

CONNECTED TRANSACTIONS

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.

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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.

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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.

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(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.

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- 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.