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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], the transactions disclosed in this section will constitute continuing connected transactions under the Listing Rules.

Transactions	Waiver sought	Proposed annual cap for the year ending 31 December		
		2020	2021	2022
<i>Exempt continuing connected transactions</i>				
Bo Rui Zhi Cooperation Agreement (as defined below)	—	Nil	—	—
<i>Non-exempt continuing connected transactions</i>				
Structured Contracts	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

Bo Rui Zhi Cooperation Agreement

In December 2019, Dashan Training and Zhengzhou Bo Rui Zhi Education Technology Company Limited* (鄭州博瑞智教育科技有限公司) (“**Bo Rui Zhi**”) entered into a memorandum of cooperation (the “**Bo Rui Zhi Cooperation Agreement**”) reducing the parties’ understanding into writing that during the period from 3 May 2017 to 2 May 2020, (i) Dashan Training and Bo Rui Zhi shall promote the service of the other during the course of its business, including but not limited to flyers, display boards, promotional videos and verbal promotion; (ii) Bo Rui Zhi shall provide training of parent-child education to the staff of Dashan Training not less than twice a year; and (iii) Dashan Training shall grant a licence to Bo Rui Zhi for using its trademark  during its own promotion and marketing activities (subject to Bo Rui Zhi expressly distinguishing its own identity when using the said trademark). The parties to the Bo Rui Zhi Cooperation Agreement agreed that no cash consideration shall be paid by either party as the services provided by each party are complementary to each other.

Listing Rules Implications

Bo Rui Zhi is a limited company established in the PRC which is principally engaged in teenager quality training and counseling in the PRC, which is owned as to 60% by a first cousin once removed of Mr. Zhang (being an executive Director, the chief executive officer

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of our Company and a Controlling Shareholder), and as to 40% by an Independent Third Party. As such, Bo Rui Zhi is a connected person pursuant to Rule 14A.21(1)(b) of the Listing Rules and the transactions contemplated under the Bo Rui Zhi Cooperation Agreement constitute continuing connected transactions of our Company upon [REDACTED].

As no cash consideration will be payable by either party under the Bo Rui Zhi Cooperation Agreement, each of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will not exceed 0.1%. Pursuant to Rule 14A.76(1) of the Listing Rules, the transactions under the Bo Rui Zhi Cooperation Agreement will be fully exempt from all disclosure, annual review and shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Reasons for and benefits of entering into of the Bo Rui Zhi Cooperation Agreement

Our Directors consider that the Bo Rui Zhi Cooperation Agreement represent an invaluable opportunity for (i) our staff to receive training in relation to parent-child education which is beneficial to the operations of our Group’s business; and (ii) a means of promotion of our services by Bo Rui Zhi, an already established entity operating teenage quality training and counseling in the PRC, which would increase the exposure of our brand name to our potential customers, at no cost of our Group. At the same time, our Group shall promote the service of Bo Rui Zhi during the course of business, which would only incur minimal cost and effort. Our Directors consider that such cooperation is mutually beneficial to both our Group and Bo Rui Zhi.

Accordingly, our Directors (including our independent non-executive Directors) confirm that the Bo Rui Zhi Cooperation Agreement was entered into on normal commercial terms or better to our Group and in the interests of our Shareholders as a whole.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

As disclosed in the section headed “Structured Contracts” in this document, due to regulatory restrictions on foreign ownership in our schools in the PRC, we conduct a substantial portion of our business through our Consolidated Affiliated Entities in the PRC. We do not hold any equity interests in our Consolidated Affiliated Entities which are held directly or indirectly by the Registered Shareholders. Through the Contractual Arrangements, we effectively control these Consolidated Affiliated Entities and are able to derive substantially all of their economic benefits, and expect to continue to do so.

For details of the Contractual Arrangements, please refer to the section headed “Structured Contracts” in this document.

Listing Rules Implications

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

CONNECTED TRANSACTIONS

Name	Connected relationships
Mr. Zhang	An executive Director, the chief executive officer of our Company and one of our Controlling Shareholders, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.
Mr. Shan Jingchao	An executive Director and a director of Dashan Training, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.
Mr. Zhang Junying	A director of Dashan Training and Jing Guang Dashan respectively, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules
Hou De Education	A company wholly-owned by Mr. Zhang who is an executive Director, the chief executive officer of our Company and one of our Controlling Shareholders, and therefore a connected person of our Company under Rule 14A.07(4) of the Listing Rules.
Ms. Yuan Zhaoxia	The spouse of Mr. Shan Jingchao, who is an executive Director and a director of Dashan Training, and therefore a connected person of our Company under Rule 14A.07(4) of the Listing Rules.
Ms. Peng Xin	The spouse of Mr. Zhang Junying, who is a director of Dashan Training and Jing Guang Dashan respectively, and therefore a connected person of our Company under Rule 14A.07(4) of the Listing Rules.

In addition, Dashan Consultancy is owned as to approximately 99.74% by Dashan Management (which is in turn owned as to, among others, approximately 21.01% by Mr. Jia Shuilin, a non-executive Director and a director of Dashan Training, approximately 6.30% by Mr. Shan Jingchao, an executive Director and a director of Dashan Training, and approximately 6.30% by Mr. Ma Wenhao, an executive Director) and as to approximately 0.26% by Mr. Zhang Junying, a director of Dashan Training and Jing Guang Dashan respectively. As such, the transactions under the Structured Contracts between our Group and Dashan Consultancy are continuing connected transactions pursuant to Rule 14A.28 of the Listing Rules.

Our Directors (including our independent non-executive Directors) are of the view, and the Sole Sponsor concurs, that 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. Accordingly, notwithstanding that the transactions contemplated

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under the Structured Contracts and any new transactions, contracts and agreements or renewal of existing agreements to be entered into between any of our 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 the announcement and independent shareholders’ approval requirements.

Application for waiver

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, (ii) the requirement of setting an annual cap for the transactions under the Structured Contracts under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Structured Contracts to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject however to the following conditions:

1. No change without independent non-executive Directors’ approval

No change to the Structured Contracts will be made without the approval of our independent non-executive Directors.

2. No change without independent Shareholders’ approval

Save as described in paragraph 4 below, no change to the agreements governing the Structured Contracts will be made without the approval of the independent Shareholders.

Once the 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 5 below) will however continue to be applicable.

3. Economic benefits flexibility

The Structured Contracts shall continue to enable our Group to receive the economic benefits derived by our Consolidated Affiliated Entities through (i) our Group’s option, to the extent permitted under the PRC laws and regulations to acquire, all or part of the equity interest in our Consolidated Affiliated Entities at the lowest possible amount permissible under the applicable PRC laws and regulations, (ii)

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the business structure under which the net profit generated by our 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 Consolidated Affiliated Entities under the Exclusive Business Cooperation Agreement and/or the Exclusive Technical Service and Management Consultancy Agreement, 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 Consolidated Affiliated Entities.

4. 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 Consolidated Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of our Shareholders, on substantially the same terms and conditions as the existing Structured Contracts. The directors, chief executive or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and, or reproduction of the 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.

5. Ongoing reporting and approvals

Our Group will disclose details relating to the Structured Contracts on an ongoing basis as follows:

- (a) 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.
- (b) 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 Consolidated Affiliated Entities has been substantially retained by our Group, (ii) no dividends or other distributions have been made by our Consolidated Affiliated Entities 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 Consolidated Affiliated Entities during the relevant

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financial period under paragraph (4) above are fair and reasonable, or more favourable to our Group, so far as our Group is concerned and in the interests of our Shareholders as a whole.

- (c) 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 been approved by 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 Consolidated Affiliated Entities which are not otherwise subsequently assigned or transferred to our Group.
- (d) For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of “connected person”, each of our Consolidated Affiliated Entities will be treated as our Company’s wholly-owned subsidiary, but at the same time, the directors, chief executive or substantial shareholders of each of our 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 requirements under Chapter 14A of the Listing Rules.
- (e) Each of our Consolidated Affiliated Entities will undertake that, for so long as our Shares are listed on the Stock Exchange, each of our 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 Consolidated Affiliated Entities and our Company

Given the financial results of our Consolidated Affiliated Entities would be consolidated into our financial results and the relationship between our 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 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 the Sole Sponsor and our Directors

Our Directors (including our independent non-executive Directors) are of the view that (i) the transactions contemplated under the Structured Contracts as described above, and for which waivers have been sought, have been entered into in the ordinary and usual course of business of our Group, are fundamental to our legal structure and business operation, are on normal commercial terms, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) with respect to the terms of the relevant agreements underlying the Structured Contracts which is of a duration longer than three years, it is justifiable and normal business practice to ensure that (a) the financials and

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operation of our Consolidated Affiliated Entities can be effectively controlled by WFOE, (b) WFOE can obtain the economic benefits derived from our Consolidated Affiliated Entities, and (c) any possible leakages of assets and values of our Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

The Sole Sponsor has reviewed the Structured Contracts and the relevant information provided by our Group, has participated in the due diligence and discussions with our management, and has obtained necessary representations and confirmations from our Company and our Directors. Based on the above, the Sole Sponsor concurs with the views of our Directors as stated in the previous paragraph.