

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. Upon the [REDACTED] of the Shares on the Stock Exchange, the transactions disclosed in this section will constitute continuing connected transactions under the Listing Rules.

				Proposed annual cap (in RMB million) for the year ending December 31,		
No.	Transactions	Applicable Listing Rules	Waiver Sought	2018	2019	2020
Exempt continuing connected transaction						
1	Trademark License Agreements	14A.34, 14A.52, 14A.53, 14A.76	N/A	Nil	Nil	Nil
Non-exempt continuing connected transactions						
1	Service Agreements . .	14A.34, 14A.52, 14A.53	Requirements as to announcement	2.5	2.7	2.9
2	Tenancy Agreement . . .	14A.34, 14A.52, 14A.53	N/A	N/A	7.2	4.2
3	Structured Contracts	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 to 59 and 14A.71	Requirements as to announcement, circular, shareholders approval, annual cap, and terms not more than three years	N/A	N/A	N/A

Exempt Continuing Connected Transactions

Trademark License Agreements

Xinhua Internet Technology Education has been using two trademarks (the "Trademarks") for its marketing and operation for many years.

Trademarks	License No.	Trademark owner
 新华教育 XINHUA EDUCATION	5393809	Xinhua Investment
 新华教育	5393810	Xinhua Investment
 新华电脑教育 XINHUA COMPUTER EDUCATION		

Pursuant to the trademark license agreements (the "Trademark License Agreements") entered into between Anhui Xinhua Education and Xinhua Investment dated March 5, 2018 and June 1, 2018, respectively, Xinhua Investment has agreed to grant to Anhui Xinhua Education a royalty-free license to use the Trademarks during the validity period of the Trademarks, which will both end on May 6, 2021 and have a remaining term of less than three years.

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Listing Rules Implications

Xinhua Investment is controlled by Mr. Wu Junbao, our Controlling Shareholder, and therefore an associate of Mr. Wu Junbao and a connected person of our Company.

Pursuant to the Trademark License Agreements, Anhui Xinhua Education is entitled to use the Trademarks for free during the validity period of the Trademarks. As such, the connected transactions contemplated under the Trademark License Agreements constitute de minimis connected transactions under Rule 14A.76 of the Listing Rules and are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors are of the view that the transactions contemplated under the Trademark License Agreements are on normal commercial terms.

Historical Amount and Annual Caps

Historically, no licensing fees were charged by Xinhua Investment for our use of the Trademarks. The annual cap for the years ending December 31, 2018, 2019 and 2020 is nil, nil and nil, respectively.

Non-exempt Continuing Connected Transactions

(1) Service Agreements

Pursuant to the service agreements (the "Service Agreements") dated March 8, 2018 entered into by Anhui Xinhua University* (安徽新華學院) ("Xinhua University") with each of Anhui New East Culinary Education Institute* (安徽新東方烹飪專修學院) and Anhui Xinhua Computer Institute* (安徽新華電腦專修學院) (the "Relevant Institutes"), each of the Relevant Institutes have agreed to assist Xinhua University in promoting its adult higher education program to students of the Relevant Institutes. In connection with such promotional effort, for those students who enrolled in our adult higher education program (the "Relevant Students"), each of the Relevant Institutes have also agreed to provide convenient teaching locations for the Relevant Students to attend some of the classes for such program. In consideration of the foregoing services, Xinhua University shall pay to the Relevant Institutes a service fee equivalent to 50% of the tuition fees of the Relevant Students. The Service Agreements are for a term with effect from March 26, 2018 to December 31, 2020, renewable for another three years unless terminated by either party by serving written notice to the other party within 30 days prior to expiry of the Service Agreements (subject to compliance with the provisions under the Listing Rules regarding continuing connected transactions).

The Directors are of the view that the transactions contemplated under the Service Agreements are on normal commercial terms or terms more favorable to our Group.

Listing Rules Implications

Xinhua University is controlled by Mr. Wu Junbao, our Controlling Shareholder, and therefore our associate of Mr. Wu Junbao and a connected person of our Company.

As the counterparty in each Service Agreement is Xinhua University, which is controlled by Mr. Wu Junbao, our Controlling Shareholder and therefore a connected person of our Company, we consider it appropriate to aggregate the service fees under the Service Agreements to calculate the applicable percentage ratios under Chapter 14 of the Listing Rules for the Service Agreements.

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Based on the current service fees payable by Xinhua University to our Group as aggregated, we expect that each of the applicable percentage ratios (other than the profit ratio) for the Service Agreements calculated in accordance with Rule 14A.77 of the Listing Rules will be more than 0.1% but less than 5% and thus the transactions contemplated under the Service Agreements as aggregated constitute continuing connected transactions of our Company which are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements and are subject to the annual review, reporting and announcement requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules.

Historical Amount and Proposed Annual Caps

Historically, the service fees charged by the Relevant Institutes to Xinhua University for the years ended December 31, 2015, 2016 and 2017 and eight months ended August 31, 2018 was equivalent to 70% of the tuition fees of the Relevant Students and amounted to RMB1.0 million, RMB2.7 million, RMB2.8 million and RMB0.6 million, respectively.

The annual cap for the Service Agreements for each of the years ending December 31, 2018, 2019 and 2020 is expected to be RMB2.5 million, RMB2.7 million and RMB2.9 million, respectively.

The Basis of the Annual Caps

The annual caps are estimated based on the service fees payable as determined with reference to (i) agreed percentage of 50% of the tuition fees of the Relevant Students, at a lower level as compared with the historical tuition fee charged at the percentage of 70%, (ii) number of the Relevant Students enrolled in our adult higher education program in 2016 and 2017, who are generally expected to continue to study in our adult higher education program in 2018 and/or 2019 (as the case may be) until they graduate and we expect the total number of the Relevant Students who will enroll in our adult higher education program in 2018 to 2020 to slightly increase as compared to 2015 to 2017 based on the historical trend, and (iii) tuition fees as filed with the relevant authority.

Application for Waiver

We have applied to the Stock Exchange for, and the Stock Exchange [has] granted, a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under the Listing Rules in respect of the transactions contemplated under the Service Agreements, provided that the total value of transactions under the Service Agreements for each of the three years ending December 31, 2018, 2019 and 2020 will not exceed the relevant proposed annual caps set forth above.

In addition, our Company has confirmed that we will comply with the applicable requirements set out in Chapter 14A of the Listing Rules in relation to such non-exempt continuing connected transaction, and will re-comply with relevant Listing Rules if the annual caps set out above are exceeded, or when the relevant Service Agreement is renewed or when there is a material change to the terms of the relevant Service Agreement.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on this non-exempt continuing connected transaction, our Company will take immediate steps to ensure the compliance with such new requirements within a reasonable time. Such transaction will continue to be subject to the annual reporting requirement under the Listing Rules.

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Views of our Directors and the Sole Sponsor

Our Directors (including the independent non-executive Directors) are of the view, and based on the due diligence conducted in respect of such transactions with our Company, the Sole Sponsor concurs, that (i) the transactions contemplated under the Service Agreements have been and will be entered into in the ordinary and usual course of business, on normal terms or better that are fair and reasonable and in the interest of the Shareholders as a whole; and (ii) the proposed annual caps for the transactions contemplated under the Service Agreements are fair and reasonable and in the interests of the Shareholders as a whole.

(2) Tenancy Agreement

On December [●], 2018, Anhui New East Culinary Institute, one of our PRC Consolidated Affiliated Entities and as the landlord, and the School of Clinical Medicine of Anhui Medical University* (安徽醫科大學臨床醫學院) (the "School of Clinical Medicine"), as the tenant, entered into a tenancy agreement (the "Tenancy Agreement"), for leasing to the School of Clinical Medicine a premise located at Guanjing Road, Xiangshan Road, Professional Education Town, Yaohai District, Hefei, Anhui province, the PRC (the "Premise"), as the campus of the School of Clinical Medicine (the "Connected Lease"). Pursuant to the Tenancy Agreement, our Group will lease to the School of Clinical Medicine the Premise for a term from January 1, 2019 to July 31, 2020, at a monthly rental of RMB600,000. The Tenancy Agreement was entered into by us and the School of Clinical Medicine after taking into the consideration that (i) the Premise was not utilized by Anhui New East Culinary Institute as of the date of the Tenancy Agreement, (ii) leasing out the Premise is of economic benefit of our Group, and (iii) the principal business of the School of Clinical Medicine is also education.

Listing Rules Implications

The School of Clinical Medicine is a school jointly operated by an Independent Third Party and China Xinhua Education Group Limited, which is controlled by Mr. Wu Junbao, our Controlling Shareholder. Therefore, the School of Clinical Medicine is an associate of Mr. Wu Junbao and a connected person of our Company.

Based on the annual caps that have been proposed, we expect that the highest relevant percentage ratios in respect of the Connected Lease with connected persons will, on an annual basis, be more than 0.1% but less than 5%, and as such the Connected Lease will be exempt from the circular (including independent financial advice) and independent shareholders' approval requirements and are subject to the annual review, reporting and announcement requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules.

Historical Amount and Proposed Annual Caps

There was no connected lease during the Track Record Period. Pursuant to a tenancy agreement entered into between Anhui New East Culinary Education Institute and the School of Clinical Medicine dated November 16, 2018, the Premise was leased from us to the School of Clinical Medicine for a term from December 1, 2018 to December 31, 2018, at a monthly rental of RMB600,000.

The proposed annual caps for the maximum amount receivable for each of the year ending December 31, 2019 and for the seven months ending July 31, 2020 under the Connected Lease is expected to be RMB7.2 million and RMB4.2 million, respectively.

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The Basis of the Annual Caps

The annual caps are estimated based on the annual rental receivable by our Group under the Connected Lease. The rental payable under the Connected Leases were negotiated on arm's length basis with reference to the prevailing market rental prices of comparable premises in the locality confirmed by an independent property valuer.

Application for Waiver

We have applied to the Stock Exchange for, and the Stock Exchange [has] granted, a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under the Listing Rules in respect of the transactions contemplated under the Tenancy Agreement, provided that the total value of transactions under the Tenancy Agreement for each of the year ending December 31, 2019 and the seven months ending July 31, 2020 will not exceed the relevant proposed annual caps set forth above.

In addition, our Company has confirmed that we will comply with the applicable requirements set out in Chapter 14A of the Listing Rules in relation to such non-exempt continuing connected transaction, and will re-comply with relevant Listing Rules if the annual caps set out above are exceeded, or when the Tenancy Agreement is renewed or when there is a material change to the terms of the Tenancy Agreement.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on this non-exempt continuing connected transaction, our Company will take immediate steps to ensure the compliance with such new requirements within a reasonable time. Such transaction will continue to be subject to the annual reporting requirement under the Listing Rules.

Views of our Directors and the Sole Sponsor

Our Directors (including the independent non-executive Directors) are of the view, and based on the data and information provided by our Company and the valuation report issued by the independent property valuer, the Sole Sponsor concurs, that (i) the transactions contemplated under the Connected Lease have been and will be entered into on normal terms that are fair and reasonable and in the interest of the Shareholders as a whole; and (ii) the proposed annual caps for the transactions contemplated under the Connected Lease are fair and reasonable and in the interests of the Shareholders as a whole.

(3) Structured Contracts

As disclosed in the paragraph headed "Structured Contracts — Background of the Structured Contracts" in this document, relevant laws and regulations 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, it is expected that the possibility of government approval for establishing and operating a vocational education and vocational training institute in the PRC by way of Sino-foreign ownership in the foreseeable future is very low. As a result, our Group, through our wholly-owned subsidiary, the WFOE, our PRC Consolidated Affiliated Entities and other parties, have entered into the Structured Contracts such that

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we can conduct our business operations indirectly in the PRC through our PRC Consolidated Affiliated Entities while complying with applicable PRC law and regulations. The Structured Contracts, as a whole, are designed to provide our Group with effective control over the financial and operational policies of our PRC Consolidated Affiliated Entities, to the extent permitted by PRC law and regulations, the right to acquire the equity interest in and/or the assets of our PRC Consolidated Affiliated Entities and/or the school sponsors interest in Nanjing School after the [REDACTED] through the WFOE. As we operate our education business through our PRC Consolidated Affiliated Entities, which are controlled by their respective school sponsors and we do not hold any direct equity interest in our PRC Consolidated Affiliated Entities, the Structured Contracts were entered into on November 30, 2018 pursuant to which all material business activities of our PRC Consolidated Affiliated Entities are instructed and supervised by our Group, through the WFOE, and the relevant economic benefits arising from such business of the our PRC Consolidated Affiliated Entities are transferred to our Group.

The Structured Contracts consist of a series of agreements, collectively, the exclusive management consultancy and business cooperation agreements, the exclusive call option agreements, the equity pledge agreement, the powers of attorney, the accounts receivable pledge agreement, the school sponsors' or capital contributors' rights entrustment agreement and the school sponsors' or capital contributors' powers of attorney, each of which is an integral part of the Structured Contracts. See "Structured Contracts" in this document for details of these agreements.

Listing Rules Implications

The table below sets forth the connected persons of our Company involved in the Structured Contracts and the nature of their connection with our Group. The transactions contemplated under the Structured Contracts, as a whole, constitute continuing connected transactions of our Company under the Listing Rules upon the [REDACTED].

Name	Connected Relationships
Mr. Wu Junbao	a non-executive Director and a substantial shareholder of our Company, and therefore a connected person of our Company under the Listing Rules
Mr. Wu Wei	an executive Director and a substantial shareholder of our Company, and therefore a connected person of our Company under the Listing Rules
Mr. Xiao Guoqing . .	an executive Director and a substantial shareholder of our Company, and therefore a connected person of our Company under the Listing Rules

Our Directors (including the independent non-executive Directors) are of the view that the Structured Contracts 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 our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Structured Contracts and any new transactions, contracts and agreements or

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renewal of existing agreements to be entered into between any of our PRC Consolidated Affiliated Entities and any member of our Group technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Structured Contracts, it would be unduly burdensome and impracticable, and would add unnecessary administrative 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 Structured Contracts, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Structured Contracts pursuant to Rule 14A.105 of the Listing Rules, and (ii) the requirement of setting an annual cap for the transactions under the Structured Contracts under Rule 14A.53 of the Listing Rules, for so long as our 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 Structured Contracts 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 Structured Contracts 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 Structured Contracts 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 Structured Contracts shall continue to enable our Group to receive the economic benefits derived by our PRC Consolidated Affiliated Entities through (i) our Group's option, to the extent permitted under PRC laws and regulations, to acquire all or part of the equity or school sponsor's interest held by the Registered Shareholders and/or the school sponsors of Nanjing School, as the case may be, at the lowest possible amount permissible under the applicable PRC laws and regulations, (ii) the business structure under which the net profit generated by our PRC 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 WFOE by our PRC Consolidated Affiliated Entities under the exclusive technical service and management consultancy

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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 our PRC Consolidated Affiliated Entities as appointed by the Registered Shareholders in our PRC Consolidated Affiliated Entities or by the school sponsors of Nanjing School in Nanjing School, as the case may be.

(d) Renewal and reproduction

On the basis that the Structured Contracts provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on one hand, and our PRC 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 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 Structured Contracts. The directors, chief executives 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 Structured Contracts, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar Structured Contracts 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 Structured Contracts on an ongoing basis as follows:

- The Structured Contracts in place during each financial period will be disclosed in our Company's annual report in accordance with relevant provisions of the Listing Rules.
- Our independent non-executive Directors will review the Structured Contracts annually and confirm in our Company's annual report 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 Structured Contracts, have been operated so that the profit generated by our PRC Consolidated Affiliated Entities has been substantially retained by our Group, (ii) no dividends or other distributions have been made by our PRC Consolidated Affiliated Entities to the respective holders of equity or school sponsor's interest which are not otherwise subsequently assigned or transferred to our Group, and (iii) the Structured Contracts and if any, any new contracts entered into, renewed or reproduced between our Group and our PRC 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 our Shareholders as a whole.

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- Our Company's auditors will carry out procedures annually on the transactions carried out pursuant to the Structured Contracts 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 Structured Contracts and that no dividends or other distributions have been made by our PRC Consolidated Affiliated Entities to the respective holders of equity or school sponsor's interest 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", each of our PRC Consolidated Affiliated Entities will be treated as our Company's wholly-owned subsidiary, but at the same time, the directors, chief executives or substantial shareholders of each of our PRC Consolidated Affiliated Entities and their respective associates will be treated as connected persons of our Company, and transactions between these connected persons and our Group, other than those under the Structured Contracts, will be subject to the requirements under Chapter 14A of the Listing Rules.
- Each of our PRC Consolidated Affiliated Entities will undertake that, for so long as our Shares are listed on the Stock Exchange, each of our PRC Consolidated Affiliated Entities will provide our Group's management and our Company's auditors' full access to its relevant records for the purpose of our Company's auditors' review of the continuing connected transactions.

New Transactions amongst Our PRC Consolidated Affiliated Entities and Our Company

Given that the financial results of our PRC Consolidated Affiliated Entities will be consolidated into our financial results and the relationship between our PRC Consolidated Affiliated Entities and our Company under the Structured Contracts, all agreements other than the Structured Contracts that may be entered into between each of our PRC Consolidated Affiliated Entities and our Company in the future will also be exempted from the "continuing connected transactions" provisions of the Listing Rules.

Views of our Directors and the Sole Sponsor

Our Directors (including the independent non-executive Directors) are of the view and the Sole Sponsor concurs that the transactions contemplated under the Structured Contracts have been and will be entered into in the ordinary and usual course of business of our Group, are fundamental to our Group's legal structure and business operations, are on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and the Shareholders as a whole. With respect to the term of the relevant agreements underlying the Structured Contracts 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 our PRC Consolidated Affiliated Entities can be effectively controlled by the WFOE or its designee, (ii) the WFOE or its designee can obtain the economic benefits derived from the PRC Consolidated Affiliated Entities, and (iii) any possible leakages of assets and values of the PRC Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.