BACKGROUND OF THE STRUCTURED CONTRACTS

We currently conduct our vocational education and vocational training businesses mainly through our PRC Consolidated Affiliated Entities in the PRC as PRC laws and regulations generally restrict foreign ownership in the private education industry in the PRC. PRC laws and regulatory practice currently restrict the operation of vocational education and vocational training institutions to Sino-foreign cooperation ownership, in addition to imposing qualification requirements on the foreign owners. Further, government approval in respect of Sino-foreign cooperation had been withheld. We do not hold any equity interest in our PRC Consolidated Affiliated Entities. The Structured Contracts, through which we obtain control over and derive the economic benefits from our PRC Consolidated Affiliated Entities, have been narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations.

Vocational Training Education

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.

Pursuant to the Foreign Investment Catalog, the latest amendment to which was promulgated by the NDRC and the MOFCOM on June 28, 2017 and became effective on July 28, 2017, and the Negative List, the provision of non-formal vocational training (非學制類職業培訓) in the PRC falls into within the "encouraged" category and other vocational training that is not listed in the Foreign Investment Catalog falls into within the "permitted" category. However, pursuant to the *Regulation on Sino-foreign Cooperation in Operating Schools* (《中華人民共和國中外合作辦學條例》) and the *Implementing Measures on the Regulation on Sino-foreign Cooperation in Operating Schools* (《中外合作辦學條例實施辦法》), and when applying to the Sino-foreign cooperative training on vocational skills, the *Management Measures on the Sino-foreign Cooperative School Running regarding Vocational Skills Training* (《中外合作職業技能培訓辦學管理辦法》) promulgated by the Ministry of Labour and Social Security (勞動和社會保障部) (now known as the Ministry of Human Resources and Social Security (人力資源和社會保障部)), if we were to apply for any of our Schools to be reorganized as a Sino-foreign joint venture private school for PRC students at vocational education and vocational training institutions (a "Sino-Foreign Joint Venture Private School"), the foreign investor in the Sino-Foreign Joint Venture Private School must be a foreign educational institution with relevant qualification and that provides high quality education (the "Qualification Requirement") and a foreign investor is prohibited to set up schools where students are to be recruited primarily among the PRC citizens, other education institutes or vocational training institutes in the PRC solely by itself. Furthermore, pursuant to 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* (《教育部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》), the foreign portion of the total investment in a Sino-Foreign Joint Venture Private School should be below 50% (the "Foreign Ownership Restriction").

With the assistance of our PRC Legal Advisors, we consulted the MHRSS on September 25, 2018, and the MOE on September 26, 2018 (collectively as the "September Interviews"), being the competent authorities as advised by our PRC Legal Advisors to confirm the matters relating to the Sino-Foreign Joint Venture Private Schools relevant to us. We were advised by the MHRSS and the MOE (collectively as the "Relevant Authorities") that:

(i) each of the Foreign Ownership Restriction and Qualification Requirement applies to Sino-Foreign Joint Venture Private Schools in the PRC, except in Shanghai Free Trade Zone where the establishment of a wholly foreign-owned vocational training institute is permitted;

(ii) no implementing measures or specific guidance were promulgated pursuant to the Qualification Requirement. However, as a principle, a foreign school sponsor or investor shall be a foreign education institution with similar level as the domestic investor and our Company does not qualify curently;

(iii) it is expected that the possibility of approving the establishment of our Group as a Sino-Foreign Joint Venture Private School to provide vocational training education in the PRC is very low;

(iv) the execution of the Structured Contracts does not require approval from the education or human resources and social security authorities; and

(v) the businesses of provision of interest and experience courses are not subject to jurisdiction of the MOE or the MHRSS.

Given that as of the Latest Practicable Date, (i) we do not operate any business in the Shanghai Free Trade Zone; (ii) according to the September Interviews, we, including HK New Oriental, do not meet the Qualification Requirement as we have limited experience in operating a school outside of the PRC, and (iii) as there are no implementing measures or specific guidance on the Qualification Requirement, it is therefore not practicable for us to seek to apply to reorganize any of our PRC Consolidated Affiliated Entities and the schools to be newly established or invested by us as a Sino-Foreign Joint Venture Private School, or convert any of our PRC Consolidated Affiliated Entities and the schools to be newly established or invested by us into a Sino-Foreign Joint Venture Private School.

Notwithstanding the above, we are committed to working towards meeting the Qualification Requirement. We have adopted a specific plan and will continue to expend genuine efforts and financial resources to do so. We have undertaken to make periodic inquiries of relevant educational authorities following the [**REDACTED**] to understand any regulatory developments, including whether there will be any change in policy for approving Sino-Foreign Joint Venture Private Schools in the areas where we operate our business in the PRC, and assess whether we are qualified to meet the Qualification Requirement, with a view to unwinding the Structured Contracts wholly or partially as and when practicable and permissible under the prevailing PRC laws and regulations. See "— Background of the Structured Contracts — Circumstances in which We Will Unwind the Structured Contracts" and "— Background of the Structured Contracts — Plan to Comply with the Qualification Requirement" in this section of this document for details.

As of the date of this document, we have not encountered any interference or encumbrance from any governing bodies in our plan to adopt the Structured Contracts and the consolidated financial results of our PRC Consolidated Affiliated Entities, which engage in vocational training education. Our PRC legal advisors have opined that each of our PRC Consolidated Affiliated Entities has been legally established and except for those disclosed under "— Legality of the Structured Contracts — PRC Legal Opinions" under this section and "Risk Factors — Risks relating to our Structured Contracts" of this document, the Structured Contracts in relation to the operation of vocational education and vocational training are valid, legal and binding and do not contravene PRC laws and regulations. As disclosed above, we have consulted with the Relevant Authorities in the PRC, which confirmed that the Structured Contracts do not require approval from the education or human resources and social security authorities. However, no positive regulatory assurance has been obtained from relevant PRC regulatory authorities with respect to the use of the Structured Contracts in the education industry.

Circumstances in which We Will Unwind the Structured Contracts

Under the Sino-Foreign Regulation and in accordance with the September Interviews, foreign investment in vocational training in the PRC is required to be in the form of cooperation between PRC educational institutions and foreign educational institutions and subject to the Qualification Requirement and the Foreign Ownership Restriction, a foreign investor can only hold less than 50% interest in a Sino-Foreign Joint Venture Private School.

In the event that the Qualification Requirement is removed or we are able to meet the Qualification Requirement and there is a change in policy, but (a) the Foreign Ownership Restriction remains, or (b) the Foreign Ownership Restriction is removed, as permitted by the applicable PRC laws and regulations at the relevant time:

– in circumstance (a), our Company will partially unwind the Structured Contracts and directly hold an equity interest of less than 50% in the relevant PRC Consolidated Affiliated Entities (such as a 49.99% equity interest) as our Company or any of its subsidiaries, as a foreign investor, can only hold a portion of the total investment in a Sino-Foreign Joint Venture Private School up to no more than 50%. However, our Company will not be able to control such PRC Consolidated Affiliated Entities without the Structured Contracts in place with respect to the domestic interests. Accordingly, if the Foreign Ownership Restriction remains, regardless of whether the Qualification Requirement is removed or met our Company will still rely on contractual arrangements to establish control over our PRC Consolidated Affiliated Entities. Our Company will also acquire rights to appoint members to the board of directors who together shall constitute less than 50% of the board of directors of the relevant PRC Consolidated Affiliated Entities. We will then control the voting power of the other members of the board of directors appointed by the domestic interest holder(s) by way of the Structured Contracts; and

– in circumstance (b), our Company would be allowed to directly hold 100% of the interests in our PRC Consolidated Affiliated Entities and our Company will fully unwind the Structured Contracts and directly hold all equity interests in our PRC Consolidated Affiliated Entities. Our Company will also acquire rights to appoint all members of the board of directors of the PRC Consolidated Affiliated Entities.

In addition, the WFOE has decided that, if the PRC regulatory environment changes and the Qualification Requirement is removed (and assuming there are no other changes in the relevant PRC laws and regulations), it will exercise the call option in full to hold all of the interest in the PRC Consolidated Affiliated Entities and unwind the contractual arrangements accordingly. See "Termination of the Structured Contracts" in this section of this document for further details.

Plan to Comply with the Qualification Requirement

We have adopted a specific plan and begun to take the following concrete steps which we reasonably believe are meaningful endeavors to demonstrate compliance with the Qualification Requirement. According to the September Interviews, there are no implementing measures or specific guidance on the Qualification Requirement and therefore they will not approve an application to convert our PRC Consolidated Affiliated Entities or the schools to be newly established or invested by us into Sino-Foreign Joint Venture Private Schools at this stage. Our PRC legal advisors consider that the following steps taken by us to demonstrate compliance with the Qualification Requirements are reasonable and appropriate.

As of the Latest Practicable Date, we had taken the following concrete steps to implement our plan. On October 2, 2018, we formed a holding company of a new school in the United States, namely, Xinhua US. We have submitted a formal application to the BPPE through the non-accredited application process on November 16, 2018 to apply for the establishment of a vocational training school i.e. Xinhua Training School US. The approval process with the BPPE is expected to complete within approximately 12 months from the date of application. Xinhua US will be responsible for the daily operation and management of the Xinhua Training School US to be established. As of the Latest Practicable Date, we are in the process of designing the vocational training programs to be offered by the Xinhua Training School US. We have also nominated Mr. Xu Shaobing to oversee the administration of Xinhua Training School US. We had expended approximately US$44,700 in connection with our plan as of the Latest Practicable Date. For details of the regulatory environment in California for the operation of a vocational training school, see "Regulations — Regulations on Private Postsecondary Education in the State of California" in this document.

In the opinion of our PRC legal advisors, taking into consideration of the September Interviews, if the Foreign Ownership Restriction is removed but the Qualification Requirement remains and assuming the new school to be operated by Xinhua US, i.e. the Xinhua Training School US or another foreign educational institution established by us gains a level of foreign experience sufficient to demonstrate compliance with the Qualification Requirement and obtains the approval of the relevant education or human resources and social security authorities for the establishment of a Sino-Foreign Joint Venture Private School in the future (provided that the then PRC laws and regulations do not impose new requirements, restrictions, or prohibitions in relation to the establishment of the Sino-Foreign Joint Venture Private Schools), we will be able to operate our Schools in the PRC directly through the new school operated by Xinhua US, i.e. the Xinhua Training School US or such other educational institution subject to the approval from the competent education or human resources and social security authorities.

Furthermore, we have undertaken to the Stock Exchange that we will:

(i) under the guidance of our PRC legal advisors, 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 with the Qualification Requirement.

OPERATION OF THE STRUCTURED CONTRACTS

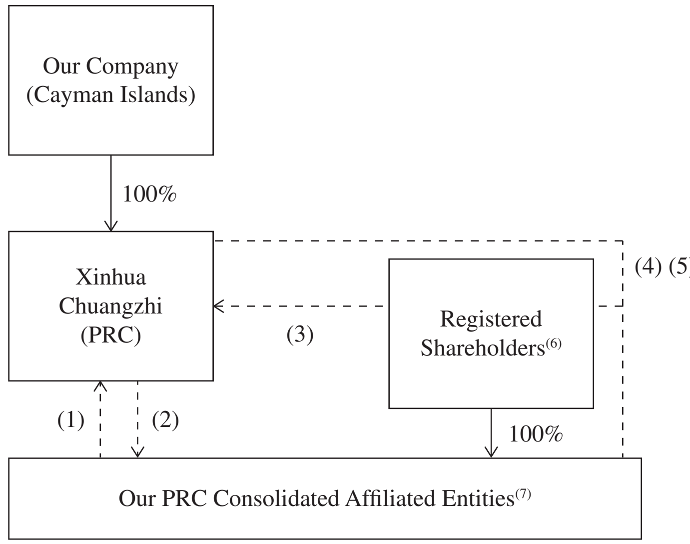
In order to comply with the PRC laws and regulations as set out above while availing ourselves of international capital markets and maintaining effective control over all of our operations, on November 30, 2018, our wholly-owned subsidiary, the WFOE, entered into various agreements that constitute the Structured Contracts with, among others, our PRC Consolidated Affliated Entities, under which all economic benefits arising from the business of our PRC Consolidated Affliated Entities are transferred to the WFOE to the extent permitted under the PRC laws and regulations by means of service fees payable by our PRC Consolidated Affliated Entities to the WFOE.

As of the date of the Structured Contracts, the school sponsor's interest of four of our 169 PRC Consolidated Affiliated Entities were not registered as ours due to the unavailability of certain approval procedures at relevant authorities. See note to the diagram below for details. Accordingly, the Structured Contracts comprise of (i) agreements entered into by and among the WFOE, Anhui Xinhua Education and its subsidiary entities as described therein (which are our PRC Consolidated Affiliated Entities, excluding Nanjing School), as the case may be, including (a) the exclusive management consultancy and business cooperation agreement, (b) the exclusive call option agreement, (c) the equity pledge agreement, as well as (d) the power of attorney provided by each of the Registered Shareholders (collectively as the "Structured Contracts I"), and (ii) agreements entered into by and among the WFOE, Nanjing School and its school sponsors, namely Mr. Xiao Guoqing (肖國慶) and Mr. Ge Xiaoliang (葛孝良), as the case may be, including (a) the exclusive management consultancy and business cooperation agreement, (b) the exclusive call option agreement, (c) the accounts receivable pledge agreement, (d) the school sponsors' or capital contributors' rights entrustment agreement, as well as (e) the school sponsor's or capital contributor's power of attorney provided by each of Mr. Xiao Guoqing (肖國慶) and Mr. Ge Xiaoliang (葛孝良) (collectively as the "Structured Contracts II").

There is no equity pledge arrangement regarding the school sponsors' interests in Nanjing School, given that the school sponsors' interests over the schools are not, by nature, equity interests, any such pledge would be unenforceable under PRC laws and regulations. As an alternative, the accounts receivable pledge agreement and the school sponsors' or capital contributors' rights entrustment agreement were entered into and the school sponsor's or capital contributor's power of attorney were provided by each of the school sponsors to Nanjing School to ensure the performance of the Structured Contracts II.

In addition, in order to prevent the leakage of assets and values of our PRC Consolidated Affiliated Entities, the Registered shareholders, Anhui Xinhua Education and its subsidiary entities and the school sponsors of Nanjing School have undertaken that, without the prior written consent of Xinhua Chuangzhi, our PRC Consolidated Affiliated Entities shall not, among others, distribute dividends or reasonable returns in any form.

The following simplified diagram illustrates the flow of economic benefits from our PRC Consolidated Affliated Entities (excluding Nanjing School) to our Group stipulated under the Structured Contracts I:



Notes:

(1) Payment of service fees. See "— Summary of the Material Terms of the Structured Contracts — (1) Exclusive Management Consultancy and Business Cooperation Agreements under Structured Contracts I and Structured Contracts II" in this section for further details.

(2) Provision of services. See "Structured Contracts — Summary of the Material Terms of the Structured Contracts — (1) Exclusive Management Consultancy and Business Cooperation Agreements under Structured Contracts I and Structured Contracts II" in this section for further details.

(3) Powers of attorney to exercise all shareholders' rights in our PRC Consolidated Affiliated Entities (excluding Nanjing School). See "— Summary of the Material Terms of the Structured Contracts — (4) Powers of attorney under Structured Contracts I" in this section for further details.

(4) Exclusive call option to acquire all or part of the equity interest in our PRC Consolidated Affiliated Entities (excluding Nanjing School). See "— Summary of the Material Terms of the Structured Contracts — (2) Exclusive Call Option Agreements under Structured Contracts I and Structured Contracts II" of this document for further details.

(5) Pledge of all the equity interest in Anhui Xinhua Education. See "— Summary of the Material Terms of the Structured Contracts — (3) Equity Pledge Agreement under Structured Contracts I" in this section for further details.

(6) Registered Shareholders refer to the registered shareholders of Anhui Xinhua Education, i.e. Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing.

(7) The school sponsor's interest of three of our PRC Consolidated Affiliated Entities (excluding Nanjing School) were not registered as ours due to unfinished approval procedure at relevant authorities. Details are set out below:

- the articles of association of Shanghai Fengxian District East Delicacy Vocational Training School* (上海奉賢區東方美食職業培訓學校) ("Shanghai Fengxian School") currently provides that its school sponsors are Mr. Yang Bing (楊兵), a headmaster of one of our PRC Consolidated Affiliated Entities, and Mr. Liang Yong (梁勇), an Independent Third Party. Shanghai Fengxian School has applied for and the relevant local branch of the human resources and social security authorities have approved the change of school sponsors. However, the relevant local branch of the civil affairs authority has not yet approved its amended articles of association. In this circumstance, each of Mr. Yang Bing and Mr. Liang Yong has signed a written confirmation dated November 20, 2018, confirming that Anhui New East Culinary Institute legally owns the entire school sponsor's interest, that each of them agrees to give up all of the school sponsor's interest and will not claim any rights thereunder in the future, and that each of them will unconditionally cooperate with any formalities for registration changes in the future. On November 20, 2018, with the assistance of our PRC Legal Advisors, we consulted with Shanghai Fengxian Communities Management Bureau (上海市奉賢區社團管理局) on the change of school sponsor, and it has been confirmed that (i) it does not process the application for changing of school sponsors, (ii) the actual school sponsor of Shanghai Fengxian District East Delicacy Vocational Training School shall be Anhui New East Culinary Institution, and (iii) there shall be no material impediment if, subject to the approval of human resources and social security authorities, Shanghai Fengxian District East Delicacy Vocational Training School chooses to become a for-profit private school and register as a limited liability company whose shareholder is Anhui New East Culinary Institution;

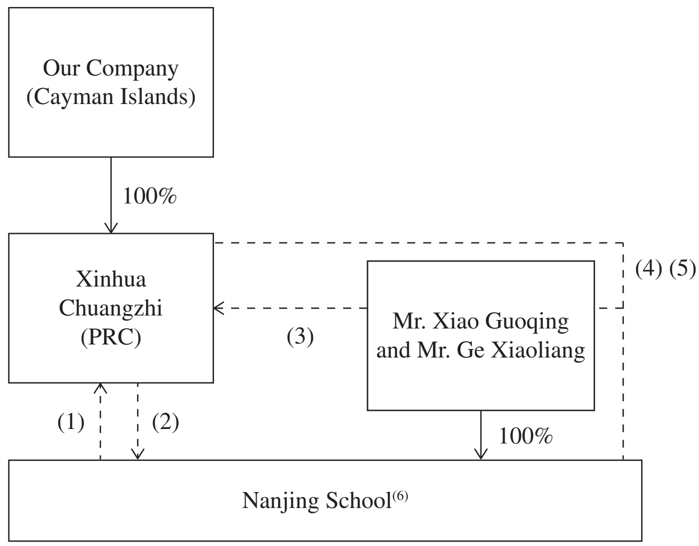
- the articles of association of Jiangsu New East Culinary School* (江蘇新東方烹飪技術學校) currently provides that its school sponsor is the Chinese Zhigong Party Jiangsu Provincial Committee (中國致公黨江蘇省委員會), an Independent Third Party. It has applied for and the relevant local branch of the human resources and social security authorities have approved the change of school sponsor. However, the relevant local branch of the civil affairs authorities has not yet approved its amended articles of association. In this circumstance, the Chinese Zhigong Party Jiangsu Provincial Committee has signed a written confirmation dated November 21, 2007 confirming that the school sponsor of Jiangsu New East Culinary School has been changed to Anhui Xinhua Education Development Co., Ltd. On November 26, 2018, with the assistance of our PRC Legal Advisors, we consulted with Jiangsu Civil Affairs Department (江蘇省民政廳) on the change of school sponsor, and it has been confirmed that (i) it does not process the application for changing of school sponsors, (ii) the actual school sponsor of Jiangsu New East Culinary School shall be Anhui Xinhua Education Development Co., Ltd., and (iii) there shall be no material impediment if, subject to the approval of human resources and social security authorities, Jiangsu New East Culinary School chooses to become a for-profit private school and register as a limited liability company with the administration of industry and commerce authorities, and apply for the change of the shareholder into Anhui Xinhua Education Development Co., Ltd.; and

- Nanjing Institute has applied for and the relevant local branch of the human resources and social security authorities have approved the change of school sponsor from Mr. Zhou Baoyin (周寶銀), an Independent Third Party to Auhui Xinhua Education Development Co., Ltd. However, the relevant local branch of the civil affairs authorities has not yet approved its amended articles of association. In this circumstance, Mr. Zhou Baoyin has signed a written confirmation dated November 22, 2018 confirming that Anhui Xinhua Education legally owns the entire school sponsor's interest, that he agrees to give up all of his school sponsor's interest and will not claim any rights thereunder in the future, and that he will unconditionally cooperate with any formalities for registration changes in the future. On November 26, 2018, with the assistance of our PRC Legal Advisors, we consulted with Nanjing Civil Affairs Bureau (南京市民政局) on the change of school sponsor, and it has been confirmed that (i) it does not process the application for changing of school sponsors, (ii) the actual school sponsor of Nanjing Xinhua Computer Institute shall be Anhui Xinhua Education Development Co., Ltd., and (iii) there shall be no material impediment if, subject to the approval of human resources and social security authorities, Nanjing Xinhua Computer Institute chooses to become a for-profit private school and register as a limited liability company with the administration of industry and commerce authorities, and apply for the change of the shareholder into Anhui Xinhua Education Development Co., Ltd.

(8) "——" denotes direct or indirect legal and beneficial ownership in the equity interest or school sponsor's or capital contributor's rights.

(9) "------" denotes Structured Contracts I.

The following simplified diagram illustrates the flow of economic benefits from Nanjing School to our Group stipulated under the Structured Contracts II:



Notes:

(1) Payment of service fees. See "— Summary of the Material Terms of the Structured Contracts — (1) Exclusive Management Consultancy and Business Cooperation Agreements under the Structured Contracts I and Structured Contracts II" in this section for further details.

(2) Provision of services. See "— Summary of the Material Terms of the Structured Contracts — (1) Exclusive Management Consultancy and Business Cooperation Agreements under the Structured Contracts I and Structured Contracts II" in this section for further details.

(3) Entrustment of school sponsors' or capital contributors' rights by the school sponsors or capital contributors of Nanjing School including the School Sponsor's or Capital Contributor's Powers of Attorney. See "— Summary of the Material Terms of the Structured Contracts — (6) School Sponsors' or Capital Contributors' Rights Entrustment Agreement under the Structured Contracts II" and "— Summary of the Material Terms of the Structured Contracts — (7) School Sponsor's or Capital Contributor's Powers of Attorney under the Structured Contracts II" in this section for details.

(4) Exclusive call option to acquire all or part of the school sponsor's interest in Nanjing School. See "— Summary of the Material Terms of the Structured Contracts — (2) Exclusive Call Option Agreements under the Structured Contracts II" of this document for further details.

(5) Pledge of all accounts receivable of Nanjing School. See "— Summary of the Material Terms of the Structured Contracts — (5) Accounts Receivable Pledge Agreement under the Structured Contracts II" in this section for further details.

(6) The articles of association of Nanjing School currently provides that its school sponsors are Mr. Xiao Guoqing (肖國慶) and Mr. Ge Xiaoliang (葛孝良), a headmaster of one of our PRC Consolidated Affiliated Entities. Nanjing School has applied to the relevant local branches of the human resources and social security authorities and civil affairs authorities to change its school sponsors but has yet to obtain the relevant approvals. In this circumstance, Xinhua Chuangzhi has entered into various agreements that constitute Structured Contracts II with Mr. Xiao Guoqing and Mr. Ge Xiaoliang under which all economic benefits arising from the business of Nanjing School will be transferred to Xinhua Chuangzhi by means of services fees payable by Nanjing School to Xinhua Chuangzhi.

(7) "——" denotes direct or indirect legal and beneficial ownership in the equity interest or school sponsor's or capital contributor's rights.

(8) "------" denotes Structured Contracts II.

For further details, see "— Summary of the Material Terms of the Structured Contracts" in this section.

Summary of the Material Terms of the Structured Contracts

A description of each of the specific agreements that comprise the Structured Contracts I and Structured Contracts II is set out below.

(1) Exclusive Management Consultancy and Business Cooperation Agreements under Structured Contracts I and Structured Contracts II

Pursuant to the exclusive management consultancy and business cooperation agreements entered into by and among (i) Xinhua Chuangzhi, Anhui Xinhua Education and its subsidiary entities as described therein, which are our PRC Consolidated Affiliated Entities (excluding Nanjing School), and the Registered Shareholders and (ii) Xinhua Chuangzhi, Nanjing School and Mr. Xiao Guoqing and Mr. Ge Xiaoliang (葛孝良) (collectively as the "School Sponsors of Nanjing School"), each dated November 30, 2018 (collectively as the "Exclusive Management Consultancy and Business Cooperation Agreements").

Pursuant to the Exclusive Management Consultancy and Business Cooperation Agreement, Xinhua Chuangzhi has the exclusive right to provide, or designate any third party to provide comprehensive corporate management consultancy and educational management consultancy services, intellectual property licensing services and technical and business support services. Such services to our PRC Consolidated Affiliated Entities include advisory services on asset and business operation, debt disposal, material contracts or mergers and acquisitions; educational software and course materials research and development; employee training; technology development, transfer and consulting services; public relation services; logistics supporting services; market survey, research and consulting services; market development and planning services; management and advisory services of daily operation, financial investment, asset, credit and debt; human resources and internal information and other matters; office applications and network development, upgrade, update and ordinary maintenance services; sales of proprietary products; assistance in looking for suitable financing channels; establishment of relationship maintenance plans for supplier, customer, cooperative partners, teachers and students, and assist in such relationship maintenance; and software and trademark and know-how licensing and other additional services as may mutually agree from time to time. As at the Latest Practicable Date, Xinhua Chuangzhi and its subsidiaries had over 200 personnel to provide such services to our PRC Consolidated Affiliated Entities pursuant to the Exclusive Management Consultancy and Business Cooperation Agreements. Without Xinhua Chuangzhi's prior written consent, none of our PRC Consolidated Affiliated Entities may accept services covered by the Exclusive Management Consultancy and Business Cooperation Agreements from any third party. The Exclusive Management Consultancy and Business Cooperation Agreements will not expire unless the parties mutually agree to terminate or the term of operation of each of the parties to the agreement expire or upon a 30-day prior notice by Xinhua Chuangzhi in written.

Pursuant to the Exclusive Management Consultancy and Business Cooperation Agreements, Anhui Xinhua Education and the Registered Shareholders have undertaken to procure any subsidiary entity to be established after the date of such agreement invested and controlled (including via contractual arrangements) by Anhui Xinhua Education to execute an acknowledgement letter or any other document to undertake that it will assume rights and obligations as a subsidiary entity of Anhui Xinhua Education under the Exclusive Management Consultancy and Business Cooperation Agreements.

In consideration of the services provided by Xinhua Chuangzhi or its designated third party, our PRC Consolidated Affiliated Entities agree to pay service fees equal to 100% of their net income after deducting the relevant costs, tax payment and reserved funds as required by applicable PRC laws and regulations to Xinhua Chuangzhi or its designated third party who provided the services. Our PRC Consolidated Affiliated Entities shall agree with Xinhua Chuangzhi or its designated third party who provided the services on the actual amount of the service fees to be paid after good faith negotiations.

In order to prevent the leakage of assets and values of our PRC Consolidated Affiliated Entities to their respective shareholders, under the Exclusive Management Consultancy and Business Cooperation Agreements, without the prior written approval from Xinhua Chuangzhi, our PRC Consolidated Affiliated Entities shall not conduct any activities (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) transactions entered into beyond the scope of the ordinary course of business or unusual in terms of past practice;

(ii) change or remove the members of its board of directors or senior management members;

(iii) the entering into of any loan or debt obligations owing to any third party;

(iv) the disposal or acquisition of any assets (including intellectual properties) with a value higher than RMB3 million;

(v) the entering into of any material contract with a consideration higher than RMB3 million;

(vi) the provision of any guarantee to any third party or the creation of any encumbrances in relation to its assets;

(vii) amend the articles of association or scope of business;

(viii) altering the ordinary business procedure or amending any material internal policy;

(ix) making material changes of its business operation model, marketing strategy, business policy or customer relationship;

(x) distribution of dividend or reasonable return in any form;

(xi) dissolution or liquidation and distribution of the assets; and

(xii) transfer to any third party any of the obligations or rights under the Exclusive Management Consultancy and Business Cooperation Agreements.

To ensure the due performance of the Management Consultancy and Business Cooperation Agreements, each of Anhui Xinhua Education and its subsidiary entities, the Registered Shareholders, Nanjing School and the School Sponsors of Nanjing School has undertaken to comply with the obligations as prescribed under the respective Management Consultancy and Business Cooperation Agreement set forth as follows:

(i) accept the advice from Xinhua Chuangzhi in relation to employee engagement and dismissal, daily operation and management and financial system management;

(ii) any candidate nominated by the WFOE will be elected as the directors of Anhui Xinhua Education and our other PRC Consolidated Affiliated Entities; Xinhua Chuangzhi is entitled to appoint the chairman of the board of directors, general manager, school principals, financial controllers and other senior managers of our PRC Consolidated Affiliated Entities;

(iii) Xinhua Chuangzhi is entitled to periodically receive or inspect the accounts of our PRC Consolidated Affiliated Entities; and

(iv) upon written request from Xinhua Chuangzhi, Anhui Xinhua Education and its subsidiary, the Registered Shareholders, Nanjing School and the School Sponsors of Nanjing School shall provide all account receivables and/or other disposable assets as guarantee to secure the obligation to pay service fees under the Management Consultancy and Business Cooperation Agreements.

To further enhance our Company's control over our Schools, Xinhua Chuangzhi is entitled to request our PRC Consolidated Affiliated Entities to submit their respective certificates and chops, that are important for their daily operation, to the safety custody of Xinhua Chuangzhi, including but not limited to business licenses, registration certificates of private non-enterprise entities, operation certificates, the company seals and financial chops.

(2) Exclusive Call Option Agreements under Structured Contracts I and Structured Contracts II

Under the exclusive call option agreements entered into by and among (i) Xinhua Chuangzhi, the Registered Shareholders, Anhui Xinhua Education and its subsidiary entities, and (ii) Xinghua Chuangzhi, Nanjing School and the School Sponsors of Nanjing School, each dated November 30, 2018 (collectively as the "Exclusive Call Option Agreements").

Pursuant to the Exclusive Call Option Agreements, the Registered Shareholders and the School Sponsors of Nanjing School unconditionally and irrevocably agreed to grant Xinhua Chuangzhi an exclusive, unconditional and irrevocable option for Xinhua Chuangzhi or its designated third party to purchase all or part of (i) the equity interests of the Registered Shareholders in Anhui Xinhua Education, (ii) the equity interests of the school sponsors or shareholders of such subsidiary entities of Anhui Xinhua Education, (iii) the assets of Anhui Xinhua Education or Nanjing School, and/or (iv) the school sponsor's interest in Nanjing School, at nil consideration or at the lowest price permitted under the PRC laws and regulations, under circumstances in which Xinhua Chuangzhi or its designated third party is permitted under PRC laws and regulations to own all or part of the equity interests of Anhui Xinhua Education. Where the purchase price is required by the relevant PRC laws and regulations to be an amount other than nil consideration, the Registered Shareholders and/or the School Sponsors of Nanjing School shall return the amount of purchase price they have received to Anhui Xinhua Education or Xinhua Chuangzhi or its designated third party. We have the sole discretion to decide when to exercise the option, and whether to exercise the option in part or in full.

In addition, under the Exclusive Call Option Agreements, Anhui Xinhua Education and the School Sponsor of Nanjing School shall not transfer or permit the encumbrance of or allow any guarantee or security to be created on any of the equity interests in our PRC Consolidated Affiliated Entities or school sponsor's interest in Nanjing School without Xinhua Chuangzhi's prior written consent, and shall not incur, succeed, guarantee or assume any liability excluding any liabilities incurred during our ordinary course of business or liabilities that have been disclosed and confirmed by Xinhua Chuangzhi. In the event that the Registered Shareholders and/or the School Sponsors of Nanjing School receive any profit distribution or dividend from our PRC Consolidated Affiliated Entities, the Registered Shareholders and/or the School Sponsors of Nanjing School must immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to Xinhua Chuangzhi or its designated third party.

(3) Equity Pledge Agreement under Structured Contracts I

Pursuant to the equity pledge agreement entered into by and among Xinhua Chuangzhi, the Registered Shareholders and Anhui Xinhua Education on November 30, 2018 (the "Equity Pledge Agreement"), the Registered Shareholders unconditionally and irrevocably pledged all of their equity interests in Anhui Xinhua Education to Xinhua Chuangzhi to guarantee performance of the obligations of Anhui Xinhua Education and its subsidiary entities under the Exclusive Management Consultancy and Business Cooperation Agreement and performance of the Registered Shareholders' obligations under the Exclusive Call Option Agreement and the Powers of Attorney. Pursuant to the Equity Pledge Agreement, the Registered Shareholders have agreed that, without the prior written consent of Xinhua Chuangzhi, they will not transfer or dispose the pledged equity interests or create or allow any encumbrance on the pledged equity interests that would prejudice Xinhua Chuangzhi's interest. The Registered Shareholders further undertook to waive their respective preemptive rights in the event when Xinhua Chuangzhi exercises its rights to enforce the pledge.

The equity pledge is required to be registered under the relevant laws and regulations. The equity pledge registration of Anhui Xinhua Education with the Hefei City Administration Bureau for Industry and Commerce was completed on December 4, 2018. The equity pledge shall remain valid until all the contractual obligations of Anhui Xinhua Education, its subsidiary entities and the Registered Shareholders are satisfied in full under the Exclusive Management Consultancy and Business Cooperation Agreement, the Exclusive Call Option Agreement and the Powers of Attorney, or the nullification or termination of the Exclusive Management Consultancy and Business Cooperation Agreement, the Exclusive Call Option Agreement and the Powers of Attorney, whichever is later.

(4) Powers of Attorney under Structured Contracts I

Each of the Registered Shareholders has executed an irrevocable power of attorney dated November 30, 2018 (the "Powers of Attorney") appointing Xinhua Chuangzhi, or any person designated by Xinhua Chuangzhi, as his attorney-in-fact to appoint directors and vote on his behalf on all matters of Anhui Xinhua Education requiring shareholders' approval under its articles of associations and under the relevant PRC laws and regulations. These powers of attorney remain effective as long as the Registered Shareholders remain a shareholder of Anhui Xinhua Education, unless Xinhua Chuangzhi requests to replace the appointed designee under the Powers of Attorney.

The Powers of Attorney specifically provide that the attorney-in-fact (i) is entitled to call shareholders' meetings and sign resolutions minutes and other documents at those meetings; (ii) is entitled to exercise all shareholder's rights, including but not limited to voting right, information right, nomination right and right to appoint directors; (iii) is entitled to file documents with the relevant companies registries; (iv) sale, transfer, pledge or disposal, in any other way, of equity interests or rights attached thereto; (v) designate or replace of director, instruct and procure the election or replacement of chairman of the board of directors or legal representative, determination of remuneration of directors, chairman of the board of directors or legal representative; (vi) merger, split-off, change of form of company, dissolution and winding-up of company; (vii) voting right, decision-making right and any other rights related to determine future establishment of subsidiary entities; (viii) nominate or recommend or procure the appointment of suitable candidates to the board, council, principal, financial controller/manager or other management members; (ix) is entitled to dividends, and (x) in the event of a winding-up of any of our PRC Consolidated Affiliated Entities, 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 PRC 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 PRC 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 our PRC 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 PRC Consolidated Affiliated Entities.

Therefore, through the irrevocable power of attorney arrangement, we and our wholly-owned PRC subsidiary, Xinhua Chuangzhi, have the ability to exercise effective control over Anhui Xinhua Education through shareholder votes and, through such votes, to also control the composition of the board of directors for Anhui Xinhua Education.

(5) Accounts Receivable Pledge Agreement under Structured Contracts II

Pursuant to the accounts receivable pledge agreement entered into by and among Xinhua Chuangzhi, Nanjing School and the School Sponsors of Nanjing School on November 30, 2018 (the "Accounts Receivable Pledge Agreement"), Nanjing School unconditionally and irrevocably pledged and granted first priority security interests over all of its interest in (i) receivables from the tuition, boarding, examination tutoring fees of Nanjing School, (ii) rent from the School's properties, (iii) receivables from services provided by Nanjing School, to Xinhua Chuangzhi as security for performance of the Structured Contracts and all direct, indirect or consequential damages and foreseeable loss of interest incurred by Xinhua Chuangzhi as a result of any event of default on the part of Nanjing School or the School Sponsors of Nanjing School and all expenses incurred by WFOE as a result of enforcement of the obligations of Nanjing School or the School Sponsors of Nanjing School under the Structured Contracts (the "Secured Indebtedness").

Pursuant to the Accounts Receivable Pledge Agreement, without the prior written consent of Xinhua Chuangzhi, Nanjing School and the School Sponsors of Nanjing School shall not transfer the receivables or create further pledge or encumbrance over the pledged interest in the receivables. The proceeds of any transfer of the interest in the receivables shall be first used in the payment of the Secured Indebtedness or deposited to such third party as agreed to by Xinhua Chuangzhi.

Any of the following events shall constitute an event of default under the Accounts Receivable Pledge Agreement:

(i) Nanjing School or the School Sponsors of Nanjing School commit any breach of any obligations under the Structured Contracts;

(ii) any representations or warranties or information provided by Nanjing School or the School Sponsors of Nanjing School under the Structured Contracts is proved incorrect or misleading; or

(iii) any provision in the Structured Contracts becomes invalid or incapable of performance due to changes in PRC laws and regulations or promulgation of new laws and regulations in the PRC, and the parties have not agreed on any alternative arrangement.

Upon the occurrence of an event of default as described above, Xinhua Chuangzhi shall have the right to enforce the Accounts Receivable Pledge Agreement by written notice to Nanjing School in one or more of the following ways:

(i) sell the pledged receivables interest by way of auction or at a discount and have priority in the entitlement to the sales proceeds;

(ii) appoint relevant auction parties for the action; and/or

(iii) dispose of the pledged receivables interest in other manner subject to applicable laws and regulations.

The pledge under the Accounts Receivable Pledge Agreement will be registered with the Credit Reference Centre of the People's Bank of China (中國人民銀行徵信中心) as required by the *Receivables Pledge Registration Measures* (《應收賬款質押登記辦法》) promulgated by the People's Bank of China and became effective on the same day of registration.

(6) School Sponsors' or Capital Contributors' Rights Entrustment Agreement under Structured Contracts II

Pursuant to the school sponsors' or capital contributors' rights entrustment agreement entered into by and between Xinhua Chuangzhi and the School Sponsors of Nanjing School on November 30, 2018 (the "School Sponsors' or Capital Contributors' Rights Entrustment Agreement"), the School Sponsors of Nanjing School have irrevocably authorised and entrusted Xinhua Chuangzhi to exercise all its rights as school sponsor or capital contributor of Nanjing School to the extent permitted by PRC laws. These rights include, but are not limited to: (a) the right to appoint and/or elect directors or council members of Nanjing School; (b) the right to appoint and/or elect supervisors of Nanjing School; (c) the right to access the information relating to the operation and financial situation of Nanjing School; (d) the right to review the resolutions and records of the board of directors and financial statements and reports of Nanjing School; (e) the right to obtain reasonable returns or any returns as school sponsor of Nanjing School in accordance with the laws; (f) the right to acquire residue assets upon winding-up, liquidation, dissolution or cessation of operation of Nanjing School in accordance with the laws; (g) the right to transfer school sponsor's interest in accordance with the laws; (h) the right to vote as school sponsor upon winding-up, liquidation, dissolution or cessation of operation of Nanjing School in accordance with the laws; (i) the right to handle the legal procedures of registration, approval and licensing of Nanjing School at the education department, the department of civil affairs or other government departments and (j) other school sponsor's rights pursuant to applicable PRC laws and regulations and the articles of association of Nanjing School as amended from time to time.

In addition, each of the School Sponsors of Nanjing School has irrevocably agreed that (i) Xinhua Chuangzhi may delegate its rights under the School Sponsors' or Capital Contributors' Rights Entrustment Agreement to the directors of Xinhua Chuangzhi or its designated person, without prior notice to or approval by the School Sponsors of Nanjing School; and (ii) any person as successor of civil rights of Xinhua Chuangzhi or liquidator by reason of subdivision, merger, liquidation of Xinhua Chuangzhi or other circumstances shall have authority to replace Xinhua Chuangzhi to exercise all rights under the School Sponsors' or Capital Contributors' Rights Entrustment Agreement.

(7) School Sponsor's or Capital Contributor's Powers of Attorney under Structured Contracts II

Each of the School Sponsors of Nanjing School has executed an irrevocable school sponsor's or capital contributor's power of attorney dated November 30, 2018 (the "School Sponsor's or Capital Contributor's Powers of Attorney") appointing Xinhua Chuangzhi or any person designated by Xinhua Chuangzhi, as its agents to act on its behalf to exercise or delegate the exercise of all its rights as school sponsor of Nanjing School.

Xinhua Chuangzhi shall have the right to further delegate the rights so delegated to the directors of Xinhua Chuangzhi or other designated person. The School Sponsors of Nanjing School irrevocably agreed that the authorisation and appointment in the School Sponsor's or Capital Contributor's Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of the increase, decrease or merger of the interest of the School Sponsors of Nanjing School or other similar events. Each of the School Sponsor's or Capital Contributor's Powers of Attorney shall constitute a part and incorporate terms of the School Sponsors' or Capital Contributors' Rights Entrustment Agreement.

DISPUTE RESOLUTION

Each of the the Exclusive Management Consultancy and Business Cooperation Agreements, the Exclusive Call Option Agreements, the Equity Pledge Agreement, the Accounts Receivable Pledge Agreement and the School Sponsors' or Capital Contributors' Rights Entrustment Agreement provides that:

(a) any dispute arising out of or in connection with the performance of the relevant agreements shall be resolved through negotiation in good faith;

(b) if the parties are unable to settle the dispute by negotiation, any party shall have the right to refer the dispute to and have the dispute finally resolved by arbitration administered by the China International Economic and Trade Arbitration Commission in Beijing, the PRC under the prevailing effective arbitration rules thereof. The results of the arbitration shall be final and binding on all relevant parties;

(c) the arbitration commission shall have the right to award remedies over the equity interest and/or other assets of our PRC Consolidated Affiliated Entities, injunctive relief (for the conduct of business or to compel the transfer of assets), or order the winding up of our PRC Consolidated Affiliated Entities; and

(d) upon request by any party, the courts of competent jurisdictions shall have the power to grant interim remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases. The courts of PRC, Hong Kong, the Cayman Islands and the place where the principal assets of our Company and our PRC Consolidated Affiliated Entities are located shall be considered as having jurisdiction for the above purposes.

In connection with the dispute resolution method as set out in the Structured Contracts and the practical consequences, we are advised by our PRC legal advisors that:

(a) under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order for the purpose of protecting assets of or equity interest in our PRC Consolidated Affiliated Entities in case of disputes. As such, these remedies may not be available to our Group under PRC laws;

(b) further, under the PRC laws, courts or judicial authorities in the PRC generally would not award remedies over the shares and/or assets of our PRC Consolidated Affiliated Entities, injunctive relief or winding-up of each of our PRC Consolidated Affiliated Entities as interim remedies, before there is any final outcome of arbitration;

(c) however, the PRC laws do not disallow the arbitral body to give award of transfer of assets of or an equity interest in each of our PRC Consolidated Affiliated Entities at the request of arbitration applicant. 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 such award of the arbitral body when deciding whether to take enforcement measures;

(d) in addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC; therefore, in the event we are unable to enforce the Structured Contracts, we may not be able to exert effective control over each of our PRC Consolidated Affiliated Entities, and our ability to conduct our business may be negatively affected; and

(e) even if the above-mentioned provisions may not be enforceable under PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the Structured Contracts.

As a result of the above, in the event that any of our PRC Consolidated Affiliated Entities or the Registered Shareholders breaches any of the Structured Contracts, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our PRC Consolidated Affiliated Entities and conduct our business could be materially and adversely affected. See "Risk Factors — Risks Relating to our Structured Contracts" in this document for details.

PROTECTION IN THE EVENT OF DEATH, BANKRUPTCY OR DIVORCE OF THE REGISTERED SHAREHOLDERS

Pursuant to the spouse undertakings executed by the respective spouse of the Registered Shareholders and Mr. Ge Xiaoliang ("Spouse Undertakings"), the respective spouse of each of the Registered Shareholders has irrevocably (i) acknowledged the entry into of the Structured Contracts by the respective Registered Shareholder; (ii) undertook that she shall not take any actions that are in conflict with purpose and intention of the Structured Contracts, including acknowledging that any equity interests held by the shareholders do not fall within the scope of their community properties; and (iii) confirmed that her consent and approval is not required for the implementation of the Structured Contracts, any amendments thereto or the termination thereof.

In addition, pursuant to the Exclusive Management Consultancy and Business Cooperation Agreements and Exclusive Call Option Agreements, the Registered Shareholders and the School Sponsors of Nanjing School undertake to the WFOE that, in the event of death, loss of or restriction on capacity, divorce or other circumstances which may affect the exercise of his/her direct or indirect equity interest in Anhui Xinhua Education, his rights and obligations thereunder shall be assumed by his successor(s), and unless with prior consent from Xinhua Chuangzhi, any will, divorce agreement, debt settlement agreement or legal document in any forms shall not prejudice or hinder the enforcement of the Exclusive Management Consultancy and Business Cooperation Agreements and the Exclusive Call Option Agreements.

PROTECTION IN THE EVENT OF DISSOLUTION OR LIQUIDATION OF OUR PRC CONSOLIDATED AFFILIATED ENTITIES

Pursuant to the Exclusive Management Consultancy and Business Cooperation Agreements, in the event of the dissolution or liquidation of our PRC Consolidated Affiliated Entities, the Registered Shareholders, Anhui Xinhua Education and its subsidiary entities and the School Sponsors of Nanjing School undertake that, (i) in the event of dissolution or liquidation of any of our PRC Consolidated Affiliated Entities, the Registered Shareholders, Anhui Xinhua Education and its subsidiary entities and the School Sponsors of Nanjing School shall form the liquidation committee by members appointed by Xinhua Chuangzhi, to the extent permitted by PRC laws and regulation, to manage the assets of the relevant PRC Consolidated Affiliated Entities; and (ii) whether or not (i) is fulfilled, the remaining assets of a liquidated entity shall be transferred to Xinhua Chuangzhi.

LOSS SHARING

In the event that our PRC Consolidated Affiliated Entities incur any loss or encounters any operational crisis, Xinhua Chuangzhi may, but is not obliged to, provide financial support to our PRC Consolidated Affiliated Entities.

None of the agreements constituting the Structured Contracts provide that our Company or its wholly-owned PRC subsidiary, Xinhua Chuangzhi, is obligated to share the losses of our PRC Consolidated Affiliated Entities or provide financial support to our PRC Consolidated Affiliated Entities. Further, our PRC Consolidated Affiliated Entities 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 Xinhua Chuangzhi, is not expressly required to share the losses of our PRC Consolidated Affiliated Entities or provide financial support to our PRC Consolidated Affiliated Entities. Despite the foregoing, given that our PRC Consolidated Affiliated Entities' financial condition and results of operations are consolidated into our Group's financial condition and results of operations under the applicable accounting principles, our Company's business, financial condition and results of operations would be adversely affected if our PRC Consolidated Affiliated Entities suffer losses. However, due to the restrictive provisions contained in the Structured Contracts as disclosed in the respective paragraphs headed "— Summary of the Material Terms of the Structured Contracts — (1) Exclusive Management Consultancy and Business Cooperation Agreements" and "— Summary of the Material Terms of the Structured Contracts — (2) Exclusive Call Option Agreements" above, the potential adverse effect on the WFOE and our Company in the event of any loss suffered from our PRC Consolidated Affiliated Entities can be limited to a certain extent.

TERMINATION OF THE STRUCTURED CONTRACTS

In the event that PRC laws and regulations allow Xinhua Chuangzhi or us to directly hold all or part of the interest of Anhui Xinhua Education and/or in our PRC Consolidated Affiliated Entities and/or all as part of the equity interest in Anhui Xinhua Education and operate private vocational training business in the PRC, Xinhua Chuangzhi shall exercise the equity call option as soon as practicable and Xinhua Chuangzhi or its designated party shall purchase such amount of equity interest to the extent permissible under the PRC laws and regulations, and upon exercise in full of the call option and the acquisition of all the equity interest that the Registered Shareholders (directly and indirectly) hold in our PRC Consolidated Affiliated Entities or all the school sponsor's interest that the School Sponsors of Nanjing School hold in Nanjing School by the WFOE or another party designated by our Company pursuant to the terms of the Exclusive Call Option Agreements, each of the Structured Contracts shall be automatically terminated.

INSURANCE

Our Company does not maintain any insurance policy to cover the risks relating to the Structured Contracts.

ARRANGEMENT TO ADDRESS POTENTIAL CONFLICT OF INTEREST

We have in place arrangements to address the potential conflicts of interest between the Registered Shareholders and the School Sponsors of Nanjing School on the one hand, and our Company on the other hand. Pursuant to the Exclusive Management Consultancy and Business Cooperation Agreements, each of the

Registered Shareholders and the School Sponsors of Nanjing School undertakes to Xinhua Chuangzhi that, unless with the prior written consent of Xinhua Chuangzhi, the Registered Shareholders and the School Sponsors of Nanjing School shall not directly or indirectly engage, participate in, conduct, acquire or hold any competing business. Our Directors are of the view that the measures we have adopted are sufficient to mitigate the risks associated with the potential conflicts of interest between the Registered Shareholders and the School Sponsors of Nanjing School on the one hand, and our Company on the other hand.

LEGALITY OF THE STRUCTURED CONTRACTS

PRC Legal Opinions

Based on the above, our PRC legal advisors are of the opinion that:

(a) each of our PRC Consolidated Affiliated Entities was duly incorporated and is validly existing and their respective establishment is valid, effective and complies with the relevant PRC laws and regulations, each of the Registered Shareholders and Mr. Ge Xiaoliang is a natural person with full civil and legal capacity. Each of our PRC Consolidated Affiliated Entities has also obtained all necessary approvals and authorizations to execute and perform the Structured Contracts;

(b) the Structured Contracts as a whole and each of the agreements comprising the Structured Contracts are legal, valid and binding on the parties thereto. Parties to each of the agreements are entitled to perform their respective obligations thereunder, except that the Structured Contracts provide that the arbitral body may award remedies over the shares and/or assets of our PRC Consolidated Affiliated Entities, injunctive relief and/or winding up of our PRC Consolidated Affiliated Entities, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting the assets of or equity interest in our PRC Consolidated Affiliated Entities in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as the courts of Hong Kong and the Cayman Islands may not be recognizable or enforceable in China, and do not, individually or collectively, constitute a breach of any PRC laws and regulations and will not be deemed invalid or ineffective under those laws and regulations; in particular, none of the Structured Contracts would be deemed as "concealing illegal intentions with a lawful form," and void under the PRC Contract Law;

(c) each of the Structured Contracts is not in violation of provisions of the articles of association of our PRC Consolidated Affiliated Entities and Xinhua Chuangzhi; and

(d) entering and the performance of each of the Structured Contracts is not required to obtain any approvals or authorizations from the PRC governmental authorities, except that: (i) the pledge of the accounts receivable of Nanjing School in favor of Xinhua Chuangzhi is subject to registration requirements with the Credit Reference Centre of the People's Republic of China; (ii) the transfer of equity interest in Anhui Xinhua Education or the school sponsor's interest in Nanjing School contemplated under the Structured Contracts is subject to applicable approval and/or registration requirements under the then applicable laws, and (iii) any arbitral awards or foreign rulings and/or judgments in relation to the performance of the Structured Contracts are subject to applications to competent PRC courts for recognition and enforcement.

For details in relation to the risks involved in the Structured Contracts, see "Risk Factors — Risks Relating to Our Structured Contracts" in this document.

Directors' Views on the Structured Contracts

[We believe that the Structured Contracts are narrowly tailored because the Structured Contracts are only used to enable our Group to consolidate the financial results of our PRC Consolidated Affiliated Entities which engage or will engage in the operation of vocational education and vocational training, where the PRC laws and regulations currently restrict operation of vocational education and vocational training to Sino-foreign ownership, in addition to imposing qualification requirements on the foreign owners and withholding government approval in respect of Sino-foreign ownership.

As of the date of this document, we have not encountered any interference or encumbrance from any governing bodies in our plan to adopt the Structured Contracts so that the financial results of the operation of our PRC Consolidated Affiliated Entities can be consolidated to those of our Group, and based on the advice of our PRC legal advisors, our Directors are of the view that the Structured Contracts are legal, valid and binding on the parties thereto under the PRC laws and regulations, except for relevant arbitration provisions, as disclosed in the paragraph headed "— Dispute Resolution" in this section.

The transactions contemplated under the Structured Contracts constitute continuing connected transactions of our Company under the Listing Rules upon the [**REDACTED**] and it is impracticable and unduly burdensome for them to be subject to the relevant requirements under the Listing Rules as our Directors are of the view that the transactions contemplated under the Structured Contracts 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 our Shareholders as a whole. See "Connected Transactions" in this document.]

CONSOLIDATED FINANCIAL RESULTS OF OUR PRC CONSOLIDATED AFFILIATED ENTITIES

[According to HKFRSs 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 our PRC Consolidated Affiliated Entities, the Structured Contracts as mentioned above enable our Company to exercise control over our PRC Consolidated Affiliated Entities. The basis of combining the results of our PRC Consolidated Affiliated Entities is disclosed in note 1 of Appendix I to this document. Our Directors consider that our Company can combine the financial results of our PRC Consolidated Affiliated Entities as if they were our Group's subsidiaries.]

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Draft Foreign Investment Law and the Explanatory Notes

The MOFCOM published a discussion draft of the proposed Foreign Investment Law in January 2015 aiming to, upon its enactment, replace the major existing laws and regulations governing foreign investment in China. While the MOFCOM solicited comments on this draft in early 2015, substantial uncertainties exist with respect to its enactment timetable, interpretation and implementation. The Draft Foreign Investment Law, if enacted as proposed, may materially impact the entire legal framework regulating foreign investments in China.

Among other things, the Draft Foreign Investment Law purports to introduce the principle of "actual control" in determining whether a company is considered a foreign invested enterprise, or a foreign invested entity ("FIE"). The Draft Foreign Investment Law specifically provides that entities established in China but "controlled" by foreign investors will be treated as FIEs, whereas an entity organized in a foreign jurisdiction, but confirmed by the authority in charge of foreign investment as "controlled" by PRC entities and/or citizens, would nonetheless be treated as a PRC domestic entity for investment in the "restricted category" on the Special Management Measures Catalog to be issued subject to the examination of the relevant authority in charge of foreign investment. For these purposes, "control" is broadly defined in the draft law to cover any of the following summarized categories:

(i) holding directly or indirectly 50% or more of the equity interest, assets, voting rights or similar equity interest of the subject entity;

(ii) holding directly or indirectly less than 50% of the equity interest, assets, voting rights or similar equity interest of the subject entity but (a) having the power to directly or indirectly appoint or otherwise secure at least 50% of the seats on the board or other equivalent decision making bodies, (b) having the power to secure its nominated person to acquire at least 50% of the seats on the board or other equivalent decision making bodies, or (c) having the voting power to exert material influence over decision-making bodies, such as the shareholders' meeting or the board; or

(iii) having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity's operations, financial, staffing and technology matters.

In respect of "actual control", the Draft Foreign Investment Law looks at the identity of the ultimate natural person or enterprise that controls the foreign-invested enterprise. "Actual control" refers to the power or position to control an enterprise through investment arrangements, contractual arrangements or other rights and decision-making arrangements. Articles 19 of the Draft Foreign Investment Law defined "actual controllers" as the natural persons or enterprises that directly or indirectly control foreign investors or foreign-invested enterprises.

If an entity is determined to be an FIE, and its investment amount exceeds certain thresholds or its business operation falls within a Special Management Measures Catalog to be separately issued by the State Council in the future, market entry clearance by the authority in charge of foreign investment would be required.

The "variable interest entity" structure, or VIE structure, has been adopted by many PRC-based companies, and has been adopted by our Company in the form of the Structured Contracts, to establish control of our PRC Consolidated Affiliated Entities by the WFOE, through which we operate our education business in PRC. Under the Draft Foreign Investment Law, variable interest entities that are controlled via contractual arrangements would also be deemed as FIEs, if they are ultimately "controlled" by foreign investors. For companies with a VIE structure in an industry category that is in the "restricted category" on the Special Management Measures Catalog it is possible that the existing VIE structure may be deemed legitimate only if the ultimate controlling person(s) is/are of PRC nationality (either PRC state-owned enterprises or agencies, or PRC citizens). Conversely, if the actual controlling person(s) is/are of foreign nationalities, then the variable interest entities will be treated as FIEs and any operation in the industry category on the Special Management Measures Catalog without market entry clearance may be considered as illegal.

Pursuant to the Draft Foreign Investment Law, as far as the new VIE structures are concerned, if a domestic enterprise under the VIE structure is controlled by Chinese nationals, such domestic enterprise may be treated as a Chinese investor and therefore the VIE structures may be regarded as legal. However, if the domestic enterprise is controlled by foreign investors, such domestic enterprise may be treated as a foreign-investor or foreign-invested enterprise, and therefore the operation of such domestic enterprise through VIE structures may be regarded as illegal if the domestic enterprise operates in a sector which is on the Special Management Measures Catalog and the domestic enterprise does not apply for and obtain the necessary permission.

The Draft Foreign Investment Law stipulates restriction of foreign investment in certain industry sectors. The Special Management Measures Catalog set out in the Draft Foreign Investment Law classified the relevant prohibited and restricted industries into the Catalogue of Prohibitions and the Catalogue of Restrictions, respectively.

Foreign investors are not allowed to invest in any sector set out in the Catalogue of Prohibitions. Where any foreign investor directly or indirectly holds shares, equities, properties or other interests or voting rights in any domestic enterprise, such domestic enterprise is not allowed to invest in any sector set out in the Catalogue of Prohibitions, unless otherwise specified by the State Council.

Foreign investors are allowed to invest in sectors set out in the Catalogue of Restrictions, provided that the foreign investors are required to fulfil certain conditions and apply for permission before making such investment.

Notwithstanding that the accompanying explanatory notes to the Draft Foreign Investment Law (the "Explanatory Notes") do not provide a clear direction in dealing with VIE structures existing before the Draft Foreign Investment Law becoming effective, which is still pending for further study as of the Latest Practicable Date, the Explanatory Notes contemplate three possible approaches in dealing with foreign-invested enterprises with existing VIE structures and conducting business in an industry falling in the Special Management Measures Catalog:

(a) to make a declaration to the competent authority that the actual control is vested with Chinese investors, then the VIE structures may be retained for its operation;

(b) to apply to the competent authority for certification of its actual control vested with Chinese investors and upon verification by the competent authority, the VIE structures may be retained for its operation;

(c) to apply to the competent authority for permission and the competent authority together with the relevant departments shall make a decision after taking into account the actual control of the foreign-invested enterprise and other factors.

Where foreign investors and foreign-invested enterprises circumvent the provisions of the Draft Foreign Investment Law by entrusted holding, trust, multi-level reinvestment, leasing, contracting, financing arrangements, protocol control, overseas transaction or otherwise, make investments in sectors specified in the Catalogue of Prohibitions, or make investments in sectors specified in the Catalogue of Restrictions without permission or violate the information reporting obligations specified therein, the penalty shall be imposed in accordance with Article 144 of (Investments in Sectors Specified in the Catalogue of Prohibitions), Article 145 (Violation of Provisions on Access Permission), Article 147 (Administrative Legal Liability for Violating the Information Reporting Obligation) or Article 148 (Criminal Legal Liability for Violating the Information Reporting Obligation) of the Draft Foreign Investment Law, as the case may be.

Where foreign investors make investments in the sectors specified in the Catalogue of Prohibitions, the competent authorities of foreign investment of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government at the place where the investments are made shall order them to cease the implementation of such investments, dispose of equity or other assets within a prescribed time limit, confiscate illegal gains, if any, and impose a fine of not less than RMB100,000 but not more than RMB1 million or of not more than 10% of illegal investments.

Where foreign investors make investments in the sectors specified in the Catalogue of Restrictions without authorization, the competent authorities of foreign investment of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government at the place where the investments are made shall order them to cease the implementation of such investments, dispose of equity or other assets within a prescribed time limit, confiscate illegal gains, if any, and impose a fine of not less than RMB100,000 but not more than RMB1 million or of not more than 10% of illegal investments.

Where foreign investors or foreign-invested enterprises are in violation of the provisions of the Draft Foreign Investment Law, including failing to perform on schedule, or evading the performance of, the information reporting obligation, or concealing the truth or providing false or misleading information, the competent authorities of foreign investment of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government at the place where the investments are made shall order them to make rectifications within a prescribed time limit; if they fail to make rectifications within the prescribed time limit, or the circumstances are serious, a fine of not less than RMB50,000 but not more than RMB500,000 or of not more than 5% of the investments shall be imposed.

Where foreign investors or foreign-invested enterprises are in violation of the provisions of the Draft Foreign Investment Law, including failing to perform on schedule, or evading the performance of, the information reporting obligation, or concealing the truth or providing false or misleading information, and if the circumstances are extremely serious, a fine shall be imposed on the foreign investors or foreign-invested enterprises and the directly responsible person-in-charge and other persons liable shall be sentenced to fixed-term imprisonment of not more than one year or criminal detention.

If the Draft Foreign Investment Law is promulgated in the current draft form, on the basis that (i) Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing, who are of Chinese nationality, will indirectly hold in aggregate more than 50% (without taking into account any Shares which may be issued upon the exercise of the [**REDACTED**] or any options that may be granted under the [**REDACTED**] Share Option Scheme on the Share Option Scheme) of the issued share capital of our Company upon completion of the Capitalization Issue and the [**REDACTED**] and will indirectly hold an aggregate of more than 50% of the issued share capital of our Company assuming that the [**REDACTED**] is exercised in full; (ii) our Company through the WFOE exercises effective control over our PRC Consolidated Affiliated Entities pursuant to the Structured Contracts; and (iii) Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing are of Chinese nationality, our Directors are of the view that we should be able to apply for the recognition of the Structured Contracts as domestic investments and it is likely that the Structured Contracts will be considered as legal.

The Potential Impact to Our Company in the Worst Scenario that the Structured Contracts Are Not Treated as a Domestic Investment

If our Group can legally operate the education business under PRC Laws, the WFOE will exercise the call option under the Exclusive Call Option Agreements to acquire the school sponsor's interest of our PRC Consolidated Affiliated Entities and/or the equity interest in Anhui Xinhua Education and unwind the Structured Contracts subject to re-approval by the relevant authorities.

Considering that a number of existing conglomerates are operating under contractual arrangements and some of which have obtained listing status abroad, our Directors are of the view that it is unlikely, if the Draft Foreign Investment Law is promulgated, that the relevant regulations will take retrospective effect to require the relevant enterprises to remove the contractual arrangements. In future, the PRC government is likely to take a relatively cautious attitude towards the aspects of supervision as well as the enactment, and make decisions according to different situations in practice.

However, there are uncertainties as to what the definition of control may be under the finally enacted version of the Foreign Investment Law in the future, and the relevant government authorities will have a broad discretion in interpreting the law and may ultimately take a view that is inconsistent with our PRC legal advisors' understanding. In any event, our Company will take reasonable steps in good faith to seek to comply with the enacted version of the Foreign Investment Law, if and when it comes into force.

Potential Measures to Maintain Control Over and Receive Economic Benefits from our PRC Consolidated Affiliated Entities

As mentioned above, the Structured Contracts are likely to be deemed as a domestic investment if the Draft Foreign Investment Law were to become effective in its current form and content. To ensure the Structured Contracts remain a domestic investment so that our Group can maintain control over our PRC Consolidated Affiliated Entities and receive all economic benefits derived from our PRC Consolidated Affiliated Entities, the Registered Shareholders, namely Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing, have jointly given an undertaking to our Company, and our Company has agreed with the Stock Exchange to enforce such undertaking to:

(a) continue to maintain their respective Chinese nationality and citizenship for as long as they hold a controlling interest or Shares, as the case may be, in our Company;

(b) the Registered Shareholders shall not, directly or indirectly, individually or jointly, dispose of any interest in our Company which will lead to Mr. Wu Junbao ceasing to hold controlling interest or the Registered Shareholders to hold Shares representing more than 51% of the total issued Shares of our Company; such disposal shall include (i) issue or placement of any new Shares, (ii) sale, transfer, assign or grant any Shares or relevant rights attached thereto, and (iii) pledge, charge, lieu or set any security rights on any Shares; and

(c) prior to conducting any transactions (including but not limited to any placement), for the benefits of our Group, that will lead to Mr. Wu Junbao ceasing to hold controlling interest or the Registered Shareholders to hold Shares representing more than 51% of the total issued Shares of our Company, such relevant Shareholders shall (i) demonstrate to the satisfaction of our Company and the Stock Exchange that the Contractual Arrangements will remain a domestic investment for the purpose of the Draft Foreign Investment Law, (ii) obtain prior written consent from our Company as to the identity of the successor, and (iii) procure that the successor, who will hold controlling interest or Shares representing more than 51% of the total issued Shares of our Company, to give an undertaking to our Company with similar terms and conditions.

Based on the aforesaid undertaking given by Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing, our Directors are of the view that (i) the Structured Contracts are likely to be deemed as a domestic investment and to be permitted to continue; and (ii) our Group can maintain control over our PRC Consolidated Affiliated Entities and receive all economic benefits derived from our PRC Consolidated Affiliated Entities. The aforesaid undertaking will become effective from the date of the [**REDACTED**] of our Shares on the Stock Exchange and will remain effective until compliance with the Draft Foreign Investment Law (together with all its subsequent amendments or updates, as promulgated) is not required.

Notwithstanding the above, there may be uncertainties that the above measures to maintain control over and receive the economic benefits from our PRC Consolidated Affiliated Entities alone may not be effective in ensuring compliance with the Draft Foreign Investment Law (if and when it becomes effective). In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the [**REDACTED**] of our Shares. See "Risk Factors — Risks Relating to Our Structured Contracts" in this document for more details.

COMPLIANCE WITH THE STRUCTURED CONTRACTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Structured Contracts and our compliance with the Structured Contracts:

(a) major issues arising from the implementation and compliance with the Structured Contracts or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

(b) our Board will review the overall performance of and compliance with the Structured Contracts at least once a year;

(c) our Company will disclose the overall performance and compliance with the Structured Contracts in its annual reports and interim reports to update the Shareholders and potential investors;

(d) our Company and our Directors undertake to provide periodic updates in our annual and interim reports regarding the qualification requirement and our status of compliance with the Draft Foreign Investment Law and its accompanying explanatory notes as stipulated under the section headed "Structured Contracts — Background of the Structured Contracts" and the latest development of the Draft Foreign Investment Law and its accompanying explanatory notes as disclosed under the section headed "— Development in the PRC Legislation on Foreign Investment", including the latest relevant regulatory development as well as our plan and progress in acquiring the relevant experience to meet the qualification requirement; and

(e) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Structured Contracts, review the legal compliance of the WFOE and our PRC Consolidated Affiliated Entities to deal with specific issues or matters arising from the Structured Contracts.

In addition, notwithstanding that our non-executive Director, Mr. Wu Junbao and our executive Directors, Mr. Wu Wei and Mr. Xiao Guoqing are also one of the Registered Shareholders, we believe that our Directors are able to perform their roles in our Group independently and our Group is capable of managing its business independently after the [**REDACTED**] under the following measures:

(a) the decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of the Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;

(b) each of our Directors is aware of his fiduciary duties as a Director which requires, amongst other things, that he acts for the benefits and in the best interests of our Group;

(c) we have appointed three independent non-executive Directors, comprising over one-third of our Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and our Shareholders as a whole; and

(d) we will disclose in our announcements, circulars, annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by our Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group.