— Secured	198,500	90,000	145,000	99,000
— Unsecured	35,000	80,000	130,000	135,000
	233,500	170,000	275,000	234,000
Carrying amounts repayable:				
— Within one year	233,500	170,000	215,000	234,000
— More than one year, but not exceeding two years	—	—	60,000	—
	233,500	170,000	275,000	234,000
Less: Amounts due within one year shown under current liabilities	233,500	170,000	215,000	234,000
	—	—	60,000	—
The exposure of bank borrowings:				
— Fixed rate borrowings	113,500	60,000	235,000	234,000
—Variable rate borrowings	120,000	110,000	40,000	—
	233,500	170,000	275,000	234,000

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

	August 31,			February 28,
	2011	2012	2013	2014
Effective interest rate:				
Variable-rate borrowings	5.88% - 7.32%	6.14% - 7.54%	6.30% - 6.90%	N/A
Fixed rates borrowings	5.31% – 7.27%	5.56% –7.87%	6.00% –7.87%	6.00% – 6.90%

26. BANK BORROWINGS – continued

The secured bank borrowings are secured by the Group's property, plant and equipment and prepaid lease payments as set out in notes 14 and 15 respectively.

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

27. DEPOSIT RECEIVED IN RESPECT OF DISPOSAL OF PROPERTIES

On September 22, 2009, the Group signed a transfer agreement with an independent third party to transfer all the buildings and land use right in a campus of Dalian Maple Leaf High School, with a total consideration of RMB110 million. The Group has received total deposit of RMB30 million, RMB60 million, RMB70 million and RMB80 million as at August 31, 2011, 2012 and 2013 and February 28, 2014 respectively.

However, due to certain authority approval from local government has not been obtained yet, the disposal has not been completed as at February 28, 2014. According to the supplementary agreement signed on 1 November 2013, if the authority approval could not be obtained and the disposal could not be completed by December 31, 2016, the transferee has the right to send termination notice to the Group to terminate the disposal transaction.

28. SHARE CAPITAL

The Group and The Company	Number of shares	Amount	Shown in the Financial Information as
		US$'000	RMB'000
Ordinary shares of US$0.001 each Authorized			
At September 1, 2010, August 31, 2011, 2012 and 2013 and February 28, 2014	179,000,000	179	1,271
Issued and fully paid			
At September 1, 2010, August 31, 2011, 2012 and 2013 and February 28, 2014	72,000,000	72	511

29. RESERVES

The Group

(a) Share premium

Share premium represents the excess of capital contribution by the shareholder over the share capital.

(b) Statutory surplus reserve

Pursuant to the relevant laws in the PRC, the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of the relevant PRC subsidiaries. These reserves include (i) general reserve of the limited liabilities companies and (ii) the development fund of schools.

(i) For PRC subsidiaries with limited liability, it is required to make annual appropriations to general reserve of 10% of after-tax profits as determined under the PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered.

(ii) According to the relevant PRC laws and regulations, for private school that does not require for reasonable return, it is required to appropriate to development fund of not less than 25% of the annual increase of net assets of the relevant school as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the school or procurement or upgrading of educational equipment.

29. RESERVES – continued

The Company	Share premium	Investment valuation reserve	Share option reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At September 1, 2010	24,940	—	3,569	(48,370)	(19,861)
Loss and total comprehensive expense for the year	—	—	—	(128,162)	(128,162)
Share-base payments	—	—	353	—	353
At August 31, 2011	24,940	—	3,922	(176,532)	(147,670)
Other comprehensive income for the year	—	63	—	—	63
Loss for the year	—	—	—	(13,467)	(13,467)
Total comprehensive income (expense) for the year	—	63	—	(13,467)	(13,404)
Share-base payments	—	—	72	—	72
At August 31, 2012	24,940	63	3,994	(189,999)	(161,002)
Other comprehensive income for the year	—	316	—	—	316
Loss for the year	—	—	—	(72,211)	(72,211)
Total comprehensive income (expense) for the year	—	316	—	(72,211)	(71,895)
Share-base payments	—	—	31	—	31
At August 31, 2013	24,940	379	4,025	(262,210)	(232,866)
Other comprehensive expenses for the period	—	(176)	—	—	(176)
Profit for the period	—	—	—	13,773	13,773
Total comprehensive (expense) income for the period	—	(176)	—	13,773	13,597
At February 28, 2014	24,940	203	4,025	(248,437)	(219,269)

30. REDEEMABLE CONVERTIBLE PREFERRED SHARES AND WARRANTS

The Group and the Company	Number of shares	Nominal amount
		US$'000
Redeemable convertible preferred shares of $0.001 each:		
Authorized		
Balance at September 1, 2010, August 31, 2011, 2012 and 2013 and February 28, 2014	21,000,000	21
Issued and fully paid		
Balance at September 1, 2010, August 31, 2011, 2012 and 2013 and February 28, 2014	18,000,000	18

On March 12, 2008, the Company issued 18,000,000 series A redeemable convertible preferred shares ("Series A Preferred Shares") at RMB10 (equivalent to US$1.41) per share for a total gross cash proceeds of RMB180,000,000 (equivalent to US$25,342,000) to Sequoia Capital China Growth Fund I, L.P., which subsequently transferred 1,926,000 and 370,800 Preferred Shares to Sequoia Capital China GF Principals Fund I, L.P. and Sequoia Capital China Growth Partners Fund I, L.P. (collectively referred to "Sequoia"), respectively on May 9, 2008.

30. REDEEMABLE CONVERTIBLE PREFERRED SHARES AND WARRANTS – continued

On March 12, 2008, in conjunction with the issuance of Series A Preferred Shares, the Company issued 3,000,000 warrants to the holder of Series A Preferred Shares ("Warrants") to purchase 3,000,000 Series A Preferred Shares. The exercise price per share for the Warrants is RMB10, and the exercisable period is the period commencing on the grant date of the Warrants and ending on the date of consummation of a qualified initial public offering as agreed.

The significant terms of Series A Preferred Shares are as follows:

Redemption

The holder of the Series A Preferred Shares shall have the right, at any time and from time to time commencing from the fourth anniversary date of the Series A Preferred Shares issuance date, to require and demand the Company to redeem 100% of its Series A Preferred Shares. At the election of the holders thereof, the redemption price payable on each Series A Preferred Shares shall equal to the actual Series A Preferred Shares purchase price plus 8% per annum return for each year the Series A Preferred Shares was outstanding measured from the Series A Preferred Shares issuance date.

As agreed by the Company and the holders of the Series A Preferred Shares in June 2014, the Series A Preferred Shares would not be redeemed until December 31, 2015.

Valuation adjustment

In the event that the net income as stated in the Company's 2008 consolidated financial statements is less than RMB68,600,000, the post money valuation of the Company will be adjusted from RMB900,000,000 to the New Valuation (as defined below). Then the Company shall issue additional Series A Preferred Shares to Sequoia to reflect Sequoia's increased percentage of ownership in the Company as a result of the downward adjustment of the post money valuation of the Company from RMB900,000,000 to the New Valuation using the following formula:

The New Valuation = Net profit after tax x 12.857.

Then the percentage of ownership of preferred shares will be adjusted as RMB180,000,000/the New Valuation. In the event the net income as stated in the Company's 2008 consolidated financial statements is greater than RMB68,600,000, there will have no valuation adjustment.

In February 2011, the Company signed a share adjustment agreement with Sequoia to adjust the conversion price from RMB10 to RMB8.411477 as a resolution to such contingent valuation adjustment. On the same day, the conversion price for the Warrants was revised from RMB10 to RMB8.411477 and the number of conversion share for the preferred shares was revised from 18,000,000 to 21,399,333.

Conversion

Each Series A Preferred Share shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share, into such number of ordinary shares as is determined by dividing the original issue price by the conversion price RMB8.411477 (after the valuation adjustment) in effect on the date the certificate is surrendered for conversion. Each Series A Preferred Share shall automatically convert into ordinary shares upon (i) the election of a majority of the outstanding Series A Preferred Shares shareholders or (ii) the consummation of an underwritten public offering with a price per share of at least three times the purchase price and aggregate proceeds in excess of US$50,000,000.

30. REDEEMABLE CONVERTIBLE PREFERRED SHARES AND WARRANTS – continued

Voting rights

Each holder of Series A Preferred Shares shall have the right to one vote for each ordinary share into which such Series A Preferred Shares could then be converted, and with respect to such vote, such holder shall have full voting rights and powers equal to the voting rights and powers of the holders of ordinary shares.

Dividend

The holders of Series A Preferred Shares shall be entitled to receive dividends upon any declaration or payment of any dividend on the ordinary shares of the Company. Such dividends shall not be cumulative. Any dividends or distributions shall be distributed among all holders of ordinary shares and Series A Preferred Shares in proportion to the number of ordinary shares that would be held by each such holder if all Series A Preferred Shares were converted to ordinary shares at the then effective conversion rate.

Liquidation preference

In the event of any liquidation, either voluntary or involuntary, the holders of Series A Preferred Shares shall be entitled to receive, prior and in preference to any distribution of the proceeds of such liquidation event to the holders of ordinary shares by reason of their ownership thereof, an amount per share equal to the sum of the original issue price (RMB10 per share) for the Series A Preferred Shares, plus declared but unpaid dividends on such share. All of the remaining proceeds available for distribution to shareholders shall be distributed pro rata among the holders of ordinary shares and Series A Preferred Shares on an as-converted basis.

On January 15, 2014, the Company entered into a termination agreement with Sequoia. Pursuant to the termination agreement, Sequoia agreed to terminate the Warrants with immediate effect and irrevocably release and discharge each other from all duties, obligations and liabilities conferred upon each of the parties under the Warrants. Each of the parties acknowledges and confirms that it has no claim or demand whatsoever against the other parties for any fees, expenses, costs or otherwise arising out of or in connection with the Warrants.

The Series A Preferred Shares are designated as a financial liability at FVTPL on initial recognition. The Series A Preferred Shares and the Warrants are measured at fair value with changes in fair value recognised in the profit and loss.

The Series A Preferred Shares and Warrants were valued at fair value by the Company with reference to an independent valuation provided by American Appraisal China Limited ('American Appraisal'), an independent firm professional valuers not connected with the Group, who has appropriate qualification and recent experience of valuation of similar financial instrument. Its address is at 13/F, On Hing Building, 1 On Hing Terrace, Central, Hong Kong.

The fair value of equity value at August 31, 2011, 2012 and 2013 and February 28, 2014 was determined by using valuation technique of discounted cash flow analysis. The fair value of the Series A Preferred Shares and warrants was determined by option pricing method. The present value of the estimated future cash flow is discounted at the weighted average cost of capital ("WACC") of 14%, 15%, 15% and 15% at August 31, 2011, 2012 and 2013 and February 28, 2014 respectively.

No dividend was paid to the Series A Preferred Shares shareholders during the Relevant Periods.

30. REDEEMABLE CONVERTIBLE PREFERRED SHARES AND WARRANTS – continued

The assumptions and key parameters adopted for the valuation of the Series A Preferred Shares are as follows:

	August 31,			
	2011	2012	2013	February 28, 2014
Methodology	Option-pricing method	Option-pricing method	Option-pricing method	Option-pricing method
Estimated probability of the Series A Preferred Shares				
— for liquidation	20%	15%	10%	10%
— for redemption	20%	15%	10%	10%
— for conversion	60%	70%	80%	80%
Risk-free rate				
— for liquidation	1.01%	1.18%	1.12%	1.24%
— for redemption	1.01%	1.18%	1.12%	1.24%
Time to expiration (number of years)	2.08	2.08	1.08	0.59
Preferred shares dividend yield	0%	0%	0%	0%
Volatility				
— for redemption	50.8%	51.8%	45.6%	52.0%
— for liquidation	50.8%	51.8%	45.6%	52.0%

The assumptions adopted for the valuation of Series A Preferred Shares were as follows:

(a) The estimation of risk free rate is based on the yield to maturity of the PRC Government International Bond matured at time close to the **[REDACTED]** timing as of valuation date.

(b) Volatility is estimated based on annualized standard deviation of daily stock price return of comparable companies.

The fair value of the warrant was determined using Black-Scholes option pricing model. The assumptions and key parameters adopted for the valuation of the Warrants are as follows:

	August 31,			January 15,
	2011	2012	2013	2014
Expiration of Warrants	2013.9.30	2014.9.30	2014.9.30	2014.9.30
Fair value per Series A Preferred Share as of valuation date (RMB)	17.07	17.65	21.19	22.51
Exercise price (RMB)	8.41	8.41	8.41	8.41
Risk free rate of interest	1.01%	1.18%	1.12%	1.24%
Dividend yield	0.0%	0.0%	0.0%	0.0%
Expected time to exercise (years)	2.08	2.10	1.10	0.50
Volatility	50.8%	51.8%	45.6%	52.0%

The assumptions adopted for the valuation of Warrants were as follows

(a) The estimation of risk free rate is based on the yield to maturity of the PRC Government International Bond matured at time close to the **[REDACTED]** timing as of valuation date.

(b) Volatility is estimated based on annualized standard deviation of daily stock price return of comparable companies.

30. REDEEMABLE CONVERTIBLE PREFERRED SHARES AND WARRANTS – continued

The movements of the Series A Preferred Shares and Warrants are set out below:

The Group and the Company	Redeemable convertible preferred shares	Warrants
	RMB'000	RMB'000
At September 1, 2010	203,220	6,660
Changes in fair value recognized in profit or loss	104,040	21,960
At August 31, 2011	307,260	28,620
Changes in fair value recognized in profit or loss	10,440	1,785
At August 31, 2012	317,700	30,405
Changes in fair value recognized in profit or loss	63,720	8,410
At August 31, 2013	381,420	38,815
Changes in fair value recognized in profit or loss	23,692	3,695
Gain on cancellation of warrants	—	(42,510)
At February 28, 2014	405,112	—

31. RETIREMENT BENEFIT PLANS

The employees of the Group in the PRC are members of a state-managed retirement benefits scheme operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

The amounts of contributions made by the Group in respect of the retirement benefit scheme for the Relevant Periods are disclosed in note 10.

32. SHARE-BASED PAYMENTS

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on April 1, 2008 for the primary purpose of providing incentives to directors and eligible employees. Under the Scheme, the Board of Directors of the Company may grant options to eligible directors, employees and consultant to subscribe for shares in the Company, up to a total of 3,000,000 shares.

Details of specific category of options are as follows:

Options type	Date of grant	Date of expiration	Shares granted	Vesting period	Exercisable period	Exercise price	Fair value at grant date
						RMB	RMB
1st	1.9.2008	31.8.2018	1,520,000	1.9.2008—31.8.2012	1.9.2009—31.8.2018	10	2.43
2nd	1.9.2009	31.8.2018	320,000	1.9.2009—31.8.2013	1.9.2010—31.8.2019	10	2.79
3rd	1.9.2011	31.8.2018	100,000	1.9.2011—31.8.2015	1.9.2012—31.8.2021	14.19	12.62

32. SHARE-BASED PAYMENTS – continued

The following table discloses movements of the Company's share options held by directors of the Company, employees and the consultants during the years ended August 31, 2011, 2012 and 2013 and the six months ended February 28, 2014 respectively:

For the year ended August 31, 2011

	Date of grant	Option type	Outstanding at 1/9/2010	Cancelled during the year	Forfeited during the year	Outstanding at 31/8/2011
Executive director						
Zhang Jingxia	1/9/2008	1st	70,000	—	—	70,000
Employees and consultant						
In aggregate	1/9/2008	1st	1,420,000	(35,000)	(100,000)	1,285,000
	1/9/2009	2nd	260,000	(20,000)	(50,000)	190,000
Total			1,750,000	(55,000)	(150,000)	1,545,000
Exercisable at the end of the year						889,000

For the year ended August 31, 2012

	Date of grant	Option type	Outstanding at 31/8/2011	Granted during the year	Forfeited during the year	Outstanding at 31/8/2012
Executive director						
Zhang Jingxia	1/9/2008	1st	70,000	—	—	70,000
Employees and consultant						
In aggregate	1/9/2008	1st	1,285,000	—	(100,000)	1,185,000
	1/9/2009	2nd	190,000	—	(30,000)	160,000
	1/9/2011	3rd	—	100,000	(100,000)	—
Total			1,545,000	100,000	(230,000)	1,415,000
Exercisable at the end of the year						1,100,000

For the year ended August 31, 2013

	Date of grant	Option type	Outstanding at 31/8/2012	Granted during the year	Forfeited during the year	Outstanding at 31/8/2013
Executive director						
Zhang Jingxia	1/9/2008	1st	70,000	—	—	70,000
Employees and consultant						
In aggregate	1/9/2008	1st	1,185,000	—	(30,000)	1,155,000
	1/9/2009	2nd	160,000	—	—	160,000
Total			1,415,000	—	(30,000)	1,385,000
Exercisable at the end of the year						1,353,000

32. SHARE-BASED PAYMENTS – continued

For the six months ended February 28, 2014

	Date of grant	Option type	Outstanding at 31/8/2013	Granted during the period	Forfeited during the period	Outstanding at 28/2/2014
Executive director						
Zhang Jingxia	1/9/2008	1st	70,000	—	—	70,000
Employees and consultant						
In aggregate	1/9/2008	1st	1,155,000	—	(100,000)	1,055,000
	1/9/2009	2nd	160,000	—	—	160,000
Total			1,385,000	—	(100,000)	1,285,000
Exercisable at the end of the period						1,285,000

Pursuant to the Scheme, the option type granted shall be exercisable during the period from the vesting commencement date, which is same as the grant date (the "vesting commencement date") and ending on the expiry of the option period in the following manner:

(i) up to 20% of the option will be exercisable during the period from the vesting commencement date and ending on the date of expiration;

(ii) up to 40% of the option will be exercisable during the period from the first anniversary of the vesting commencement date and ending on the date of expiration;

(iii) up to 60% of the option will be exercisable during the period from the second anniversary of the vesting commencement date and ending on the date of expiration;

(iv) up to 80% of the option will be exercisable during the period from the third anniversary of the vesting commencement date and ending on the date of expiration; and

(v) up to 100% of the option will be exercisable during the period from the fourth anniversary of the vesting commencement date and ending on the date of expiration.

The Binomial model has been used to estimate the fair value of the options. The following assumptions were used to calculate the fair value of share options granted at respective date of grant:

	Option types		
	1st	**2nd**	**3rd**
Fair value of ordinary share (RMB)	6.41	7.34	11.91
Exercise price (RMB)	10	10	14.19
Expected volatility	50%	51%	53%
Contractual option life	10	10	10
Dividend yield	0.00%	0.00%	0.00%
Risk-free interest rate	5.36%	4.43%	4.23%
Exercise multiple	2.0	2.0	2.0
Total estimated fair value of the options granted (RMB'000)	3,694	893	1,262

32. SHARE-BASED PAYMENTS – continued

In calculating the fair value of the options, the following major assumptions were used:

(1) Risk-free interest rate

The risk-free interest rate for periods within the contractual life of the option is based on the yield to maturity of the PRC Government International Bond as of the grant date with maturity closest to the relevant option expiry date.

(2) Dividend yield

According to management, the Company planned to retain profit for corporate expansion and hence had no plan to distribute dividend in near future. As such, it is assumed that the dividend yield to ordinary shares during the expected life of the option should be zero.

(3) Expected volatility

Expected volatility is calculated with reference to the historical price volatility data of comparable companies.

(4) Contractual option life

The option life was the original contractual term.

(5) Exercise multiple

A ratio of the stock price to the contractual strike price at which point it is assumed that the option will be exercised prior to maturity.

(6) Exercise price

The exercise price of the option was determined by the board of directors.

(7) Fair value of ordinary share

The estimated fair value of ordinary shares as of the grant date was estimated by an independent valuation firm. It used the income approach/discounted cash flow method as the primary approach to derive the fair value of the Company's ordinary shares.

The Group recognized the total expense of RMB353,000, RMB72,000, RMB31,000, RMB11,000 (unaudited) and RMB Nil for the year ended August 31, 2011, 2012 and 2013 and for the six months ended February 28, 2013 and 2014, respectively, in relation to share options granted by the Company.

33. CAPITAL RISK MANAGEMENT

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of business. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt, which includes borrowings disclosed in note 26, redeemable convertible preferred shares disclosed in note 30, bank balance and cash, and equity attributable to equity holders of the Company, comprising capital, reserves and accumulated profits.

33. CAPITAL RISK MANAGEMENT – continued

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the issue of redeemable convertible preferred shares to strategic investors, raising of new debts as well as the redemption of the existing debt.

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group				The Company			
	At August 31,			At February 28, 2014	At August 31,			At February 28, 2014
	2011	2012	2013		2011	2012	2013	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets								
Loans and receivables (including cash and cash equivalents)	238,385	297,743	411,880	196,176	321	455	1,968	3,890
Available-for-sale investments	4,418	3,177	3,493	3,317	4,418	3,177	3,493	3,317
	242,803	300,920	415,373	199,493	4,739	3,632	5,461	7,207
Financial liabilities								
Liabilities measured at amortized cost	323,259	280,730	458,571	366,597	8,714	8,714	10,277	13,549
Redeemable convertible preferred shares (see below)	307,260	317,700	381,420	405,112	307,260	317,700	381,420	405,112
Warrants	28,620	30,405	38,815	—	28,620	30,405	38,815	—
	659,139	628,835	878,806	771,709	344,594	356,819	430,512	418,661

Financial liabilities designated as FVTPL — Redeemable convertible preferred shares

	At August 31,			At February 28, 2014
	2011	2012	2013	
	RMB'000	RMB'000	RMB'000	RMB'000
Changes in fair value attributable to changes in credit risk recognized during the year/period(Note)	—	—	—	—
Difference between carrying amount and maturity amount				
At fair value	307,260	317,700	381,420	405,112
Amount payable at maturity	229,800	244,200	258,600	265,800
	77,460	73,500	122,820	139,312

Note: The redeemable convertible preferred shares and warrants of the Company are financial liabilities at FVTPL. The change in fair value was mainly due to the change in market risk factors. The fair value attributable to change in its credit risk is considered immaterial.

34. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and polices

The Group's major financial instruments include other receivables, available-for-sale investments, bank balances and cash, other payables, amounts due to related parties, redeemable convertible preferred shares, warrants, bank borrowings and other non-current liabilities. Details of these financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. These risks include market risk (currency risk, interest rate risk and equity price risk), credit risk and liquidity risk.

Market risk

(i) Currency risk

Several subsidiaries of the Company and the Company have bank balances, available-for-sale investments and amounts due to related parties which are denominated in foreign currencies. The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and liabilities at the end of reporting period are as follows:

	The Group				The Company			
	At August 31,			At February 28,	At August 31,			At February 28,
	2011	2012	2013	2014	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
USD								
Assets	2,138	3,587	4,549	7,961	—	—	1,580	3,248
HK$								
Assets	4,778	3,793	4,021	3,827	4,739	3,632	3,880	3,662
Liability . . .	11,523	11,506	11,192	11,095	—	—	—	—

34. FINANCIAL INSTRUMENTS – continued

Market risk – continued

(i) Currency risk – continued

Sensitivity analysis

The Group is mainly exposed to the USD and HK$. The following table details the Group's and the Company's sensitivity to a 5% increase and decrease in Renminbi against USD and HK$. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates a decrease in profit before tax or increase in loss before tax and decrease in other equity where Renminbi strengthens 5% against USD and HK$. For a 5% weakening of Renminbi against USD and HK$, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	The Group				The Company			
	At August 31,			At February 28,	At August 31,			At February 28,
	2011	2012	2013	2014	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit or loss related to USD	107	179	227	398	—	—	79	162
Profit or loss related to HK$	(558)	(544)	(534)	(529)	16	23	19	17
Other equity related to HK$	221	159	175	166	221	159	175	166
	(337)	(385)	(359)	(363)	237	182	194	183

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

(ii) Interest rate risk

The Group's fair value interest rate risk relates primarily to its fixed-rate bank borrowings and redeemable convertible preferred shares. The Group is also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly bank balances and cash and bank borrowings (note 26 for details of bank borrowings) which carried at prevailing market interest rates. It is the Group's policy to keep certain borrowings at floating rate of interests so as to minimize the fair value interest rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the directors of the Company will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

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

34. FINANCIAL INSTRUMENTS – continued

Market risk – continued

(ii) Interest rate risk – continued

Sensitivity analysis – continued

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended August 31, 2012 and 2013 and for the six months ended February 28, 2014 would decrease/increase by RMB57,000, RMB59,000 and RMB32,000, respectively, and the Group's post-tax loss for the year ended August 31, 2011 would increase/decrease by RMB56,000. This is mainly attributable to the Group's exposure to interest rates on its bank borrowings.

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

(iii) Equity price risk

The Group is exposed to equity price risk through its investments in listed equity securities, redeemed convertible preferred shares and warrants. The management manages the exposure to equity price risk of investments in listed equity securities by maintaining a portfolio of investments with different risks. The Group's equity price risk relating to available-for-sale investments is mainly concentrated on equity instruments operating in telecommunication and finance industry sector quoted in the **[REDACTED]**.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks relating to available-for-sale investments at the end of each reporting date.

If the price of the respective equity instruments had been 5% higher, the potential effect on investment valuation reserve for the years ended August 31, 2011, 2012 and 2013 and for the six months ended February 28, 2014 would increase by RMB221,000, RMB159,000, RMB175,000 and RMB166,000, respectively. If the price of the respective equity instruments had been 5% lower, the potential effect on the Group's post-tax profit for the years ended August 31, 2012 and 2013 and for the six months ended February 28, 2014 would decrease by RMB159,000, RMB175,000 and RMB166,000, respectively, and the Group's post-tax loss for the year ended August 31, 2011 would increase by RMB221,000.

The Group's sensitivity analysis to redeemed convertible preferred shares and warrants is set out in note 34(c).

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

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform its obligations is arising from the carrying amounts of the respective recognized financial assets as stated in the consolidated statements of financial position.

In order to minimize the credit risk on other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and

34. FINANCIAL INSTRUMENTS – continued

Credit risk – continued

past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

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

Liquidity risk

In management of the liquidity risk, the Group and the Company monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows. The Group relies on bank loans as a significant source of liquidity. In preparing the Financial Information, the management of the Group has given careful consideration to the liquidity of the Group in light of the fact that the current liabilities exceed its current assets as at August 31, 2011, 2012 and 2013 and as at February 28, 2014 and have been taking steps to improve the liquidity of the Group. As set out in note 1, taking into account the financial resources of the Group, including the Group's unutilized banking facilities, the binding agreements signed with banks from February 2014 to May 2014 to renew or refinance the banking facilities upon maturity, and the supplement agreement signed in June 2014 by the Company and the shareholders of the Series A Preferred Shares that the Series A Preferred Shares would not be redeemed until December 31, 2015, the directors of the Company consider the Group's and the Company's liquidity risk is minimal.

34. FINANCIAL INSTRUMENTS – continued

Liquidity risk – continued

The following tables detail the Group's and the Company's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest rates are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

	Weighted average effective interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	1-5 years	>5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Group								
Non derivative financial liabilities								
Other payables	—	72,637	—	—	—	—	72,637	72,637
Amounts due to related parties	—	13,822	—	—	—	—	13,822	13,822
Other non-current liabilities	—	—	—	—	1,500	1,800	3,300	3,300
Bank borrowings								
— fixed rate	6.35	581	64,354	51,091	—	—	116,026	113,500
— variable rate	6.69	668	1,337	124,130	—	—	126,135	120,000
At August 31, 2011		87,708	65,691	175,221	1,500	1,800	331,920	323,259
FVTPL								
Redeemable convertible preferred shares	9.79	—	—	229,800	—	—	229,800	307,260
Warrants	—	—	—	—	—	—	—	28,620
At August 31, 2011		—	—	229,800	—	—	229,800	335,880
Non derivative financial liabilities								
Other payables	—	93,925	—	—	—	—	93,925	93,925
Amounts due to related parties	—	13,805	—	—	—	—	13,805	13,805
Other non-current liabilities	—	—	—	—	1,500	1,500	3,000	3,000
Bank borrowings								
— fixed rate	7.43	372	743	61,487	—	—	62,602	60,000
— variable rate	7.02	40,658	20,700	51,362	—	—	112,720	110,000
At August 31, 2012		148,760	21,443	112,849	1,500	1,500	286,052	280,730
FVTPL								
Redeemable convertible preferred shares	8.00	244,200	—	—	—	—	244,200	317,700
Warrants	—	—	—	—	—	—	—	30,405
At August 31, 2012		244,200	—	—	—	—	244,200	348,105
Non derivative financial liabilities								
Other payables	—	167,380	—	—	—	—	167,380	167,380
Amounts due to related parties	—	13,491	—	—	—	—	13,491	13,491
Other non-current liabilities	—	—	—	—	1,500	1,200	2,700	2,700
Bank borrowings								
— fixed rate	6.68	41,271	2,142	140,587	61,691	—	245,691	235,000
— variable rate	6.30	210	40,210	—	—	—	40,420	40,000
At August 31, 2013		222,352	42,352	140,587	63,191	1,200	469,682	458,571
FVTPL								
Redeemable convertible preferred shares	8.00	258,600	—	—	—	—	258,600	381,420
Warrants	—	—	—	—	—	—	—	38,815
At August 31, 2013		258,600	—	—	—	—	258,600	420,235
Non derivative financial liabilities								
Other payables	—	116,803	—	—	—	—	116,803	116,803
Amounts due to related parties	—	13,394	—	—	—	—	13,394	13,394
Other non-current liabilities	—	—	—	—	1,500	900	2,400	2,400
Bank borrowings								
— fixed rate	6.41	71,154	1,785	169,189	—	—	242,128	234,000
At February 28, 2014		201,351	1,785	169,189	1,500	900	374,725	366,597

34. FINANCIAL INSTRUMENTS – continued

Liquidity risk – continued

56	Weighted average effective interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	1-5 years	>5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
FVTPL								
Redeemable convertible preferred shares at February 28, 2014 . . .	8.00	265,800	—	—	—	—	265,800	405,112
The Company								
Non derivative financial liabilities								
Amounts due to subsidiaries								
— at August 31, 2011	—	8,714	—	—	—	—	8,714	8,714
FVTPL								
Redeemable convertible preferred shares	9.79	—	—	229,800	—	—	229,800	307,260
Warrants	—	—	—	—	—	—	—	28,620
At August 31, 2011		—	—	229,800	—	—	229,800	335,880
Non derivative financial liabilities								
Amounts due to subsidiaries								
— at August 31, 2012	—	8,714	—	—	—	—	8,714	8,714
FVTPL								
Redeemable convertible preferred shares	8.00	244,200	—	—	—	—	244,200	317,700
Warrants	—	—	—	—	—	—	—	30,405
At August 31, 2012		244,200	—	—	—	—	244,200	348,105
Non derivative financial liabilities								
Other payables	—	126	—	—	—	—	126	126
Amounts due to subsidiaries	—	10,151	—	—	—	—	10,151	10,151
At August 31, 2013		10,277	—	—	—	—	10,277	10,277
FVTPL								
Redeemable convertible preferred shares	8.00	258,600	—	—	—	—	258,600	381,420
Warrants	—	—	—	—	—	—	—	38,815
At August 31, 2013		258,600	—	—	—	—	258,600	420,235
Non derivative financial liabilities								
Other payables	—	1,159	—	—	—	—	1,159	1,159
Amounts due to subsidiaries	—	12,390	—	—	—	—	12,390	12,390
At February 28, 2014		13,549	—	—	—	—	13,549	13,549
FVTPL								
Redeemable convertible preferred shares at February 28, 2014 . . .	8.00	265,800	—	—	—	—	265,800	405,112

34. FINANCIAL INSTRUMENTS – continued

(c) Fair value measurements of financial instruments

Fair value of the Group's and the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's and the Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets and financial liabilities are determined (in particular, the valuation technique and inputs used).

Finance assets/ Financial liabilities	Fair value as at				Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input(s)
	August 31, 2011	August 31, 2012	August 31, 2013	February 28, 2014			
1) Listed available-for-sale investments (see note 19)	Listed equity securities: — Telecom industry RMB2,589,000 — Finance industry RMB1,829,000	Listed equity securities: — Telecom industry RMB1,355,000 — Finance industry RMB1,822,000	Listed equity securities: — Telecom industry RMB1,327,000 — Finance industry RMB2,166,000	Listed equity securities: — Telecom industry RMB1,163,000 — Finance industry RMB2,154,000	Level 1	Quoted bid prices in an active market	—
2) Redeemable convertible preferred shares (see note 30)	Liabilities-RMB307,260,000	Liabilities-RMB317,700,000	Liabilities-RMB381,420,000	Liabilities-RMB405,112,000	Level 3	Discounted cash flow analysis and option pricing method Key inputs: compound annual growth rate (the "CAGR") and WACC to determine the enterprise fair value, probability of automatic conversion, risk-free rate, time to expiration, dividend yield and volatility	— Compound annual growth rate (21%, 15%, 15% and 15% as at 31 August 2011, 2012, and 2013 and at 28 February 2014) — Probability of automatic conversion (60%, 70%, 80% and 80% as at August 31, 2011, 2012 and 2013 and at February 28, 2014, respectively) — WACC (14%,15%, 15% and 15% as at August 31, 2011, 2012 and 2013 and at February 28, 2014, respectively)
3) Warrants (see note 30)	Liabilities-RMB28,620,000	Liabilities-RMB30,405,000	Liabilities-RMB38,815,000	—	Level 3	Black Scholes option pricing model Key inputs: risk-free rate, expected time to exercise, fair value per Series A Preferred Share as of the valuation date, exercise price, dividend yield and volatility	— Fair value per Series A Preferred Shares as of the valuation date

Details of reconciliation from the beginning balance to the ending balance of Level 3 fair value measurements of financial liability regarding the redeemable convertible preferred shares and warrants are set out in note 30.

The Group recognized change in fair value on redeemable convertible preferred shares included in the profit or loss of RMB104,040,000, RMB10,440,000, RMB63,720,000, RMB37,800,000 (unaudited), RMB23,692,000 relates to redeemable convertible preferred shares held for the years ended August 31, 2011, 2012 and 2013 and for the six months ended February 28, 2013 and 2014, respectively. The Group recognized change in fair value on warrants included in the profit or loss of RMB21,960,000, RMB1,785,000, RMB8,410,000, RMB5,241,000 (unaudited), RMB3,695,000 relates to warrants for the years ended August 31, 2011, 2012 and 2013 and for the six months ended February 28, 2013 and 2014, respectively.

34. FINANCIAL INSTRUMENTS – continued

Fair value measurements and valuation processes

In estimating the fair value of the redeemable convertible preferred shares and warrants, to determine the appropriate valuation techniques and inputs for fair value measurements, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The directors of the Company work closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

In determining the fair value of redeemable convertible preferred shares, CAGR of 21%, 15%, 15%, and 15%, probability of automatic conversion of 60%, 70%, 80% and 80% and a WACC of 14%, 15%, 15% and 15% are used as of August 31, 2011, 2012 and 2013 and February 28, 2014, respectively. If CAGR was 0.5% higher/lower while all the other variables were held constant, the carrying amount of the Series A Preferred Shares would increase/decrease by approximately RMB3,600,000, RMB10,260,000, RMB13,680,000, RMB15,840,000 as at August 31, 2011, 2012 and 2013 and February 28, 2014, respectively. If probability of automatic conversion was 5% higher/lower while all the other variables were held constant, the carrying amount of the Series A Preferred Shares would decrease/increase by approximately RMB4,894,000, RMB4,945,000, RMB3,908,000 and RMB3,779,000 as at August 31, 2011, 2012 and 2013 and February 28, 2014, respectively. If WACC was 1% higher while all the other variables were held constant, the carrying amount of the Series A Preferred Shares would decrease by approximately RMB19,661,000, RMB18,452,000, RMB21,832,000 and RMB23,868,000 as at August 31, 2011, 2012 and 2013 and February 28, 2014, respectively. If WACC was 1% lower while all the other variables were held constant, the carrying amount of the Series A Preferred Shares would increase by approximately RMB24,084,000, RMB21,393,000, RMB26,128,000 and RMB28,691,000 as at August 31, 2011, 2012 and 2013 and February 28, 2014, respectively.

In determining the fair value of warrants, the fair value per Series A Preferred Share of RMB17.07, RMB17.65 and RMB21.19 are used as at August 31, 2011, 2012 and 2013, respectively. If fair value per Series A Preferred Share was 5% higher/lower while all the other variables were held constant, the carrying amount of the warrants would increase/decrease by approximately RMB2,340,000, RMB2,430,000 and RMB3,120,000 as at August 31, 2011, 2012 and 2013, respectively.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Financial Information approximate their fair values.

There were no transfers between Level 1 and Level 2 in the Relevant Periods.

35. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases during the Relevant Periods:

	Year ended August 31,			Six months ended February 28,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Premises	3,332	3,204	3,625	1,696	1,914

35. OPERATING LEASES – continued

At the end of each reporting period, the Group's commitments for future minimum lease payments under non-cancellable operating leases fall due as follows:

	At August 31,			At February 28,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	3,204	3,625	3,843	3,513
In the second to fifth year inclusive	11,802	10,423	9,001	7,072
Over five years	3,173	1,233	321	233
	18,179	15,281	13,165	10,818

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated and rentals are fixed for lease terms of one to ten years.

The Group as lessor

Property rental income earned during the year ended August 31, 2011, 2012 and 2013 and the six months ended February 28, 2013 and 2014 was RMB1,025,000, RMB3,630,000, RMB3,755,000 and RMB1,867,000 (unaudited) and RMB1,888,000 respectively. The properties are expected to generate rental yields of 14% on an ongoing basis. Certain of the properties held have committed tenants for the next 2 years.

At the end of each reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	At August 31,			At February 28,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	2,065	3,196	3,484	2,904
In the second to fifth year inclusive	5,881	8,297	3,625	2,355
	7,946	11,493	7,109	5,259

36. CAPITAL COMMITMENTS

	At August 31,			At February 28,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the Financial Information in respect of the acquisition of — property, plant and equipment	6,022	11,370	23,684	14,946

There were no capital commitments for which were authorized but not contracted for as at August 31, 2011, 2012 and 2013 and February 28, 2014.

37. RELATED PARTY TRANSACTIONS AND BALANCES

The following balances were the amounts due to related parties:

	At August 31,			At February 28,
Name of related parties	**2011**	**2012**	**2013**	**2014**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Sherman Jen	13,622	13,605	13,291	13,194
Mrs. Ren Shu'e[(i)]	200	200	200	200
	13,822	13,805	13,491	13,394

(i) Mrs. Ren Shu'e, the sister of Mr Sherman Jen, has equity interest in Dalian Educational Group.

The amounts due to related parties are unsecured, interest free and repayable on demand.

Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the Relevant Periods are as follow:

	Year ended August 31,			Six months ended February 28,	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Short-term benefits	1,662	3,941	4,604	2,235	2,404
Post-employment benefits	11	9	11	4	11
Share-based payments	34	37	—	—	—
	1,707	3,987	4,615	2,239	2,415

B. SUBSEQUENT EVENTS

The following events took place subsequent to the reporting date:

On [ ] 2014, the Company has approved the issuance of [906,600,668] shares standing to the credit of the share premium of the Company conditional on the share premium account of the Company being credited as a result of the **[REDACTED]** of the shares of the Company under **[REDACTED]** on or around the **[REDACTED]**, details of which are set out in Appendix [VI] to the **[REDACTED]**.

On June 2, 2014, the Company granted 1,275,000 share options to subscribe for an aggregate of 13,651,061 shares, as adjusted for the effect of **[REDACTED]**. The exercise price for the share options granted is RMB10, or RMB0.93 as adjusted for the effect of **[REDACTED]**.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company or any of its subsidiaries have been prepared in respect of any period subsequent to February 28, 2014.

Yours faithfully,

[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong
[Date]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The forecast of the consolidated profit of the Group for the year ending August 31, 2014 attributable to equity holders of the Company is set out in the paragraph headed "Profit Forecast" under the section headed "Financial Information" in this **[REDACTED]**.

BASES AND ASSUMPTIONS

The forecast of the consolidated profit of the Group for the year ending August 31, 2014 attributable to equity holders of the Company prepared by the Directors is based on the audited consolidated results of the Group for [the six months ended February 28, 2014, the unaudited consolidated results of the Group for the two months ended April 30, 2014 and a forecast of the consolidated results of the Group for the remaining four months ending August 31, 2014]. The forecast has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by the Group as summarized in the accountants' report of historical financial information of the Group, the text of which is set out in Appendix I to this **[REDACTED]** and is based on the following principal assumptions:

- There will be no material changes in the existing political, legal, fiscal, market or economic conditions in the PRC, in which the Group currently operates or which are otherwise material to the Group's business;
- there will be no changes in legislation, regulations or rules in the PRC in which the Group operates or with which the Group has arrangements or agreements, which may materially adversely affect the Group's business or operations;
- there will be no material changes in inflation rates, interest rates or foreign exchange rates from those currently prevailing in the context of the Group's operations;
- there will be no material changes in the bases or applicable rates of taxation, surcharges or other government levies in the PRC in which the Group operates; there will be no wars, military incidents, pandemic diseases or natural disasters that would have a material impact on the Group's business and operating activities;
- the Group's operations and financial performance will not be materially and adversely impacted by any of the risk factors set out in the section headed "Risk Factors" in this **[REDACTED]**; and
- [with respect to valuation of the Series A Preferred Shares, changes in the fair value of the Series A Preferred Shares are dependent on market conditions and other factors that are beyond our control at the relevant time. The profit forecast of [RMB40.0] million (approximately HK$[50.7] million) for the year ended August 31, 2014 is after the fair value adjustment on Series A Preferred Shares and includes a loss on increase in the fair value estimated at [RMB79.5 million] (approximately [HK$100.8] million) based on the following assumptions (1) as the Company approaches the Listing, liquidity of its shares increases and the discount for lack of marketability decreases to 5% and (2) other than the change in marketability, there would be no material change in the Company's operations and operating environment from April to August 2014, that would significantly affect the Company's value. The fair value of the Preferred Shares was determined by the allocation of equity interest among Preferred Shares and ordinary Shares on an as-if converted basis, as the Listing is imminent and the Preferred Shares would be automatically converted into ordinary Shares upon Listing. The fair value of the Series A Preferred Shares and/or any revaluation increase or decrease on the Series A Preferred Shares at August 31, 2014 may differ materially from our estimate.]

LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a letter, received from our reporting accountants, Deloitte Touche Thomatsu, Certified Public Accountants, Hong Kong, prepared for the purpose of the forecast of our consolidated profit attributable to the equity holders of the Company for the year ending August 31, 2014.

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

[Date]
The Board of Directors
China Maple Leaf Education Systems Limited
[REDACTED]

Dear Sirs,

China Maple Leaf Education Systems Limited (the "Company")

Profit Forecast for The Year Ending August 31, 2014

We refer to the forecast of the consolidated profit attributable to equity holders of the Company for the year ended August 31, 2014 (the "Profit Forecast") set forth in the section headed Financial Information in the **[REDACTED]** of the Company dated [date] (the "**[REDACTED]**").

Responsibilities

The Profit Forecast has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the [six months ended February 28, 2014, the unaudited consolidated results based on the management accounts of the Group for the two months ended April 30, 2014 and a forecast of the consolidated results of the Group for the remaining four months ending August 31, 2014.]

The Company's directors are solely responsible for the Profit Forecast. It is our responsibility to form an opinion on the accounting policies and calculations of the Profit Forecast based on our procedures.

Basis of opinion

We carried out our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institution of Certified Public Accountants ("HKICPA"). Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Forecast in accordance with the assumptions made by the Company's directors and as to whether the Profit Forecast is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions adopted by the directors as set out in Appendix [II] of the **[REDACTED]** and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report on the historical financial information of the Group for the three years ended August 31, 2011, 2012 and 2013 and the six months ended February 28, 2014 dated [date], the text of which is set out in Appendix [I] of the **[REDACTED]**.

Other matter

[We draw to your attention that the directors of the Company have disclosed in the section headed "Profit Forecast" in the Appendix III to the **[REDACTED]** that in preparing the Profit Forecast, the directors of the Company have assumed that there will be a charge to the consolidated statement of profit or loss and other comprehensive income in respect of loss on increase in the fair value of the redeemable convertible preferred shares amounting to approximately RMB[79.5] million (approximately HK$[100.8] million), which are estimated based on the assumptions as set out in the section headed "BASES AND ASSUMPTIONS" of the Appendix III. Should any increase or decrease in the fair value of the redeemable convertible preferred shares differ from the amount estimated by the directors of the Company, such differences would have effect of increasing or decreasing the net profit of the Group for the year ending August 31, 2014 attributable to equity holders of the Company. Our opinion is not qualified in respect of this matter.]

Yours faithfully,

[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong
[Date]

LETTER FROM [REDACTED]

[The following is the text of a letter, prepared for inclusion in this **[REDACTED]** *by the Joint Sponsors in connection with the forecast of our consolidated profit attributable to the equity holders of the Company for the year ending August 31, 2014.]*

[REDACTED]

[Date] 2014

The Directors
China Maple Leaf Educational Systems Limited

Dear Sirs,

[We refer to the forecast of the consolidated profit attributable to equity holders of China Maple Leaf Educational Systems Limited (the "Company") for the year ending August 31, 2014 (the "Profit Forecast"), for which the directors of the Company (the "Directors") are solely responsible, as set out in the section headed "Financial Information" in the **[REDACTED]** of the Company dated [Date] 2014 (the "**[REDACTED]**").

The Profit Forecast has been prepared by the Directors based on the audited consolidated results of the Company, its subsidiaries and the consolidated affiliated entities (collectively referred to as the "Group") for the six months ended February 28, 2014 as set out in the Accountants' Report in Appendix I to the **[REDACTED]**, the unaudited consolidated results based on the management accounts of the Group for the two months ended April 30, 2014 and a forecast of the consolidated results of the Group for the remaining four months ending August 31, 2014.

We have discussed with you the bases made by the Directors as set out in Appendix III to the **[REDACTED]** upon which the Profit Forecast has been made. We have also considered the letter dated [Date] 2014 addressed to yourselves and ourselves from Deloitte Touche Tohmatsu regarding the accounting policies and calculations upon which the Profit Forecast has been based.

On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by Deloitte Touche Tohmatsu, we are of the opinion that the Profit Forecast, for which you as the directors of the Company are solely responsible, has been made after due and careful enquiry.]

For and on behalf of

[REDACTED]

The following is the text of a letter, summary of valuations and valuation certificate prepared for the purpose of incorporation in this **[REDACTED]** *received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of market value of the property interests in the PRC as at March 31, 2014.*

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

May [*], 2014

The Directors
China Maple Leaf Educational Systems Limited
Maple Leaf Educational Park,
Jinshitan, Dalian, Liaoning,
The PRC

Dear Sirs,

Instructions, Purpose and Date of Valuation

In accordance with your instructions for us to value the properties situated in the People's Republic of China (the "PRC") in which China Maple Leaf Educational Systems Limited (the "Company") and its subsidiaries (hereinafter referred to as the "Group") have interests. We confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Group with our opinion of the market value of the properties as at March 31, 2014 (the "date of valuation").

Definition of Market Value

Our valuation of each of the properties represents its Market Value which in accordance with the Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Basis and Assumption

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoing of an onerous nature which could affect their values.

In valuing the properties, we have complied with the requirements set out in **[REDACTED]** and the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

In the course of our valuation of the properties, we have assumed that transferable land use rights in respect of the properties for a specific term at nominal annual land use fees have been granted and that any premium has already been fully settled. We have relied on the advice given by the Group regarding the title to the properties. For the purpose of our valuation, we have assumed that the grantee has enforceable title to the properties.

In valuing the properties, we have assumed that the grantees or the users of the properties have free and uninterrupted rights to use or to assign the properties for the whole of the unexpired term as granted.

Method of Valuation

In valuing properties in Group I, we have adopted the Depreciated Replacement Costs ("DRC") Approach. DRC is based on an estimate of the market value of the land in its existing use, plus the current cost of replacement of the improvements, less allowance for physical deterioration and all relevant forms of obsolescence and optimization. This figure includes fees and finance charges payable during the construction periods and other associated expenses directly related to the construction of the building. The DRC Approach generally furnishes a reliable indication of value for property with specific nature and design of buildings, in the absence of identifiable market sales comparables. The DRC is subject to adequate potential profitability of the business.

In valuing of the property in Group II which are held by the Group for investment in the PRC, we have valued each of them by investment approach by capitalizing the rental income derived from the existing tenancies with due provision for the reversionary income potential of the property interests, or where appropriate, by the Direct Comparison Method by making reference to comparable sales transactions as available in the relevant market.

Source of Information

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of property, development proposal, construction costs, estimated completion date, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in this valuation report are based on information provided to us and are therefore only approximation. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

Title Investigation

We have been provided with copies of documents in relation to the title to the property. However, we have not been able to conduct searches to verify the ownership of the property or to ascertain any amendment which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and its legal advisors, Tian Yuan Law Firm, and in respect of the title to the properties in the PRC. We have also accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, particulars of occupancy, development schemes, construction costs, site and floor areas, interest attributable to the Group and all other relevant matters.

Site Inspection

We have inspected the exterior of the property and, where possible, the interior of the properties. The site inspections were carried out in December 2013 by Amy Zhang, Lucy Yu and Rita Shi who are Registered China Real Estate Appraisers. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not able to report that the property is free of rot, infestation and any other structural defects, nor were any test carried out to any of the services. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor area of the properties and we have assumed that the areas shown on the copies of the documents handed to us are correct.

Currency

Unless otherwise stated, all money amounts stated in this valuation report are in Renminbi ("RMB"), the official currency of the PRC.

We enclose herewith a summary of our valuations and our valuation certificates.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited

Andrew K.F. Chan
Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser
MSc., M.R.I.C.S., M.H.K.I.S.
Senior Director

Note: Mr. Andrew K.F Chan is a Registered Professional Surveyor (General Practice) who has over 26 years' experience in the valuation of properties in the PRC and Hong Kong.

SUMMARY OF VALUATIONS

	Property	Market value in existing state as at March 31, 2014	Interest attributable to the Group	Market value in existing state attributable to the Group as at March 31, 2014
Group I — Properties held by the Group for owner occupation in the PRC				
1.	Lands and buildings, No. 6 of Zhongxin Avenue, Jinshitan, Dalian Development Area, Dalian, Liaoning Province, the PRC	RMB113,000,000	100%	RMB113,000,000
2.	A parcel of land and buildings, No. 9 of Zhongxin Avenue, Jinshitan, Dalian Development Area, Dalian, Liaoning Province, the PRC	No commercial value	—	No commercial value
	Sub-total:	RMB113,000,000		RMB113,000,000
Group II — Property held by the Group for investment in the PRC				
3.	A building, Nos. 78 and 78-1 Caiyun Road, Xigang District, Dalian, Liaoning Province, the PRC	RMB55,000,000	100%	RMB55,000,000
	Sub-total:	RMB55,000,000		RMB55,000,000
	Total:	RMB168,000,000		RMB168,000,000

VALUATION CERTIFICATE

Group I — Properties held by the Group for owner occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at March 31, 2014
1.	Lands and buildings, No. 6 of Zhongxin Avenue, Jinshitan, Dalian Development Area, Dalian, Liaoning Province, the PRC	The property comprises 3 parcels of land with a total site area of approximately 62,511 sq m and various buildings erected thereon. The buildings of the property have a total gross floor area of 63,590.06 sq m. The property was completed in the period between 1996 to 2004. The property is located at Dalian Development Area of Dalian. Developments nearby are mainly residential developments interspersed with retail facilities. According to the information provided by the Group, the property is for education use. The land use rights of the portion of the property with 30,833 sq m have been granted for a term due to expire on May 27, 2046 for education use. The land use rights of the remaining portion are obtained through administrative allocation and the land use rights term is unspecified.	As at the date of valuation, the property was occupied by the Group as educational institute and its ancillary facilities.	RMB113,000,000 (See note (6) below)

Notes:-

(1) According to State-owned Land Use Rights Certificates No. (2002) 00012 dated May 28, 2002 issued by 大連金石灘國家旅遊度假區土地管理局 (Dalian Jinshitan National Tourist Resort Land Management Bureau), the land use rights of portion of the property with a total site area of 30,833 sq m have been vested in Dalian Maple Leaf International School (大連楓葉國際學校) with term due to expire on May 27, 2046 for education use. The land use rights of this portion of the property is granted by the government to Dalian Maple Leaf International School (大連楓葉國際學校).

(2) According to State-owned Land Use Rights Certificates No. (2003) 00007 dated March 2, 2003 issued by 大連金石灘國家旅遊度假區土地管理局 (Dalian Jinshitan National Tourist Resort Land Management Bureau), the land use rights of portion of the property with a total site area of 17,157 sq m have been vested in Dalian Maple Leaf International School (大連楓葉國際學校) for gymnasium and apartment use. The land use rights of this portion of the property is allocated by the government to Dalian Maple Leaf International School (大連楓葉國際學校).

(3) According to State-owned Land Use Rights Certificates No. (1998) 005 dated March 2, 1998 issued by 大連金石灘國家旅遊度假區土地管理局 (Dalian Jinshitan National Tourist Resort Land Management Bureau), the land use rights of portion of the property with a total site area of 14,521 sq m have been vested in Dalian Maple Leaf International School (大連楓葉國際學校) for education use. The land use rights of this portion of the property is allocated by the government to Dalian Maple Leaf International School (大連楓葉國際學校).

(4) According to 9 Building Ownership Certificates issued by Dalian Economic and Technological Development Area Real Estate Management Centre (大連經濟技術開發區房產管理中心) , the building ownerships of the property with a total gross floor area of 40,622.43 sq m are vested in Dalian Maple Leaf International School (大連楓葉國際學校). This portion of the property is erected on the site with land use rights granted by the government.

(5) According to 11 Building Ownership Certificates issued by Dalian Economic and Technological Development Area Real Estate Management Centre (大連經濟技術開發區房產管理中心) , the building ownerships of the property with a total gross floor area of 22,967.63 sq m are vested in Dalian Maple Leaf International School (大連楓葉國際學校). This portion of the property is erected on the sites with land use rights allocated by the government.

(6) Land use rights of a portion of the property with a site area of 31,678 sq m are obtained through administrative allocation and certain buildings with a gross floor area of 22,967.63 sq m are erected thereon. In the course of valuation, we have assigned no commercial value to the aforesaid portion of the property as this portion could not be freely transferred in the open market. However, on the assumption that all land premium have been fully settled and the property can be freely in the open market, the market value of this portion of the property would be RMB75,000,000.

(7) We have been provided with a legal opinion on the title to which contains, inter-alia, the following information:-

(i) Dalian Maple Leaf International School (大連楓葉國際學校) has obtained the land use rights and building ownership of the property;

(ii) Land use rights of a portion of the property with a site area of 30,833 sq m are granted by the government and certain buildings with a gross floor area of 40,622.43 sq m are erected thereon. Dalian Maple Leaf International School (大連楓葉國際學校) has the right to use, transfer, lease, mortgage and dispose of this portion of the property.

(iii) Land use right of a portion of the property with a site area of 31,678 sq m is obtained through administrative allocation and certain buildings with a gross floor area of 22,967.63 sq m are erected thereon. Dalian Maple Leaf International School (大連楓葉國際學校) has the right to occupy and use this portion of the property. This portion of the property could be transferred, leased and mortgaged if permission has been granted by the relevant government authorities.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at March 31, 2014
2.	A parcel of land and buildings, No. 9 of Zhongxin Avenue, Jinshitan, Dalian Development Area, Dalian, Liaoning Province, the PRC	The property comprises a parcel of land with a total site area of approximately 170,043 sq m and various buildings erected thereon The buildings of the property have a total gross floor area of 96,806.62 sq m. The property was completed in the period between 2009 and 2010. The property is located at Dalian Development Area of Dalian. Developments nearby are mainly residential developments interspersed with retail facilities. According to the information provided by the Group, the property is for education use.	As at the date of valuation, the property was occupied by the Group as educational institute and its ancillary facilities.	No commercial value (See note (4) below)

Notes:-

(1) According to State-owned Land Use Rights Certificates No. (2008) 0021 dated November 11, 2008 issued by 大連市國土資源和房屋局開發區分局 (Dalian State-owned Land Resources and Housing Bureau Development Area Branch), the land use rights of the property with a total site area of 170,043 sq m have been vested in Dalian Maple Leaf Educational Group Co., Ltd (大連楓葉教育集團有限公司) for education use. The land use rights of this portion of the property are allocated by the government to Dalian Maple Leaf Educational Group Co., Ltd (大連楓葉教育集團有限公司).

(2) According to 11 Building Ownership Certificates issued by Dalian Economic and Technological Development Area Real Estate Management Centre (大連經濟技術開發區房產管理中心), the building ownerships of portion of the property with a total gross floor area of 61,992.06 sq m are vested in Dalian Maple Leaf Educational Group Co., Ltd (大連楓葉教育集團有限公司). This portion of the property is erected on the site with land use rights allocated by the government.

(3) According to Construction Works Completion Examination Certificate No. 20102031 dated December 10, 2010 issued by 大連金州新區規劃建設局 (Dalian Jinzhou New District Planning and Construction Bureau), portion of the property (building nos. 1, 2 and 9) with a total gross floor area of 34,814.56 sq m was completed. This portion of the property is erected on the site with land use rights allocated by the government.

(4) Land use rights of the property are obtained through administrative allocation and certain buildings with a gross floor area of 96,806.62 sq m are erected thereon. In the course of valuation, we have assigned no commercial value to the property as the property could not be freely transferred in the open market. However, on the assumption that all land premium have been fully settled and the property can be freely in the open market, the market value of the property would be RMB386,000,000.

(5) We have been provided with a legal opinion on the title to which contains, inter-alia, the following information:-

(i) Dalian Maple Leaf Educational Group Co., Ltd (大連楓葉教育集團有限公司) has obtained the land use rights and building ownership of the property;

(ii) Land use rights of the property are obtained through administrative allocation and certain buildings with a gross floor area of 96,806.62 sq m are erected thereon. Dalian Maple Leaf Educational Group Co., Ltd (大連楓葉教育集團有限公司) has the right to occupy and use the property. The property could be transferred, leased and mortgaged if permission has been granted by the relevant government authorities.

(iii) Portion of the property (building nos. 1, 2 and 9) with a total gross floor area of 34,814.56 sq m has obtained the relevant approvals for construction work. There is no legal impediment to obtain the building ownership certificate for this portion of the property; and.

(iv) The property is subject to a mortgage in favor of 中國建設銀行股份有限公司大連中山支行.

VALUATION CERTIFICATE

Group II — Property held by the Group for investment in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at March 31, 2014
3.	A building, Nos. 78 and 78-1 Caiyun Road, Xigang District, Dalian, Liaoning Province, the PRC	The property comprises a 8-storey building. According to the Building Ownership Certificate, the property has a total gross floor area of 8,836.48 sq m. The property is located at Cai Yun Road of Xi Gang District of Dalian. Developments nearby are mainly residential and educational developments. The land use rights of the property have been granted for a term due to expire on December 18, 2033 for education use.	As at the date of valuation, the property was subject to various tenancies for terms of about 1 to 5 years with the latest expiry in May 2016 at a total monthly rent of approximately RMB311,667	RMB55,000,000

Notes:-

(1) According to State-owned Land Use Rights Certificates No. (2003)02070 dated December 5, 2003 issued by 大連市規劃和國土資源局 (Dalian Municipal Bureau of Land Resources and Housing), the land use rights of the property with a total site area of 888.8 sq m have been vested in Dalian Maple Leaf International School (大連楓葉國際學校) for education use.

(2) According to 2 Building Ownership Certificates Nos. 2003400573 and 2003400574 issued by 大連市房地產登記發證中心 (Dalian Real Estate Register and Certificate Centre) , the building ownerships of the property with a total gross floor area of 8,836.48 are vested in Dalian Maple Leaf International School (大連楓葉國際學校).

(3) We have been provided with a legal opinion on the title to which contains, inter-alia, the following information

(i) Dalian Maple Leaf International School (大連楓葉國際學校) has obtained the building ownership of the property and has the right to occupy, use, transfer, lease, mortgage and dispose of the property;

(ii) The lease agreements of the property has not been duly registered. Despite the fact that the lease agreements has not been registered, it would not legally affect the validation of the lease agreements.

THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on [●] and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix VII in the section headed "Documents available for inspection".

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on [●] and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is US$4,000,000 divided into 4,000,000,000 shares of US$0.001 each.

2.2 Directors

(a) *Power to allot and issue Shares*

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) *Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) *Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) *Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) *Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorized and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution – majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the **[REDACTED]**, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorized in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the **[REDACTED]** to be voted on by a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) which he represents as that recognized clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorization, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings

\The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the **[REDACTED]** may authorize) shall elapse between the date of one annual general meeting of the Company and that of the next.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorized by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(a) the declaration and sanctioning of dividends;

(b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;

(c) the election of Directors in place of those retiring;

(d) the appointment of auditors;

(e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;

(f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20% (or such other percentage as may from time to time be specified in the **[REDACTED]**) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and

(g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the **[REDACTED]**.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favor of the Company; and

(f) a fee of such maximum as the **[REDACTED]** may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement published on the Stock Exchange's website, or, subject to the **[REDACTED]**, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the **[REDACTED]** and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other moneys payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favor of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorized in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed.

The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement published on the Stock Exchange's website, or, subject to the **[REDACTED]**, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK$2.50 (or such higher amount as may from time to time be permitted under the **[REDACTED]**) as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the **[REDACTED]**, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the **[REDACTED]** has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on June 5, 2007 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of not less than two-thirds (or such greater number as may be specified in the articles of association of the company) of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company may obtain an undertaking from the Governor in Cabinet:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

   (i) on or in respect of the shares, debentures or other obligations of the Company; or

   (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents available for inspection" in Appendix VII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Cayman Companies Law on June 5, 2007. Our Company's registered office is at Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. A summary of various parts of the Articles of Association is set out in Appendix V to this **[REDACTED]**.

We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 27 May 2014 with the Registrar of Companies in Hong Kong. Our registered place of business in Hong Kong is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Ms. Jingxia Zhang and Ms. Wai Ling Chan have been appointed as the authorized representatives of our Company for the acceptance of service of process in Hong Kong. The address for service of process is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Our Company's head office is located at Maple Leaf Educational Park, 6 Central Street, Jinshitan National Tourist Area, Dalian, Liaoning Province 116650, China.

2. Changes in share capital of our Company

Our Company was incorporated with an authorized share capital of US$50,000, divided into 50,000 Shares, with a par value of US$1.00 each. The following sets out the changes in our Company's issued share capital since the date of its incorporation.

(i) On June 5, 2007, our Company allotted and issued one Share to Offshore Incorporations (Cayman) Limited which was transferred to Sherman Investment. Our Company allotted and issued an additional 49,999 Shares to Sherman Investment on the same day.

(ii) On November 2, 2007, the authorized share capital of our Company was increased to US$200,000 divided into 200,000 Shares of a nominal or par value of US$1.00, and each Share of par value US$1.00 in the authorized share capital of our Company was then subdivided into 1,000 Shares of par value US$0.001 each such that immediately following the Share Subdivision, the authorized share capital of our Company became US$200,000 divided into 200,000,000 Shares of a nominal or par value of US$0.001 each.

(iii) On November 19, 2007,10,627,100 and 3,190,900 Shares were allotted and issued to Sherman Investment and TBIG, an Independent Third Party, respectively.

(iv) On February 29, 2008, 7,772,900 and 409,100 Shares were allotted and issued to Sherman Investment and TBIG, respectively.

(v) On March 5, 2008, the authorized share capital of our Company of US$200,000 divided into 200,000,000 Shares of a par value of US$0.001 each was designated and classified into 21,000,000 Preferred Shares of par value US$0.001 each and 179,000,000 Ordinary Shares of par value US$0.001 each (including all of the 72,000,000 then existing issued Shares). On March 12, 2008, 18,000,000 Preferred Shares were allotted and issued to Sequoia Capital China Growth Fund I, L.P. For more details on the **[REDACTED]** Investment, see the sub-section headed "**[REDACTED]** Investments" in this **[REDACTED]**.

[REDACTED]

Save as disclosed herein and in the sub-paragraphs headed "Written resolutions of the shareholders passed on [●]" in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Changes in share capital of the subsidiaries and the major consolidated affiliated entities

Our Company's subsidiaries and major consolidated affiliated entities are set out in the Accountant's Report which is set out in Appendix I to this **[REDACTED]**. In addition to those disclosed in the sub-paragraphs headed "Changes in share capital of our Company" in this Appendix, the following alterations in the share or registered capital of our Company's subsidiaries and the consolidated affiliated entities have taken place within the two years immediately preceding the date of this **[REDACTED]**:

(a) Beipeng Software

On March 10, 2008, Beipeng Software was incorporated as a limited liability company in the PRC. As of the date of incorporation, its registered share capital was US$20 million.

(b) Dalian Maple Leaf High School

On April 15, 1996, Dalian Maple Leaf High School obtained approval for its establishment from the Liaoning Province Education Commission with an initial registered share capital of US$5 million.

(c) Dalian Educational Group

On May 23, 2003, Dalian Educational Group was incorporated as a limited liability company in the PRC. As of the date of incorporation, its registered share capital was RMB20 million.

(d) Dalian Science and Education

On January 9, 2003, Dalian Science and Education was incorporated as a limited liability company in the PRC. As of the date of incorporation, its registered share capital was RMB1.0 million.

(e) Dalian Foreign School

On May 1, 2004, Dalian Foreign School was established in the PRC. It obtained approval for its establishment from the MOE on August 31, 2005.

(f) Wuhan Foreign School

On January 15, 2007, we obtained the approval of change of sponsor from the Education Bureau of Donghu New Technology Development District in Wuhan whereby our Wuhan Foreign School was acquired by the Founder from William Mao, an Independent Third Party for a consideration of RMB3 million. A further application for the approval of the change of sponsor has been submitted to the Education Department of Hubei Province.

Save as aforesaid, there have been no other alterations in the share or registered capital of the subsidiaries of our Company within the two years immediately preceding the date of this **[REDACTED]**.

4. No corporate reorganization

No reorganization has been carried out in respect of the Group for the purpose of the **[REDACTED]**.

5. Written resolutions of the Shareholders passed on [●]

By written resolutions of the Shareholders passed on [●]:

(i) conditional on the same conditions as stated in the section headed **[REDACTED]**:

(A) **[REDACTED]** were approved, and the proposed allotment and issue of the **[REDACTED]** under the **[REDACTED]** were approved, and the Directors were authorized to determine the **[REDACTED]** for, and to allot and issue the **[REDACTED]**; and

(B) conditional further upon the Listing Committee of the Stock Exchange granting approval of the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of any options granted under the **[REDACTED]** Share Option Scheme, the **[REDACTED]** Share Option Scheme, or the RSU Scheme, the rules of the **[REDACTED]** Share Option Scheme, the **[REDACTED]** Share Option Scheme, or the RSU Scheme were approved and adopted and the Directors were authorized to make such further changes to the **[REDACTED]** Share Option Scheme, the **[REDACTED]** Share Option Scheme, or the RSU Scheme as may be required by the Stock Exchange and which they deem necessary and/or desirable and to grant options to eligible participants to acquire Shares thereunder and to allot, issue and deal with Shares pursuant thereto and to take all such actions as they consider necessary and/or desirable to implement or give effect to the **[REDACTED]** Share Option Scheme, the **[REDACTED]** Share Option Scheme, or the RSU Scheme.

(ii) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than by way of (i) rights issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by the Company from time to time or, pursuant to the exercise of any options which may be granted under the **[REDACTED]** Share Option Scheme, the **[REDACTED]** Share Option Scheme, the RSU Scheme or allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association on a specific authority granted by our Shareholders in general meeting, shall not exceed 20% of the aggregate nominal value of the Shares in issue immediately following the completion of **[REDACTED]**, excluding any Shares which may fall to be issued pursuant to the exercise of the **[REDACTED]**;

(iii) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of **[REDACTED]**, excluding any Shares which may fall to be issued pursuant to the exercise of **[REDACTED]**;

(iv) the general unconditional mandate as mentioned in paragraph (ii) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (iii) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of **[REDACTED]**, excluding any Shares which may fall to be issued pursuant to the exercise of **[REDACTED]**); and

(v) our Company conditionally approved and adopted the Memorandum and Articles of Association.

Each of the general mandates referred to in paragraphs (ii), (iii) and (iv) above will remain in effect until whichever is the earliest of (1) the conclusion of the next annual general meeting of our Company; (2) the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; or (3) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

[REDACTED] SHARE OPTION SCHEME

Summary of Terms

The following is a summary of the principal terms of the **[REDACTED]** Share Option Scheme which was approved and adopted by our Board on April 1, 2008 (the "**Effective Date**"). The terms of the **[REDACTED]** Share Option Scheme are not subject to the provisions of **[REDACTED]** as the **[REDACTED]** Share Option Scheme will not involve the grant of options by us to subscribe for Shares once we have become a listed issuer.

(a) Purpose

The purpose of the **[REDACTED]** Share Option Scheme is to attract and retain the best available personnel, to provide additional incentives to employees, directors and consultants of the Company and any Parent Corporate or Subsidiary Corporate (as defined in Section 424(e) and Section 424(f) of the US Inland Revenue Code of 1986, respectively) of the Company and any business, corporation, partnership, limited liability company or other entity in which the Company or a Parent Corporate or a Subsidiary Corporate of the Company holds a substantial ownership interest, directly or indirectly ("**Related Entities**") and to promote the success of the Company's business.

(b) Eligible Persons

Awards may be granted by the Administrator (as set out in paragraph (c) below) only to those employees, directors and consultants of the Company or a Related Entity ("**Eligible Person**").

(c) Administration and Authorization

The **[REDACTED]** Share Option Scheme is administered by and the relevant awards are authorized and granted by the Board or any other committee of directors appointed by the Board to administer the scheme (the "**Administrator**"). Subject to Applicable Laws (as defined in the scheme and the provisions of the scheme), the Administrator has the authority:

(i) to select the employees to whom awards may be granted from time to time;

(ii) to determine whether and to what extent awards are granted;

(iii) to determine the number of Shares or the amount of other consideration to be covered by each award granted;

(iv) to approve forms of award agreements for use under the scheme;

(v) to determine the terms and conditions of any award granted;

(vi) to amend the terms of any outstanding award granted under the scheme, provided that any amendment that would adversely affect the grantee's rights under an outstanding award shall not be made without the grantee's written consent;

(vii) to construe and interpret the terms of the scheme and awards, including without limitation, any notice of award or award agreement, granted pursuant to the scheme;

(viii) to grant awards to employees employed outside the United States on such terms and conditions different from those specified in the scheme as may, in the judgment of the Administrator, be necessary or desirable to further the purpose of the scheme;

(ix) to take such other action, not inconsistent with the terms of the scheme, as the Administrator deems appropriate.

(d) Term of the* [REDACTED] *Share Option Scheme

Unless earlier terminated by the Board in accordance with its terms, the **[REDACTED]** Share Option Scheme will continue in effect for a term of 10 years from the Effective Date. Our Board has the authority to amend, suspend or terminate the scheme subject to the approval of the shareholders of the Company to the extent necessary to comply with applicable law.

(e) Share Limits

Our Board has authorized the issuance of up to 3,000,000 Ordinary Shares upon the exercise of awards granted under the scheme.

(f) Option Grants

The Administrator may grant one or more options under the **[REDACTED]** Share Option Scheme to any Eligible Person ("**Option**"). Subject to the express provisions of the scheme, the Administrator will determine the number of Shares subject to each Option. Options granted will be evidenced by an option agreement entered into between the Company and the grantee ("**Option Agreement**").

(g) Transferability

Options shall be transferable (i) by will and by the laws of descent and distribution and (ii) during the lifetime of the grantee, to the extent and in the manner authorized by the Administrator. Notwithstanding the foregoing, the grantee may designate one or more beneficiaries of the grantee's award in the event of the grantee's death on a beneficiary designation form provided by the Administrator.

(h) Vesting and Exercising the Option

An Option may be exercised only to the extent that it is both vested and exercisable. The Administrator will determine the vesting and/or exercisability provisions of each Option, which provisions will be set forth in the applicable Option Agreement.

An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised.

(i) Exercise price

The Administrator will determine the purchase price per share of the Ordinary Share covered by each Option (the "**exercise price**" of the Option) at the time of the grant of the Option. Such exercise price will be set forth in the applicable Option Agreement. The exercise price of an Option shall not be less than the par value of the Shares on the date of grant.

(j) Corporate Transaction

Except as otherwise provided in an Option Agreement, in the event of a Corporate Transaction (as defined in the **[REDACTED]** Share Option Scheme) for the Option that is neither assumed nor replaced, such Option shall automatically become fully vested and exercisable and be released from any repurchase or forfeiture rights (other than repurchase rights exercisable at fair market value) for all of the Shares at the time represented by such Option, immediately prior to the specified effective date of such corporate action, provided that the grantee's continuous service has not terminated prior to that date.

(k) Change in Control

Except as otherwise provided in an Option Agreement, in the event of a Change in Control (other than a change in control which is also a corporate transaction (as defined in the **[REDACTED]** Share Option Scheme)), each Option that is at the time outstanding under the scheme shall become fully vested and exercisable and be released from any repurchase or forfeiture rights (other than repurchase rights exercisable at fair market value), immediately prior to the specified effective date of such change in control, for all of the Shares at the time represented by such Option, provided that the grantee's continuous service has not terminated prior to that date.

(l) Effect of Termination of Employment or Service

An Option may not be exercised after the termination date of such Option set forth in the Option Agreement and may be exercised following the termination of a grantee's continuous service only to the extent provided in the Option Agreement.

Where the Option Agreement permits a grantee to exercise an Option following the termination of the grantee's continuous service for a specified period, the Option shall terminate to the extent not exercised on the last day of the specified period or the last day of the original term of the Option, whichever occurs first.

(m) Termination, Suspension and Amendments to the* [REDACTED] *Share Option Scheme

The Board may at any time amend, suspend or terminate the scheme; provided, however, that no such amendment shall be made without the approval of the Company's shareholders to the extent such approval is required by applicable laws, or if such amendment would change any of the provisions relating to the right to amend the terms of Options granted or the scheme. No Award may be granted during any suspension of the scheme or after termination of the scheme. No suspension or termination of the scheme shall adversely affect any rights under Awards already granted to a Grantee.

(n) Outstanding share options

As of the Latest Practicable Date, 2,515,000 share options to subscribe for an aggregate of 26,927,387 Shares, as adjusted pursuant to the **[REDACTED]**, upon the full exercise of which representing approximately 1.98% of the enlarged issued share capital of our Company upon the completion of the **[REDACTED]** had been granted to 52 grantees under the **[REDACTED]** Share Option Scheme, six of whom are Directors and three of whom are members of the senior management team of our Company. The remaining grantees are employees and consultants of the Company. No consideration was paid by any of the grantees for any share options granted by us to them. The exercise price for share options granted is RMB10, or approximately RMB0.93, as adjusted pursuant to the **[REDACTED]**, which represents a [45.5]% discount to an **[REDACTED]** of HK$[2.15] per Share, being the midpoint of indicative **[REDACTED]** range of HK$[1.69] and HK$[2.60]. As of the Latest Practicable Date none of the grantees had exercised any of the options granted to them pursuant to the **[REDACTED]** Share Option Scheme. If all the granted share options are exercised, there would be a dilution effect on the shareholdings of our Shareholders of approximately [2.0]%.

The table below shows details of the outstanding share options granted to all grantees under the **[REDACTED]** Share Option Scheme as of the date of this **[REDACTED]**:

Grantee	Outstanding share options	Position	Address	Consideration paid for the share options	Number of shares underlying share options granted[(1)]	Exercise Price[(2)]	Date of Grant	Vesting Period	The period during which share options are exercisable	[REDACTED]
Director										
Jingxia Zhang . . . . (張景霞)	70,000	Executive Director, Senior Vice President and Co-Chief Financial Officer	4-3-1 Tian'an Haijing Huayuan Development Zone Dalian, China	Nil	**[REDACTED]**	RMB10	September 1, 2008	Four years from the date of grant	10 years after the date of grant	**[REDACTED]**
	80,000			Nil	**[REDACTED]**	RMB10	June 2, 2014	None	10 years after the date of grant	**[REDACTED]**
Shu Liang Sherman Jen . . (任書良)	300,000	Executive Director, Chairman of the Board and Co-Chief Executive Officer	Teachers Apartment, Educational Park, 9 Central Street, Jinshitan State Tourist and Vacational Zone, Dalian 116650, China	Nil	**[REDACTED]**	RMB10	June 2, 2014	None	10 years after the date of grant	**[REDACTED]**
Zhenwan Liu . . . . (柳振萬)	150,000	Executive Director, President, Vice Chairman of the Board and Co-Chief Executive Officer	76 Chengren Street, Shahekou District, Dalian, Liaoning Province 116000, China	Nil	**[REDACTED]**	RMB10	June 2, 2014	None	10 years after the date of grant	**[REDACTED]**
James William Beeke	100,000	Executive Director, Vice President and BC program Superintendent	10337 Woodrose Place Rosedale British Columbia Canada V0X 1X1	Nil	**[REDACTED]**	RMB10	June 2, 2014	None	10 years after the date of grant	**[REDACTED]**

Grantee	Outstanding share options	Position	Address	Consideration paid for the share options	Number of shares underlying share options granted[(1)]	Exercise Price[(2)]	Date of Grant	Vesting Period	The period during which share options are exercisable	[REDACTED]
Peter Humphrey Owen	100,000	Independent nonexecutive Director	#406, 1050 Park BLVD. Victoria BC Canada V8V 2T4	Nil	**[REDACTED]**	RMB10	June 2, 2014	None	10 years after the date of grant	**[REDACTED]**
Howard Robert Balloch	100,000	Non-Executive Director	8006 Ming Du Yuan Beijing 101300 China	Nil	**[REDACTED]**	RMB10	June 2, 2014	None	10 years after the date of grant	**[REDACTED]**
Senior Management										
Linsheng Chen . . . . (陳林生)	70,000	Vice President and the Chinese Program Superintendent	Haoyuan Seaview, Qingsong Nan Lane, Economic and Technological Development Zone, Dalian, Liaoning, China	Nil	**[REDACTED]**	RMB10	September 1, 2008	Four years from the date of grant	10 years after the date of grant	**[REDACTED]**
	30,000			Nil	**[REDACTED]**	RMB10	June 2, 2014	None	10 years after the date of grant	**[REDACTED]**
Bin Xu . . . . (徐斌)	100,000	Vice President and Co-Chief Financial Officer	71 Shou Pa Hutong Xidan, Xicheng District Beijing, China	Nil	**[REDACTED]**	RMB10	June 2, 2014	None	10 years after the date of grant	**[REDACTED]**
Xiaoduo Zhang . . . . (張小多)	30,000	Director of the Marketing Department	Teachers Apartment, Educational Park, 9 Central Street, Jinshitan State Tourist and Vacational Zone, Dalian 116650, China	Nil	**[REDACTED]**	RMB10	June 2, 2014	None	10 years after the date of grant	**[REDACTED]**
Total	1,130,000				**[REDACTED]**					**[REDACTED]**

Grantee	Outstanding share options	Position	Address	Consideration paid for the share options	Number of shares underlying share options granted(1)	Exercise Price(2)	Date of Grant	Vesting Period	The period during which share options are exercisable	[REDACTED]
Other employees										
26 employees	940,000			Nil	**[REDACTED]**	RMB10	September 1, 2008	Four years from the date of grant	10 years after the date of grant	**[REDACTED]**
11 employees	160,000			Nil	**[REDACTED]**	RMB10	September 1, 2009	Four years from the date of grant	10 years after the date of grant	**[REDACTED]**
9 employees	285,000			Nil	**[REDACTED]**	RMB10	June 2, 2014	None	10 years after the date of grant	**[REDACTED]**
Total	1,385,000				**[REDACTED]**					**[REDACTED]**
TOTAL	2,515,000				**[REDACTED]**					**[REDACTED]**

Note:

(1) Assuming **[REDACTED]**.

(2) The exercise price is subject to adjustment pursuant to **[REDACTED]**.

Assuming that all the outstanding share options as of the Latest Practicable Date granted under the **[REDACTED]** Share Option Scheme had been exercised in full and that the 26,927,387 Shares to be issued upon the exercise of all the share options granted under the **[REDACTED]** Share Option Scheme were deemed to have been in issue throughout the years ended August 31, 2011, 2012 and 2013 and the six months period ended February 28, 2014, there will be a anti-dilution effect of approximately [3.38]%, for the year ended August 31, 2011, and a dilution effect of approximately [3.38]%, [3.38]% and [3.38]% on the basic earnings per Share for the year ended August 31, 2012 and 2013 and the six months period ended February 28, 2014, respectively.

Save and except as set out above, no other options have been granted or agreed to be granted by our Company under the **[REDACTED]** Share Option Scheme.

We have applied for **[REDACTED]**. For further details, see the section headed "Waivers from Strict Compliance with the **[REDACTED]** and Exemptions from the Predecessor Companies Ordinance — Disclosures Relating to the Grantees of **[REDACTED]** Share Options" in this **[REDACTED]**.

[REDACTED] SHARE OPTION SCHEME

The following is a summary of the principal terms of the **[REDACTED]** Share Option Scheme conditionally adopted by the resolutions in writing of all our Shareholders passed on [●].

(a) Purpose

The purpose of the **[REDACTED]** Share Option Scheme is to enable our Group to grant Options to selected participants as incentives or rewards for their contributions to our Group. Our Directors consider the **[REDACTED]** Share Option Scheme, with its broadened basis of participation, will enable our Group to reward our employees, our Directors and other selected participants for their contributions to our Group. Given that our Directors are entitled to determine the performance targets to be achieved as well as the minimum period that an Option must be held before an Option can be exercised on a case by case basis, and that the exercise price of an Option cannot in any event fall below the price stipulated in the **[REDACTED]** or such higher price as may be fixed by our Directors, it is expected that grantees of an Option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalize on the benefits of the Options granted.

(b) Who may join

Our Directors (which expression shall, for the purpose of this paragraph, include a duly authorized committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants, who our Board considers, in its sole discretion, have contributed or will contribute to our Group, to take up Options to subscribe for Shares:

(i) any directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of any member of our Group; and

(ii) any advisers, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of our Group.

For the purposes of the **[REDACTED]** Share Option Scheme, the Options may be granted to any company wholly owned by one or more persons belonging to any of these classes of participants. For the avoidance of doubt, the grant of any Options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of these classes of participants shall not, by itself, unless our Directors otherwise so determine, be construed as a grant of Option under the **[REDACTED]** Share Option Scheme.

The eligibility of any of these class of participants to the grant of any Option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to the participant's contribution to the development and growth of our Group.

(c) Maximum number of Shares

The maximum number of Shares which may be issued upon the exercise of all outstanding Options granted and yet to be exercised under the **[REDACTED]** Share Option Scheme and any other share Option scheme of our Group shall not in aggregate exceed 30% of the issued share capital of our Company from time to time.

The total number of Shares which may be issued upon exercise of all Options to be granted under the **[REDACTED]** Share Option Scheme and any other share Option scheme of our Group shall not in aggregate exceed 10% of the Shares in issue on the day on which **[REDACTED]** such 10% limit represents 133,400,000 Shares (the "**General Scheme Limit**"), but excluding any Shares which may be issued upon the **[REDACTED]**.

Subject to paragraph (a) above and without prejudice to paragraph (d) below, our Company may issue a circular to its Shareholders and seek approval of its Shareholders in a general meeting to extend the General Scheme

Limit provided that the total number of Shares which may be issued upon exercise of all Options to be granted under the **[REDACTED]** Share Option Scheme and any other share Options scheme of our Group shall not exceed 10% of the Shares in issue as of the date of approval of the limit and, for the purpose of calculating the limit, Options (including those outstanding, cancelled, lapsed or exercised in accordance with the **[REDACTED]** Share Option Scheme and any other share Option scheme of our Group) previously granted under the **[REDACTED]** Share Option Scheme and any other share Option scheme of our Group will not be counted. The circular sent by our Company to its Shareholders shall contain, among other information, the information required under **[REDACTED]**.

Subject to paragraph (a) above and without prejudice to paragraph (c) herein, our Company may seek separate Shareholders' approval in a general meeting to grant Options beyond the General Scheme Limit or, if applicable, the extended limit referred to in paragraph (c) herein to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of Options to be granted, the purpose of granting Options to the specified participants with an explanation as to how the terms of the Options serve such purpose and such other information required under **[REDACTED]**.

(d) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon exercise of the Options granted under the **[REDACTED]** Share Option Scheme and any other share Option scheme of our Company (including both exercised and outstanding Options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being (the "**Individual Limit**"). Any further grant of Options in aggregate in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to our Shareholders and our Shareholders' approval in general meeting of our Company with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of Options to be granted to such participant must be fixed before Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price **[REDACTED]**.

(e) Grant of Options to Connected Persons

Any grant of Options under the **[REDACTED]** Share Option Scheme to a director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the Options).

Where any grant of Options to a substantial Shareholder of our Company or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the **[REDACTED]**) of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet the date of the offer of grant, in excess of HK$5 million (or such other higher amount as may from time to time be specified by the **[REDACTED]**);

such further grant of Options must be approved by our Shareholders in a general meeting. Our Company must send a circular to its Shareholders. All connected persons of our Company must abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the general meeting to approve the grant of such Options must be taken on a poll.

Any change in the terms of Options granted to a substantial shareholder or an independent non-executive Director or any of their respective associates must be approved by our Shareholders in a general meeting.

(f) Time of acceptance and exercise of Option

An Option may be accepted by a participant within five Business Days from the date of the offer of grant of the Option.

An Option may be exercised in accordance with the terms of the **[REDACTED]** Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of Options is made but shall end in any event not later than 10 years from the date of grant of the Option subject to the provisions for early termination under the **[REDACTED]** Share Option Scheme. Unless otherwise determined by our Directors and stated in the offer of the grant of Options to a grantee, there is no minimum period required under the **[REDACTED]** Share Option Scheme for the holding of an Option before it can be exercised.

(g) Performance targets

Unless our Directors otherwise determine and state in the offer of the grant of Options to a grantee, a grantee is not required to achieve any performance targets before any Options granted under the **[REDACTED]** Share Option Scheme can be exercised.

(h) Subscription price for Shares

The subscription price per Share under the **[REDACTED]** Share Option Scheme will be a price determined by our Directors, but shall not be less than the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a Business Day;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant (provided that in the event that any Option is proposed to be granted within a period of less than five Business Days after the **[REDACTED]**, the new issue price of the Shares for the **[REDACTED]** shall be used as the closing price for any Business Day falling within the period before **[REDACTED]**); and

(iii) the nominal value of a Share on the date of grant.

A nominal consideration of HK$1.00 is payable upon acceptance of the grant of an Option.

(i) Ranking of Shares

Shares allotted and issued upon the exercise of an Option will be identical to the then existing issued shares of our Company and subject to all the provisions of the Memorandum and Articles and will rank pari passu in all respects with the fully paid Shares in issue on the date the name of the grantee is registered on the register of members of our Company or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members ("**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date.

A Share allotted upon the exercise of an Option shall not carry voting rights or rights to participate in any dividends or distributions (including those arising on a liquidation of our Company) declared or recommended or resolved to be paid to the Shareholders on the register until the completion of the registration of the grantee on the register of members of our Company as the holder thereof.

Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of our Company from time to time.

(j) Restriction on the time of grant of Options

No offer for grant of Options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements of the **[REDACTED]**. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of our Directors (as such date is first notified to the **[REDACTED]** in accordance with the requirements of the **[REDACTED]**) for the approval of our Company's results for any year, half-year, quarter or any other interim period (whether or not required under the **[REDACTED]**), and (ii) the last date on which our Company must publish its announcement of its results for any year, half-year, quarter or any other interim period (whether or not required under the **[REDACTED]**), and ending on the date of the announcement of the results, no offer for grant of Options may be made.

Our Directors may not grant any Option to a participant who is a Director during the period or time in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the **[REDACTED]** or any corresponding code or securities dealing restrictions adopted by our Company.

(k) Period of the* [REDACTED] *Share Option Scheme

The **[REDACTED]** Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the **[REDACTED]** Share Option Scheme is adopted.

(l) Rights are personal to the grantee

An Option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favor of or enter into any agreement with any other person over or in relation to any Option, except for the transmission of an Option on the death of the grantee to his personal representative(s) on the terms of this **[REDACTED]** Share Option Scheme.

(m) Rights on ceasing employment

If the grantee of an Option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, or for serious misconduct or other grounds referred to in sub-paragraph (o) below before exercising his Option in full, the Option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the Option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was physically at work with our Group whether salary is paid in lieu of notice or not.

(n) Rights on death

If the grantee of an Option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, before exercising the Option in full, his personal representative(s), or, as appropriate, the grantee may exercise the Option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of death of the grantee.

(o) Rights on dismissal

If the grantee of an Option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offense (other than an offense which in the opinion of our Directors does not bring the grantee or our Group into disrepute) or on any other ground on which an employer would be entitled to terminate his or her employment summarily, his Option will lapse automatically and will not be exercisable on or after the date of ceasing to be an Eligible Employee.

(p) Rights on a general offer, a compromise or arrangement

If a general offer by way of takeover or otherwise (other than by way of scheme of arrangement) is made to our Shareholders (other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, the Company shall forthwith give notice thereof to the grantee and the grantee shall be entitled to exercise the Option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, at any time within such period as shall be notified by our Company.

If a general offer for Shares by way of scheme of arrangement is made to our Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings, our Company shall forthwith give notice thereof to the grantee and the grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the Option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company.

(q) Rights on winding up

In the event a notice is given by our Company to our Shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to the grantee and the grantee (or in the case of the death of the grantee, his personal representatives(s)) may at any time within such period as shall be notified by our Company, subject to the provisions of all applicable laws, exercise the Option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, and our Company shall as soon as possible and in any event no later than three days prior to the date of the proposed general meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Option.

(r) Adjustments

In the event of a **[REDACTED]**, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company whilst an Option remains exercisable, such corresponding adjustment (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to:

(i) the number or nominal amount of Shares to which the **[REDACTED]** Share Option Scheme or any Option relates, so far as unexercised; and/or

(ii) the subscription price of the Option concerned; and/or

(iii) the method of exercise of the Option,

provided that:

(i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration;

(ii) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; and

(iii) no adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value.

In addition, in respect of any such adjustments, other than any adjustment made on a **[REDACTED]**, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provision of the **[REDACTED]** and such other applicable guidance and/or interpretation of the **[REDACTED]** from time to time issued by the **[REDACTED]** (including, but not limited to, the "Supplementary Guidance on **[REDACTED]** and the Note immediately after the Rule" attached to the letter from the **[REDACTED]** dated September 5, 2005 to all issuers relating to the share Option scheme).

(s) Cancellation of Options granted

Any Options granted but not exercised may be cancelled if the grantee so agrees. Issuance of new Options to the same grantee may only be made if there are unissued Options available under the **[REDACTED]** Share Option Scheme (excluding the cancelled Options) and in compliance with the terms of the **[REDACTED]** Share Option Scheme.

(t) Termination

Our Company may by ordinary resolution in a general meeting at any time resolve to terminate the **[REDACTED]** Share Option Scheme prior to the expiry of the **[REDACTED]** Share Option Scheme and in such event no further Options shall be offered or granted but in all other respects the provisions of the **[REDACTED]** Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the **[REDACTED]** Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the **[REDACTED]** Share Option Scheme.

(u) Lapse of an Option

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:

(i) the expiry of the period referred to in sub-paragraph (k);

(ii) the expiry of the periods or dates referred to in sub-paragraphs (m), (n), (o), (p) and (q);

(iii) the date on which the grantee commits a breach of the provision which restricts the grantee to transfer or assign an Option granted under the **[REDACTED]** Share Option Scheme or sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favor of or enter into any agreement with any other person over or in relation to any Option except for the transmission of an Option on the death of the Grantee to his personal representative(s) on the terms of this Scheme;

(iv) the date on which the grantee (being an employee or a director of any member of our Group) ceases to be a participant of the **[REDACTED]** Share Option Scheme by reason of the termination of his or her employment or engagement on the grounds that he or she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his or her debts or has become bankrupt or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offense involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment summarily;

(v) the date on which the grantee joins a company which the board believes in its sole and reasonable opinion to be a competitor of our Company;

(vi) the date on which the grantee (being a corporation) appears either to be unable to pay or to have no reasonable prospect of being able to pay its debts or has become insolvent or has made any arrangement or composition with its creditors generally; and

(vii) unless our Board otherwise determines, and other than in the circumstances referred to in sub-paragraphs (m) or (n), the date the Grantee ceases to be a Participant (as determined by a Board resolution) for any other reason.

(v) Others

The **[REDACTED]** Share Option Scheme is conditional on the Listing Committee granting or agreeing to grant approval of (subject to such condition as the Stock Exchange may impose) the listing of and permission to deal in such number of Shares to be issued pursuant to the exercise of any Options which may be granted under the **[REDACTED]** Share Option Scheme, such number representing the General Scheme Limit. Application has been made to the Listing Committee for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any Options which may be granted under the **[REDACTED]** Share Option Scheme.

The terms and conditions of the **[REDACTED]** Share Option Scheme relating to the matters set forth in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the Options except with the approval of our Shareholders in a general meeting.

Any alterations to the terms and conditions of the **[REDACTED]** Share Option Scheme which are of a material nature or any change to the terms of Options granted must be approved by our Shareholders in a general meeting and the Stock Exchange, except where the alterations take effect automatically under the existing terms of the Post-IPO Share Option Scheme.

The amended terms of the **[REDACTED]** Share Option Scheme or the Options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the **[REDACTED]** Share Option Scheme shall be approved by our Shareholders in a general meeting.

(w) Value of Options

Our Directors consider it inappropriate to disclose the value of Options which may be granted under the **[REDACTED]** Share Option Scheme as if they had been granted as of the Latest Practicable Date. Any such valuation will have to be made on the basis of a certain Option pricing model or other method that depends on various assumptions including the exercise price, the exercise period, interest rate, expected volatility and other variables. As no Options have been granted, certain variables are not available for calculating the value of Options. Our Directors believe that any calculation of the value of Options granted as of the Latest Practicable Date would be based on a number of speculative assumptions that are not meaningful and would be misleading to investors.

(x) Grant of Options

As of the date of this **[REDACTED]**, no Options have been granted or agreed to be granted under the **[REDACTED]** Share Option Scheme.

[REDACTED] has been made to the **[REDACTED]** for the **[REDACTED]** of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the Options to be granted under the **[REDACTED]** Share Option Scheme.

RSU SCHEME

(a) Background

The following is a summary of principal terms of the RSU Scheme conditionally approved by a written resolution of our Shareholders passed on [●] and adopted by a resolution of the Board on [●].

The purpose of the RSU Scheme is to reward the fidelity of the directors, executive officers, senior managers and employees of the Company and of its subsidiaries and consolidated affiliated entities (collectively, "**Scheme Companies**" and each, a "**Scheme Company**") and align their interests with those of the Shareholders.

The RSU Scheme will become effective subject to and upon **[REDACTED]**. The grant of the RSUs will be made after **[REDACTED]** thereby recognizing the contribution of the Scheme Companies' directors, executive officers, senior managers and employees to the historical achievements of the Company.

The Company has the intention to continue exploring ways to incentivise, retain and reward Scheme Companies' directors, executive officers, senior management and employees and may implement other RSU schemes or other share-based remuneration schemes in the future.

(b) RSUs

Each RSU is a right to receive a Share at the end of the vesting period, subject to vesting conditions provided for under the RSU Scheme. For each RSU, the Eligible Participants (as defined below) may receive, subject to vesting, one Share.

RSUs cannot be sold, pledged or transferred by the Eligible Participants by any means, except by inheritance.

(c) Grant of RSUs

The RSU Scheme provides for the grant of RSUs by the Company to beneficiaries (the "**Beneficiaries**") selected at the discretion of the Board from among the directors, executive officers, senior management and employees of the Scheme Companies (the "**Eligible Participants**"). Shares will not be released under the RSUs until the applicable vesting conditions have been satisfied.

(d) Shares underlying the RSUs

In order to allow release of Shares to Beneficiaries upon vesting of each RSU under the RSU Scheme, the Company will allot and issue [●] Shares immediately after **[REDACTED]**, representing the total number of Shares required under the RSU Scheme.

The Scheme Shares will be held on trust by the Scheme Trustee until their release to the Beneficiaries upon vesting of their RSUs.

The grant of RSUs by the Company or transfer upon vesting of the RSUs of any of the Scheme Shares by the Scheme Trustee to a connected person of the Company should not be subject to the requirements of Chapter 14A of the **[REDACTED]**.

(e) Vesting of RSUs

Vesting of RSUs is subject to continued employment of the Beneficiaries with a Scheme Company over the vesting period.

In the event of termination of the employment or corporate officer's mandate of a Beneficiary with a Scheme Company, his or her RSUs will be forfeited: (i) in the case of employment contracts, such forfeiture shall take effect on the date of receipt of the dismissal letter or the submission of the resignation letter (as the case may be), notwithstanding any period of notice (regardless of whether it has been given or satisfied), or on the date of the termination of the employment agreement for other circumstances, and (ii) in the case of corporate officer's mandate, such forfeiture shall take effect on the date of the expiration of the term of the mandate, or on the date of the dismissal or notification of such dismissal.

Exceptions apply in the case of the Beneficiary's death and disability. In such events, RSUs are not forfeited and Shares are released to the Beneficiaries or his or her heirs upon their request.

In the case of retirement or early retirement of the Beneficiary, RSUs are not forfeited. However, the Shares are not released until they vest on the grantee.

If a Beneficiary's employer ceases to be a Scheme Company during the vesting period, the continued employment condition will be deemed not to have been satisfied.

The vesting period of the RSUs is as follows:-

(i) Part 1 – If the grantee remains as an employee of the Group from January 1, 2014 to December 31, 2016, the vesting period of the RSUs is fixed at three years and Shares are issued quarterly in four equal instalments, conditional upon **[REDACTED]**.

(ii) Part 2 – If the grantee remains as an employee of the Group from January 1, 2014 to December 31, 2014, the vesting period of the RSUs is fixed at one year and Shares are issued on December 31, 2014, conditional upon **[REDACTED]**.

Upon vesting, the Company instructs the Scheme Trustee to release Scheme Shares to the Beneficiary on its behalf.

No consideration is paid or payable by the grantees for the Shares to be issued under the RSU Scheme.

REPURCHASE BY THE COMPANY OF ITS OWN SECURITIES

This section includes information required by the Stock Exchange to be included in this **[REDACTED]** concerning such the repurchase by us of our own securities.

1. Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(a) Shareholders' approval

The Listing Rules provide that all repurchases of securities on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval in relation to specific transactions.

(b) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Cayman Companies Law, the Memorandum and Articles of Association, the Listing Rules and the applicable laws and regulations of Hong Kong. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Any repurchases by the Company may be made out of profits or out of an issue of new shares made for the purpose of the repurchase or, if authorized by its Memorandum and Articles of Association and subject to the Cayman Companies Law, out of capital, and, in the case of any premium payable on the repurchase out of profits or from sums standing to the credit of our share premium account or, if authorized by its Memorandum and Articles of Association and subject to the Cayman Companies Law, out of capital.

(c) Trading restrictions

The total number of shares that a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities, which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is higher than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange by 5% or more. The Listing Rules also prohibit a listed company from repurchasing its securities if it would result in the percentage of securities in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(d) Status of repurchased shares

The listing of all repurchased securities (whether on the Stock Exchange or, otherwise) is automatically cancelled and the relevant certificates must be cancelled and destroyed. Under the Cayman Companies Law, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the purchased shares accordingly although the authorized share capital of the company will not be reduced, or alternatively may be kept by the company as treasury shares.

(e) Suspension of repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), a listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(f) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(g) Connected persons

The Listing Rules prohibit a company from knowingly repurchasing securities on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their respective associates (as defined in the Listing Rules) and a connected person shall not knowingly sell his securities to the company.

2. General

(i) None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any Shares to our Company.

(ii) Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of Hong Kong.

(iii) If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

(iv) Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares held by the public being reduced to less than 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules or as otherwise required by the Stock Exchange pursuant to any waivers granted).

(v) No connected person (as defined in the Listing Rules) has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

3. Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share. Our Directors have sought the grant of a general mandate to repurchase Shares to give our Company flexibility to do so if and when appropriate, and such repurchases will only be made where our Directors believe that the repurchases will benefit our Company and Shareholders.

SUMMARY OF THE MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company, our subsidiaries or the consolidated affiliated companies within the two years preceding the date of this **[REDACTED]** and are or may be material:

(i) an exclusive management consultancy and business cooperation agreement dated March 11, 2014 and entered into by and among Beipeng Software, Dalian Educational Group and any of its subsidiaries and schools and the Founder's Sister, pursuant to which Beipeng Software has the exclusive right to provide Dalian Educational Group and any of its subsidiaries and schools with intellectual property licenses as well as comprehensive technical and educational consultancy services, and in return, Beipeng Software will charge for the services;

(ii) an exclusive management consultancy and business cooperation agreement dated March 11, 2014 and entered into by and between Beipeng Software and Dalian Maple Leaf High School, pursuant to which Beipeng Software has the exclusive right to provide Dalian Maple Leaf High School with intellectual property licenses as well as comprehensive technical and educational consultancy services, and in return, Beipeng Software will charge for the services;

(iii) an exclusive management consultancy and business cooperation agreement dated March 11, 2014 and entered into by and among Beipeng Software, Wuhan Foreign School, Dalian Foreign School and the Founder, pursuant to which Beipeng Software has the exclusive right to provide Wuhan Foreign School and Dalian Foreign School with intellectual property licenses as well as comprehensive technical and business support services, and in return, Beipeng Software will charge for the services;

(iv) a call option agreement dated March 11, 2014 and entered into by and among our Company, Dalian Educational Group and the Founder's Sister, pursuant to which the Founder's Sister agreed to grant us or our designated third party an exclusive option to purchase from the Founder's Sister part or all of her equity interests in Dalian Educational Group for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations;

(v) a call option agreement dated May 11, 2014 and entered into by and among our Company, Dalian Science and Education and the Founder's Sister, pursuant to which the Founder's Sister granted us or our designated third party an exclusive option to purchase from the Founder's Sister part or all of her equity interests in Dalian Science and Education for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations;

(vi) a call option agreement dated May 11, 2014 and entered into by and among our Company, the Founder and Wuhan Foreign School, pursuant to which the Founder granted us or our designated third party an exclusive option to purchase from the Founder part or all of his interests in Wuhan Foreign School for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations;

(vii) a call option agreements dated May 11, 2014 and entered into among our Company, the Founder and Dalian Foreign School, pursuant to which the Founder granted us or our designated third party an exclusive option to purchase from the Founder part or all of his interests in Dalian Foreign School for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations;

(viii) an equity pledge agreement dated May 26, 2014 and entered into by and among Beipeng Software, Dalian Educational Group and the Founder's Sister, pursuant to which the Founder's Sister pledged all of her equity interests in Dalian Educational Group to Beipeng Software to guarantee performance of the obligation of Dalian Educational Group and its subsidiaries and schools under the Exclusive Management Consultancy and Business Cooperation Agreements and performance of her obligations under the Call Option Agreements and Powers of Attorney with Beipeng Software;

(ix) an equity pledge agreement dated May 26, 2014 and entered into by and among Beipeng Software, Dalian Science and Education and the Founder's Sister, pursuant to which the Founder's Sister pledged all of her equity interests in Dalian Science and Education to guarantee performance of the obligation of Dalian Science and Education and its subsidiaries and schools under the Exclusive Management Consultancy and Business Cooperation Agreements and performance of her obligations under the Call Option Agreements and Powers of Attorney with Beipeng Software;

(x) a power of attorney executed by the Founder's sister dated May 11, 2014 appointing Beipeng Software, or any person designated by Beipeng Software, as her attorney-in-fact to appoint directors and vote on her behalf on all matters of the PRC Holdcos requiring shareholder approval under the articles of associations of each entity and under the relevant PRC laws and regulations;

(xi) a power of attorney executed by the Founder dated May 11, 2014 appointing Beipeng Software, or any person designated by Beipeng Software, as his attorney-in-fact to appoint directors and vote on his behalf or on behalf of such directors to vote on all matters of our Foreign Schools requiring approval from the board of directors under the articles of associations of each entity and under the relevant PRC laws and regulations;

(xii) an amendment to the Series A Purchase Agreement dated March 25, 2014 and entered into by and among the Company and the **[REDACTED]** Investors, pursuant to which the special rights of the **[REDACTED]** Investment will be terminated upon the **[REDACTED]** of the Company;

(xiii) an amendment to the Investor's Rights Agreement dated March 25, 2014 and entered into by and among the Company, the **[REDACTED]** Investors, Sherman Investment and TBIG, pursuant to which the special rights of the **[REDACTED]** Investment will be terminated upon the **[REDACTED]** of the Company;

(xiv) an amendment to a first refusal and co-sale agreement dated March 25, 2014 and entered into by and among the Company, the **[REDACTED]** Investors, Sherman Investment and TBIG, pursuant to which the special rights of the **[REDACTED]** Investment will be terminated upon the **[REDACTED]** of the Company;

(xv) an amendment to an adjustment agreement dated March 25, 2014 and entered into by and among the Company, the **[REDACTED]** Investors, Sherman Investment and TBIG, pursuant to which the special rights of the **[REDACTED]** Investment will be terminated upon the **[REDACTED]** of the Company;

(xvi) an amendment to an indemnification agreement dated March 25, 2014 and entered into between the Company and Yue Ji, pursuant to which the special rights of the **[REDACTED]** Investment will be terminated upon the **[REDACTED]** of the Company;

(xvii) a termination agreement dated January 15, 2014 and entered into between the Company and the **[REDACTED]** Investors, pursuant to which the Series A Warrant was terminated pursuant to the terms contained therein; and

(xviii) the Hong Kong Underwriting Agreement.

INTELLECTUAL PROPERTY RIGHTS OF OUR GROUP

1. Trademarks

As of the Latest Practicable Date, we had registered and maintained the following trademarks:

No.	Trademark	Class	Place of Registration	Registered Owner	Registration Number	Expiry Date (dd/mm/yyyy)
1.		41	Hong Kong	Hong Kong Maple Leaf Educational Systems Ltd.	301572804	25/03/2020
2.		41	PRC	Dalian Beipeng Educational Software Development Inc.	1317301	20/09/2019

2. Domain names

As of the Latest Practicable Date, we had registered the following domain names:

No.	Domain Name	Registered Owner	Expiry Date (dd/mm/yyyy)
1.	www.mapleleaf.cn	Beipeng Software	02/04/2021
2.	www.mapleleaf.net.cn	Beipeng Software	23/09/2016

Note: Information contained on the websites above does not form part of this **[REDACTED]**.

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our Group's business.

FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(a) Interests of the Directors and the Chief Executive of Our Company

Immediately following the completion of the **[REDACTED]** (taking no account of any Shares which may be allotted and issued pursuant to **[REDACTED]**, the **[REDACTED]** Share Option Scheme, the **[REDACTED]** Share Option Scheme or the RSU Scheme), so far as our Directors are aware, the interests or short positions of the Directors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed, will be as follows:

Name of Director/Chief Executive	Capacity/Nature of interest	Number of Underlying Shares(1)	Approximate percentage of shareholding immediately following the completion of the [REDACTED](2)
Shu Liang Sherman Jen(3)	Interest of controlled corporation	**[REDACTED]**	**[REDACTED]**

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) The calculation is based on the total number of **[REDACTED]** Shares in issue immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and without taking into account any Shares which may be issued under the **[REDACTED]** Share Option Scheme, the **[REDACTED]** Share Option Scheme or the RSU Scheme).

(3) Sherman Investment is a company incorporated in the BVI that is wholly-owned by Mr. Jen. Mr. Jen is taken to be interested in **[REDACTED]** Shares held by Sherman Investment.

(b) Interests of the Substantial Shareholders

Immediately following the completion of the **[REDACTED]** (taking no account of any Shares which may be allotted and issued pursuant to **[REDACTED]**, the **[REDACTED]** Share Option Scheme, the **[REDACTED]** Share Option Scheme or the RSU Scheme), so far as the Directors are aware, the following persons (not being a Director or a chief executive of us) will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of interested party	Capacity/Nature of interest	Number of Underlying Shares[(1)]	Approximate percentage of shareholding immediately following the completion of the [REDACTED][(2)]
Sherman Investment[(3)]	Registered owner	**[REDACTED]**	**[REDACTED]**
Shu Liang Sherman Jen[(4)]	Beneficial interest	**[REDACTED]**	**[REDACTED]**
Sequoia Capital China Growth Fund I, L.P.[(5)]	Registered owner	**[REDACTED]**	**[REDACTED]**

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) The calculation is based on the total number of **[REDACTED]** Shares in issue immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and without taking into account any Shares which may be issued under the **[REDACTED]** Share Option Scheme, the **[REDACTED]** Share Option Scheme or the RSU Scheme).

(3) Sherman Investment is a company incorporated in the BVI that is wholly-owned by Mr. Jen and holds **[REDACTED]** Shares.

(4) Mr. Jen (as the 100% owner of Sherman Investment) is taken to be interested in **[REDACTED]** Shares held by Sherman Investment.

(5) Sequoia Capital China Growth Fund I, L.P., a limited liability partnership incorporated in the Cayman Islands, is taken to be interested in **[REDACTED]** Shares because it holds 15,703,200 Preferred Shares. All Preferred Shares will be mandatorily converted into Shares of our Company upon **[REDACTED]**.

2. Particulars of Directors' service contracts and letters of appointment

(a) Executive Directors

Each of our executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from the **[REDACTED]** Date or until the third annual general meeting of our Company since the **[REDACTED]** Date (whichever is earlier) (subject always to re-election as and when required under the Articles). Either party has the right to give written notice to terminate the agreement. Details of the Company's remuneration policy is described in the section headed "Directors and Senior Management — Directors' and Senior Management's Remuneration" in this **[REDACTED]**.

The annual salaries of the executive Directors payable by the Company are as follows:

Executive Director	HK$
Shu Liang Sherman Jen	3,000,000
Jingxia Zhang	1,500,000
James William Beeke	1,800,000
Zhenwan Liu	2,000,000

(b) Non-executive Director and independent non-executive Directors

Each of our non-executive Director and independent non-executive Directors has signed a letter of appointment with our Company. The term of office of our non-executive Director and independent non-executive Directors is either two or three years.

Non-executive Director	HK$
Howard Robert Balloch	0

Independent non-executive Director	HK$
Peter Humphrey Owen	360,000
Chak Kei Jack Wong	360,000

Save as disclosed in this **[REDACTED]**, none of our Directors has or is proposed to have a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

3. Remuneration of Directors

The aggregate amounts of remuneration (including salaries and other allowances, share-based payments and social benefits) paid by our Group to the Directors for each of the financial years ended August 31, 2011, 2012 and 2013 and the six months period ended February 28, 2014 were approximately RMB1,439,000, RMB3,632,000, RMB3,694,000, and RMB1,823,000, respectively.

Under our arrangements currently in force, the aggregate remuneration (including salaries and other allowances, share-based payments and social benefits) of our Directors, excluding any discretionary bonuses, for the financial year ending August 31, 2014 is estimated to be no more than approximately RMB3,647,000.

Save as disclosed in this **[REDACTED]**, no other amounts have been paid or are payable by any member of our Group to our Directors for the financial years ended August 31, 2011, 2012 and 2013 and the six months period ended February 28, 2014.

4. Disclaimers

Save as disclosed in this **[REDACTED]**:

(i) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;

(ii) none of the Directors or the experts named in "Consents of experts" has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this **[REDACTED]**, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of the Company within the two years ended on the date of this **[REDACTED]**;

(iv) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this **[REDACTED]** which is significant in relation to the business of the Group taken as a whole;

(v) taking no account of any Shares which may be taken up under the **[REDACTED]** and allotted and issued pursuant to the exercise of the **[REDACTED]** or any Shares which may be issued under the RSU

Scheme, the **[REDACTED]** Share Option Scheme or the **[REDACTED]** Share Option Scheme, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following the completion of the **[REDACTED]**, have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; and

(vi) none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange once the Shares are listed thereon.

OTHER INFORMATION

1. Litigation

Save as disclosed in this **[REDACTED]**, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company that would have a material adverse effect on our Company's results of operations or financial condition.

2. Preliminary expenses

The preliminary expenses of our Company are approximately HK$50,000 and have been paid by our Company.

[REDACTED]

4. Agency fees or commissions

Save as disclosed in this **[REDACTED]**, within the two years preceding the date of this **[REDACTED]**, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries.

5. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned herein and any Shares falling to be issued pursuant to the **[REDACTED]** and the exercise of the **[REDACTED]**. All necessary arrangements have been made enabling such Shares to be admitted into **[REDACTED]**.

The Joint Sponsors are independent from our Company pursuant to Rule 3A.07 of the Listing Rules. The Joint Sponsor's fees are estimated to amount to US$1 million.

6. No material adverse change

Our Directors believe that there has been no material adverse change in the financial or trading position since August 31, 2013 (being the date on which the latest audited combined financial statements of the Group were made up).

7. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Predecessor Companies Ordinance so far as applicable.

8. Miscellaneous

(i) Save as disclosed in this **[REDACTED]**:

(A) within the two years preceding the date of this **[REDACTED]**, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash; and

(B) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(ii) Our Company has no founder shares, management shares or deferred shares in the capital of the Company.

(iii) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

(iv) None of the equity and debt securities of our Company is listed or dealt in on any other **[REDACTED]** nor is any **[REDACTED]** or permission to deal being or proposed to be sought.

(v) There is no arrangement under which future dividends are waived or agreed to be waived.

(vi) We have no outstanding convertible debt securities.

(vii) As at the date of this **[REDACTED]**, there is no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside of Hong Kong.

9. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this **[REDACTED]**:

Name	Qualification
BNP Paribas Securities (Asia) Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services), acting as the Joint Sponsor of **[REDACTED]**
CLSA Capital Markets Limited	Licensed to conduct type 4 (advising on securities) and type 6 (advising on corporate finance), acting as the Joint Sponsor of **[REDACTED]**
Deloitte Touche Tohmatsu	Certified Public Accountants
Tian Yuan Law Firm	Qualified PRC lawyers
Maples and Calder	Cayman Islands legal advisors
Frost & Sullivan	Industrial consultant
DTZ Debenham Tie Leung Limited	Property Valuer

10. Consents of experts

Each of the experts listed in the paragraph headed "Qualifications of experts" in this Appendix has given and has not withdrawn their respective consents to the issue of this **[REDACTED]** with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it appears.

As of the Latest Practicable Date and save as disclosed in the preceding paragraph, none of the experts named in the paragraph headed "Qualifications of experts" in this Appendix had any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

GENERAL

1. Taxation of Holder of our Shares

(a) Hong Kong

Dealings in Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Group.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfer of shares.

[REDACTED]

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this **[REDACTED]** delivered to the Registrar of Companies in Hong Kong for registration were:

[REDACTED]

(ii) the written consents referred to in the section headed "Appendix VI — Statutory and General Information — Other Information — Consents of experts" to this **[REDACTED]**; and

(iii) copies of the material contracts referred to in the section headed "Appendix VI — Statutory and General Information — Summary of the material contracts" to this **[REDACTED]**.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Skadden, Arps, Slate, Meagher & Flom at 42/F Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this **[REDACTED]**:

(iv) our Memorandum and Articles of Association;

(v) the Accountant's Report prepared by Deloitte Touche Tohmatsu, the text of which are set out in Appendix I to this **[REDACTED]**;

(vi) the letter received from Deloitte Touche Tohmatsu on **[REDACTED]**, the text of which is set out in Appendix II to this **[REDACTED]**;

(vii) the letter, summary of values and valuation certificates relating to the property interests of our Group prepared by DTZ Debenham Tie Leung Limited, the texts of which are set out in Appendix IV to this **[REDACTED]**;

(viii) the material contracts referred to in the section headed "Appendix VI — Statutory and General Information — Summary of the material contracts" to this **[REDACTED]**;

(ix) the service contracts with Directors, referred to in the section headed "Appendix VI — Statutory and General Information — Further Information about our Directors and Substantial Shareholders — Particulars of Directors' service contracts and letters of appointment " to this **[REDACTED]**;

(x) the written consents referred to in the section headed "Appendix VI — Statutory and General Information — Other Information — Consents of experts" to this **[REDACTED]**;

(xi) the legal opinions dated this **[REDACTED]** date prepared by Tian Yuan Law Firm, our Legal Counsel as to PRC law, in respect of certain aspects of our Group;

(xii) the letters relating to the profit forecast from the **[REDACTED]**, the texts of which are set out in Appendix III to this **[REDACTED]**;

(xiii) the list of all grantees who have been granted share options to subscribe for Shares under the **[REDACTED]** Share Option Scheme, containing all details as required under the **[REDACTED]** and the Predecessor Companies Ordinance;

(xiv) our **[REDACTED]** Share Option Scheme;

(xv) our **[REDACTED]** Share Option Scheme; and

(xvi) the Cayman Companies Law.