

## CONTRACTUAL ARRANGEMENTS

### BACKGROUND OF THE CONTRACTUAL ARRANGEMENTS

We currently conduct our private higher education business through our PRC Affiliated Entities in the PRC as PRC laws and regulations generally restrict foreign ownership in the private higher education industry in the PRC. PRC laws and regulations currently restrict the operation of higher education institutions to Sino-foreign cooperation ownership, in addition to imposing qualification requirements on the foreign owners. We do not hold any equity interest in our PRC Affiliated Entities. The Contractual Arrangements, through which we obtain control over and derive the economic benefits from our PRC Affiliated Entities, have been narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations. We had entered into the Contractual Arrangements for the existing PRC Affiliated Entities and expect to enter into contractual arrangements for the schools to be newly established or invested in, the terms and conditions of which shall be the same as the existing Contractual Arrangements in all material respects.

#### Higher Education

Pursuant to the Negative List, the provision of higher education in the PRC falls within the “restricted” category. In particular, the Negative List explicitly restricts higher education to Sino-foreign cooperation, which means the foreign investor shall be an educational institution and shall operate higher education in the PRC through cooperation with a PRC educational institution in compliance with the Sino-Foreign Regulation. In addition, the Negative List also provides that the domestic party shall play a dominant role in the Sino-foreign cooperation, meaning that (a) the principal or other chief executive officer of the schools shall be a PRC national; and (b) the representatives of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution (the “**Foreign Control Restriction**”). We had fully complied with the Foreign Control Restriction in respect of Shanxi Technology & Business on the basis that (a) the principals and the chief executive officers of Shanxi Technology & Business are all PRC nationals; and (b) all the members of the board of directors are PRC nationals. The Foreign Control Restriction is not applicable to the School Sponsor.

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Sino-Foreign Regulation, if we were to apply for Shanxi Technology & Business to be reorganized as a sino-foreign joint venture private school for PRC students at a higher education institution (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**”). Our PRC Legal Advisors have advised, and as confirmed in the interview with the relevant competent education authority as mentioned below, that there are no implementation measures or specific guidance promulgated on the Qualification Requirement in accordance with the existing PRC laws, regulations or governmental documents but only general principles requiring school sponsor which applies for establishing a sino-foreign joint venture school shall have relevant qualification and be able to provide high quality education services.

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 (《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**”) and the establishment of such Sino-Foreign Joint Venture Private School is subject to approval of education authorities at the provincial or national level.

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Our PRC Legal Advisors have advised that there are no implementing measures or specific guidance on the Qualification Requirement in accordance with existing PRC laws and regulations and therefore it is currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant educational authority that it meets the Qualification Requirement. In November 2018 and October 2020, with the assistance of our PRC Legal Advisors, we consulted the Department of Education of Shanxi Province (山西省教育廳), being the competent authority 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 Adult Education Division (成人教育處) and the International Cooperation and Communication Division (國際合作與交流處) of the Department of Education of Shanxi Province that:

- (i) the Foreign Ownership Restriction and Qualification Requirement apply to Sino-Foreign Joint Venture Private Schools;
- (ii) no implementing measures or specific guidance were promulgated pursuant to the Sino-Foreign Regulation, including the Qualification Requirement in Shanxi Province;
- (iii) the Department of Education of Shanxi Province will not approve an application to establish a new Sino-Foreign Joint Venture Private School with a legal person status (including the application by Shanxi Technology & Business to establish a Sino-Foreign Joint Venture Private School), and no Sino-Foreign Joint Venture Private School has been approved in Shanxi Province;
- (iv) our Contractual Arrangements do not contravene the relevant laws and regulations in the PRC; and
- (v) our Contractual Arrangements would not be deemed as paying reasonable returns or distributing profits, and would not be deemed as infringement of the property of the school or illegally obtaining benefits from the school, and therefore, our College will not be required to terminate such arrangements or subject to any penalties arising from entering into the arrangements.

Given that as of the Latest Practicable Date, as advised by our PRC Legal Advisors, we do not meet the Qualification Requirement as we have no experience in operating a school outside of the PRC, and 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 Shanxi Technology & Business and the schools to be newly established or invested by us as a Sino-Foreign Joint Venture Private School. During such consultation, the Department of Education of Shanxi Province has confirmed that it is impossible for our school to be approved as a Sino-Foreign Joint Venture Private School and there is no implementation rules or guidance for such application at this stage.

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 Shanxi Province, and assess whether we are qualified to meet the Qualification Requirement, with a view to unwinding the Contractual Arrangements wholly or partially as and when practicable and permissible under the prevailing PRC laws and regulations. See “— Background of the Contractual Arrangements —

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Circumstances in which We Will Unwind the Contractual Arrangements” and “— Background of the Contractual Arrangements — Plan to Comply with the Qualification Requirement” in this section of this document for details.

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any governing bodies to our plan in adopting the Contractual Arrangements and the financial results of our PRC Affiliated Entities, which engage in the provision of higher educational service, are consolidated to those of our Group. Our PRC Legal Advisors have opined that each of our PRC Affiliated Entities has been legally established and except for those disclosed under “— Legality of the Contractual Arrangements — PRC Legal Opinions” under this section and “Risk Factors — Risks Relating to Our Contractual Arrangements” of this document, the Contractual Arrangements in relation to the operation of higher education are valid, legal and binding and do not contravene PRC laws and regulations. According to our PRC Legal Advisors, under PRC laws and regulations, the failure to meet the Qualification Requirement and the adoption of the Contractual Arrangements to operate our higher education business do not render our higher education business as illegal operations in the PRC. In addition, we have obtained confirmation from the Department of Education of Shanxi Province during our consultations with it that the Contractual Arrangements do not require approval from relevant PRC regulatory authorities. However, no positive regulatory assurance has been obtained from relevant PRC regulatory authorities with respect to the use of the Contractual Arrangements in the education industry.

### **Circumstances in which We Will Unwind the Contractual Arrangements**

Under the Sino-Foreign Regulation, foreign investment in higher education in the PRC is required to be in the form of cooperation between PRC educational institutions and foreign educational institutions and subject to the Foreign Ownership Restriction and the Foreign Control Restriction, a foreign investor can only hold less than 50% interest in a Sino-Foreign Joint Venture Private School and not less than 50% of the governing body of the institute offering higher education must be appointed by the Chinese investors.

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 and the Foreign Control Restriction remain, (b) the Foreign Ownership Restriction remains and the Foreign Control Restriction is removed, or (c) the Foreign Ownership Restriction is removed and the Foreign Control Restriction remains, or (d) both of the Foreign Ownership Restriction and the Foreign Control Restriction are removed, as permitted by the applicable PRC laws and regulations at the relevant time:

- in circumstance (a), our Company will partially unwind the Contractual Arrangements and directly hold an equity interest of less than 50% in the relevant school (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 school without the Contractual Arrangements in place with respect to the domestic interests. Accordingly, if the Foreign Ownership Restriction and the Foreign Control Restriction remain, regardless of whether the Qualification Requirement is removed or met, our Company will still rely on the Contractual Arrangements to establish control over Shanxi Technology & Business. 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 school. 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 Contractual Arrangements;

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- in circumstance (b), we will partially unwind the Contractual Arrangements and directly hold an equity interest of less than 50% in the relevant school (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 school without the Contractual Arrangements in place with respect to the domestic interests. Our Company will also acquire rights to appoint all members of the board of directors of the school;
- in circumstance (c), notwithstanding we will be able to hold majority interests in Sino-Foreign Joint Venture Private Schools, the Sino-Foreign Regulation still dictates that there be a domestic interest in the school and we are ineligible to operate the schools by ourselves. Under such circumstances, we will acquire rights to appoint members of the board of directors who together shall constitute less than 50% of the board of directors of the relevant school. We will then control the voting power of such members appointed by the domestic interest holder(s) by way of the Contractual Arrangements. We also plan to hold the maximum percentage of equity interests permissible by the relevant laws and regulations in the relevant schools directly, subject to the approval of the relevant government authorities. As for the remaining minority domestic interests which our Company intends to consolidate, we will then control them pursuant to the Contractual Arrangements; and
- in circumstance (d), our Company would be allowed to directly hold 100% of the interests in the schools and our Company will fully unwind the Contractual Arrangements and directly hold all equity interests in the schools. Our Company will also acquire rights to appoint all members of the board of directors of the schools.

Pursuant to the Exclusive Call Option Agreement, Shanxi WFOE has undertaken that, if the PRC regulatory environment changes and all of the Qualification Requirement, the Foreign Ownership Restriction and the Foreign Control Restriction are removed (and assuming there are no other changes in the relevant PRC laws and regulations), it will exercise the equity call option in full to hold all of the interest in our PRC Affiliated Entities and unwind the Contractual Arrangements accordingly. See “—Termination of the Contractual Arrangements” 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 consultation with the Department of Education of Shanxi Province, it is impossible for Shanxi Technology & Business to be approved as a Sino-Foreign Joint Venture Private School at this stage. However, the Department of Education of Shanxi Province confirmed that it is possible that approval may be granted to an investor that is an education institution legally established and qualified to award diploma certificates in a foreign country to qualify for approval as a foreign investor of a Sino-Foreign Joint Venture Private School. Our PRC Legal Advisors are of the view that based on the above, although it is not possible for the Department of Education of Shanxi Province to approve our application to establish Sino-Foreign Joint Venture Private Schools at the current stage, the following steps taken by us to demonstrate compliance with the Qualification Requirements are reasonable and appropriate subject to the discretion of the competent authority.

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As of the Latest Practicable Date, we had taken the following concrete steps to implement our plan. We have engaged the Agent who is principally engaged in education consulting and BPPE licensing services, as our agent to assist us in establishing General Business University of California Incorporated and filing applications with the BPPE regarding the establishment of the US School. On October 22, 2020, Generalist Business University of California Incorporated was established in California, the United States by our agent, which was renamed as General Business University of California Incorporated on November 4, 2020, and its sole member is China General Education (HK). General Business University of California Incorporated will operate and manage the US School to be established. We will file an application for a provisional license for a school of the same name with the BPPE. We have expended approximately US\$20,000 in connection with our establishment of General Business University of California Incorporated as of the Latest Practicable Date. See also “Business — Future Development — Overseas Institution” and “History and Corporate Structure — School to be established — New school in California” in this document for details.

In the opinion of our PRC Legal Advisors, based on the consultation with the Department of Education of Shanxi Province, if the specific guidance and implementing rules with regards to the Qualification Requirement are promulgated and assuming the new school to be operated by General Business University of California Incorporated or another foreign educational institution established by us gains a level of foreign experience sufficient to demonstrate compliance with the Qualification Requirement 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 may be able to get the approval to establish a Sino-Foreign Joint Venture Private Schools by relevant educational authority or such other educational institution subject to the approval from the competent educational authorities.

Furthermore, we will:

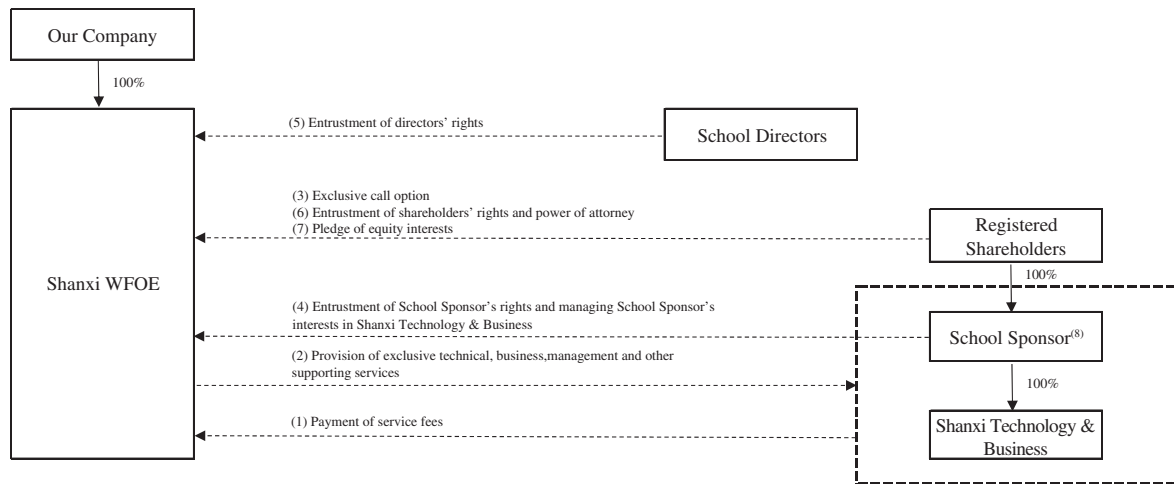
- (i) under the guidance of our PRC Legal Advisors, continue to keep ourselves updated with regard to all relevant regulatory developments and guidance relating to the Qualification Requirement; and
- (ii) provide periodic updates in our annual and interim reports after [REDACTED] to inform our Shareholders of our efforts and actions undertaken with the Qualification Requirement.

### OPERATION OF THE CONTRACTUAL ARRANGEMENTS

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 12, 2020, our wholly-owned subsidiary, Shanxi WFOE, entered into various agreements that constitute the Contractual Arrangements with, among others, Shanxi Technology & Business and our School Sponsor, under which all economic benefits arising from the business of Shanxi Technology & Business and our School Sponsor are transferred to Shanxi WFOE to the extent permitted under the PRC laws and regulations by means of service fees payable by Shanxi Technology & Business and our School Sponsor to Shanxi WFOE. Although the Registered Shareholders are not consolidated as part of our Group, they are parties to certain agreements which constitute the Contractual Arrangements to ensure that the shareholders’ rights of our School Sponsor are effectively controlled by Shanxi WFOE.

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The following simplified diagram illustrates the flow of economic benefits from Shanxi Technology & Business and/or our School Sponsor to our Group stipulated under the Contractual Arrangements:



“\_\_\_\_\_” denotes direct legal and beneficial ownership in the equity interest

“-----” denotes Contractual Arrangements

*Notes:*

- (1) Payment of service fees. See “— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (2) Exclusive Technical Service and Management Consultancy Agreement” in this document for details.
- (2) Provision of exclusive technical and management consultancy services. See “— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (2) Exclusive Technical Service and Management Consultancy Agreement” in this document for details.
- (3) Exclusive call option to acquire all or part of our School Sponsor’s interest in Shanxi Technology & Business and equity interest in our School Sponsor. See “— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (3) Exclusive Call Option Agreement” in this document for details.
- (4) Entrustment of School Sponsor’s rights in Shanxi Technology & Business by our School Sponsor. See “— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (4) School Sponsor’s and Directors’ Rights Entrustment Agreement” and “— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (5) School Sponsor’s Powers of Attorney” in this document for details.
- (5) Entrustment of directors’ rights in Shanxi Technology & Business by directors of Shanxi Technology & Business including directors’ powers of attorney. See “— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (4) School Sponsor’s and Directors’ Rights Entrustment Agreement” and “— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (6) Directors’ Powers of Attorney” in this document for details.
- (6) Entrustment of shareholders’ right of the Registered Shareholders and our School Sponsor including shareholders’ powers of attorney. See “— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (7) Shareholders’ Rights Entrustment Agreement” and “— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (8) Shareholders’ Powers of Attorney” in this document for details.
- (7) Pledge of equity interest by the Registered Shareholders of their equity interest in our School Sponsor. See “— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (10) Equity Pledge Agreement” in this document for details.
- (8) According to PRC laws and regulations, entities and individuals who establish private schools are commonly referred to as “school sponsors” instead of “owners” or “shareholders”. See “Regulatory Overview” in this document for details.



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The School Sponsor is a special purpose vehicle established as the holding company to hold interests in Shanxi Technology & Business and is not engaged in any other business other than the aforesaid. Under the Contractual Arrangements, each of our PRC Affiliated Entities entered into the Exclusive Technical Service and Management Consultancy Agreement with, among others, Shanxi WFOE, pursuant to which each of our PRC Affiliated Entities will be directly bound by and subject to the terms and conditions thereof. Accordingly, for any services provided by Shanxi WFOE to any of our PRC Affiliated Entities, the respective service fee will be paid by such PRC Affiliated Entities to Shanxi WFOE directly. In addition, in order to prevent the leakage of assets and values of our PRC Affiliated Entities, our PRC Affiliated Entities have undertaken that, without the prior written consent of Shanxi WFOE, our PRC Affiliated Entities shall not, among others, distribute any school operating income or other interest or benefit to the Registered Shareholders. For further details, see “— Summary of the Material Terms of the Contractual Arrangements — (1) Business Cooperation Agreement” in this section.

### Summary of the Material Terms of the Contractual Arrangements

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

#### *(1) Business Cooperation Agreement*

Pursuant to the Business Cooperation Agreement, Shanxi WFOE shall provide technical services, management support and consulting services necessary for the private education business, and in return, our PRC Affiliated Entities shall make payments accordingly.

To ensure the due performance of the Contractual Arrangements, each of our PRC Affiliated Entities agreed to comply, and procure any of its subsidiaries to comply with, and the Registered Shareholders agreed to procure our PRC Affiliated Entities or their subsidiaries to comply with the obligations as prescribed under the Business Cooperation Agreement set forth as follows:

- (a) to carry out its private education operations in a prudent and efficient manner in accordance with good financial and business standards while maintaining the asset value of our PRC Affiliated Entities or their subsidiaries and the quality and standard of private education;
- (b) to prepare school development plans and annual working plans in accordance with the instructions of Shanxi WFOE;
- (c) to carry out its private education activities and other relevant business under the assistance of Shanxi WFOE;
- (d) to carry out and manage its daily operations and financial management in accordance with the recommendations, advice, principles and other instructions of Shanxi WFOE;
- (e) to execute and act upon the recommendations of Shanxi WFOE in terms of employment and removal of senior management and staff;
- (f) to adopt the advice, guidance and plans given by Shanxi WFOE in relation to their respective strategic development;
- (g) to carry out its business operations and renew and maintain its respective necessary licenses; and

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- (h) to provide its business operation and financial information upon request by Shanxi WFOE and promptly inform Shanxi WFOE of the circumstances which have or may have material adverse effect on our business operation, as well as make every effort to prevent such circumstances and/or the expansion of losses.

In addition, pursuant to the Business Cooperation Agreement:

- (a) each of the Registered Shareholders undertakes to Shanxi WFOE that, in the event of death, loss of or restriction on capacity, divorce or other circumstances which may affect the exercise of his direct or indirect equity interest in our School Sponsor, he shall have made all necessary arrangement and sign all necessary documents such that his respective successor, guardian, spouse, and any other person which may as a result of the above events obtain the equity interest or relevant rights shall not prejudice or hinder the enforcement of the Contractual Arrangements;
- (b) in the event of the dissolution, liquidation, bankruptcy or reorganization of Shanxi WFOE, (i) the Registered Shareholders and our PRC Affiliated Entities unconditionally agree that, other persons designated by our Company shall inherit the rights and obligations of Shanxi WFOE under the Contractual Arrangements, and sign all necessary documents in addition to all necessary measures to make sure all the aforementioned rights and obligations can be taken over smoothly by the designated persons; (ii) the Registered Shareholders agree that, the Registered Shareholders shall sell or deposit their direct or indirect interest in Shanxi Technology & Business and equity interest in our School Sponsor in accordance with the instructions of our Company and transfer all receivable at nil consideration to our Company or other persons designated by our Company; or (iii) the Registered Shareholders agree that, the Registered Shareholders shall sell or deposit part or all assets of our PRC Affiliated Entities in accordance with the instructions of our Company and transfer all receivable at nil consideration to our Company or other persons designated by our Company;
- (c) the Registered Shareholders undertake that, in the event of the dissolution or liquidation of our PRC Affiliated Entities, to the extent permitted by PRC laws, (i) Shanxi WFOE and/or its designated person shall have the right to exercise all school sponsor's right on behalf of our School Sponsor and shareholders' rights on our School Sponsor (including but not limited to, deciding to dissolve and liquidate our PRC Affiliated Entities, instructing and delegating the liquidation group and/or its agent of our PRC Affiliated Entities, as well as approving liquidation plan and report); (ii) the School Sponsor and/or the Registered Shareholders shall transfer all assets received or receivable in its capacity as school sponsor of Shanxi Technology & Business/as shareholders of our School Sponsor as a result of the dissolution or liquidation of our PRC Affiliated Entities to Shanxi WFOE or other persons designated by our Company at nil consideration, and instruct all of our PRC Affiliated Entities to transfer such assets directly to Shanxi WFOE or other persons designated by our Company before such dissolution or liquidation; and (iii) if consideration is required for such transfer under the then applicable PRC laws, our PRC Affiliated Entities and/or the Registered Shareholders shall compensate Shanxi WFOE and/or the person as designated by our Company such amount;



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- (d) our PRC Affiliated Entities agree that, without the prior written consent of Shanxi WFOE, our PRC Affiliated Entities shall not declare or pay to the Registered Shareholders any school operating income or other interest or benefit. In the event that the Registered Shareholders receive any school operating income or other interest or benefit from the PRC Affiliated Entities, upon the request of Shanxi WFOE, the Registered Shareholders shall unconditionally and without compensation transfer such amount to Shanxi WFOE; and
- (e) without the consent of Shanxi WFOE, the Registered Shareholders shall not increase the registered capital of our School Sponsor, while the Registered Shareholders shall agree and confirm that, the Registered Shareholders will pledge the corresponding increased equity interest to Shanxi WFOE to perform their respective obligations and guarantees in respect of any debt under these Contractual Arrangements. Each of the parties has undertaken that, each party shall prepare all necessary documents before the aforesaid capital increase and sign the equity pledge agreements on the date of completion of the capital increase registration, and complete the equity pledge registration procedures as soon as possible.

In order to prevent the leakage of assets and values of our PRC Affiliated Entities, the Registered Shareholders and our PRC Affiliated Entities have undertaken that, without the prior written consent of Shanxi WFOE or its designated party, the Registered Shareholders and our PRC Affiliated Entities shall not conduct or cause to conduct any activity or transaction which may have any actual impact (i) on the assets, business, staff, obligations, rights or operations of our PRC Affiliated Entities or (ii) on the ability of the Registered Shareholders and each of our PRC Affiliated Entities to perform the obligations under the Contractual Arrangements. Such activities and transactions include, without limitation:

- (a) establishment of any subsidiary or entity by our PRC Affiliated Entities or establishment of any other business or subsidiary by our PRC Affiliated Entities;
- (b) conduct of any activity by any of our PRC Affiliated Entities and/or their subsidiaries which are outside the ordinary course of business or change the mode of operations of our PRC Affiliated Entities or their subsidiaries;
- (c) consolidation, subdivision, change of form of corporate organization, dissolution or liquidation of our PRC Affiliated Entities and/or their subsidiaries;
- (d) providing any borrowing, loan or guarantee and inheritance in respect of any debt to, or obtaining any borrowing and loan from, our PRC Affiliated Entities and/or their subsidiaries;
- (e) providing any borrowing, loan or guarantee in respect of any debt, or obtaining any borrowing and loan by our PRC Affiliated Entities or their subsidiaries to any third party, except in the ordinary course of business and provided that the amount of such debt is less than RMB100,000;
- (f) change or removal of any director, supervisor or senior management (including but not limited to manager, deputy manager, chief financial officer, chief technical officer, principal and dean) of any of our PRC Affiliated Entities or their subsidiaries, increase or decrease of their remuneration package, or change of their appointment terms and conditions;

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- (g) sale, transfer, lending or authorizing the use or disposal of any assets or rights (including but not limited to domain, trademark, intellectual property and exclusive technology) of any of our PRC Affiliated Entities or their subsidiaries to any third party other than Shanxi WFOE or its designated party, or purchase from any third party any assets or rights, except in the ordinary course of business and provided that the transaction amount is less than RMB100,000;
- (h) sale of any equity interest or school sponsor rights in any of our PRC Affiliated Entities or its subsidiaries to any third party other than Shanxi WFOE or its designated party, or increase or reduction of the registered capital or change of the structure of the equity or school sponsor's interest of any of our PRC Affiliated Entities or its subsidiaries or enter into partnership, joint venture or profit-sharing arrangements, or any other arrangements to transfer benefits or realize profit-sharing in the form of usage fees, service charges or consultancy fees;
- (i) providing security over equity interest and/or school sponsor's interest in or assets or rights of, or creating encumbrance over equity and/or school sponsor's interest in or assets of any of our PRC Affiliated Entities or its subsidiaries to third parties other than Shanxi WFOE or its designated party;
- (j) altering, amending or revoking any permits of any of our PRC Affiliated Entities or its subsidiaries;
- (k) amending the articles of association or scope of business of any of our PRC Affiliated Entities or its subsidiaries;
- (l) change of any normal business procedures or amendment of any internal procedures and system of any of our PRC Affiliated Entities or its subsidiaries;
- (m) entering into any business contracts outside the ordinary course of business except pursuant to the plan or suggestion of Shanxi WFOE or us;
- (n) distribution of dividend, school operating income or other payments to our School Sponsor, or the shareholder(s) of our School Sponsor or any of its subsidiaries;
- (o) carrying out any activity which has or may have an adverse effect on the daily operations, business or assets of any of our PRC Affiliated Entities or its subsidiaries or its ability to make any payment to Shanxi WFOE;
- (p) entering into any transaction which has or may have an adverse effect on the transactions contemplated under the Contractual Arrangements; and
- (q) transfer of his/its rights and obligations under the Contractual Arrangements to any third party other than Shanxi WFOE or its designated party, or establishment and commencement of any cooperation or business relationship similar to that under the Contractual Arrangements with any third party by the Registered Shareholders, any of our PRC Affiliated Entities or its subsidiaries.

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Furthermore, each of the Registered Shareholders undertakes to Shanxi WFOE that, unless with the prior written consent of Shanxi WFOE, the Registered Shareholders (severally or jointly) shall not (i) directly or indirectly engage, participate in, conduct, acquire or hold any business or activities which compete or may potentially compete with any of our PRC Affiliated Entities and their subsidiaries (the "**Competing Business**"), (ii) use information obtained from any of our PRC Affiliated Entities or its subsidiaries for the Competing Business to engage in or directly and/or indirectly participate in any Competing Business, and (iii) obtain any benefit from any Competing Business. Each of the Registered Shareholders further consents and agrees that, in the event that the Registered Shareholders (severally or jointly) directly or indirectly engage, participate in or conduct any Competing Business, Shanxi WFOE and/or other entities as designated by our Company shall be granted an option with nil consideration to require (i) the entity engaging in the Competing Business to enter into an arrangement similar to that of the Contractual Arrangements and the consideration must be determined by the parties in accordance with the principles of fairness and reasonableness, the valuation of professional third party valuer, and the mechanism and procedures under the Listing Rules, or (ii) the Registered Shareholders shall cease the operation of the Competing Business within a reasonable time.

### *(2) Exclusive Technical Service and Management Consultancy Agreement*

Pursuant to the Exclusive Technical Service and Management Consultancy Agreement, Shanxi WFOE agrees to provide exclusive technical services to our PRC Affiliated Entities, including but not limited to, (a) design, development, update and maintenance of educational software for computer and mobile devices; (b) design, development, update and maintenance of webpages and websites necessary for the education activities of our PRC Affiliated Entities; (c) design, development, update and maintenance of management information systems necessary for the education activities of our PRC Affiliated Entities; (d) provision of other technical support necessary for the education activities of our PRC Affiliated Entities; (e) provision of technical consulting services; (f) provision of technical training; (g) engaging technical staff to provide on-site technical support; and (h) providing other technical services reasonably requested by our PRC Affiliated Entities.

Furthermore, Shanxi WFOE agrees to provide exclusive management consultancy services to our PRC Affiliated Entities, including but not limited to, (a) design of major and curriculum; (b) preparation, selection and/or recommendation of course materials; (c) provision of teacher and staff recruitment and training support and services; (d) provision of student recruitment support and services; (e) provision of public relation services; (f) preparation of long term strategic development plans and annual working plans; (g) development of financial management systems and recommendation and optimization on annual budget; (h) advising on design of internal structures and internal management system; (i) provision of administrative staff management and consultancy training; (j) conduct of market research; (k) preparation of market development plan; (l) building of online and offline marketing network; and (m) providing other management technical services reasonably requested by our PRC Affiliated Entities.

In consideration of the technical and management consultancy services provided by Shanxi WFOE, each of our PRC Affiliated Entities agrees to pay Shanxi WFOE a service fee equal to all of their respective amount of surplus from operations (after deducting all costs, expenses, taxes, losses from the previous year (if required by the law), the legally compulsory development fund of the respective school (if required by the law)), and other fees must be drawn according to the PRC laws. The compulsory development fund is included as statutory surplus reserve at the Group's level and retained at schools' level. Shanxi WFOE has the right (but not the obligation) to adjust the amount of such service fee by reference to the actual services provided and the actual business operations and needs of our PRC Affiliated Entities, provided that any adjusted amount shall not exceed the amount mentioned above. Our PRC Affiliated Entities do not have any right to make any such adjustment.

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Pursuant to the Exclusive Technical Service and Management Consultancy Agreement, unless otherwise prescribed under the PRC laws and regulations, Shanxi WFOE shall have exclusive proprietary rights to any technology and intellectual property developed and materials prepared in the course of the provision of research and development, technical support and services by Shanxi WFOE to our PRC Affiliated Entities, and any intellectual property in the products developed, including any other rights derived thereunder, in the course of performance of obligations under the Exclusive Technical Service and Management Consultancy Agreement and/or any other agreements entered into between Shanxi WFOE and other parties. To the extent prescribed under the PRC laws and regulations, the intellectual properties, which are restricted or prohibited from owning by Shanxi WFOE, shall be owned by our PRC Affiliated Entities until permissible under the PRC laws and regulations. Our PRC Affiliated Entities shall transfer the aforesaid intellectual properties at the lowest consideration permissible under the PRC laws and regulations to Shanxi WFOE in addition to assist with the registration procedures.

Without the written consent of Shanxi WFOE, our PRC Affiliated Entities shall not make (i) any disposal of material assets and (ii) changes to the current ownership structure of our PRC Affiliated Entities. Our PRC Affiliated Entities shall not enter into transactions, which may materially affect their assets, responsibilities, business operation, ownership structures, equity interest held by third parties and other legal rights, save for transactions which are in their ordinary course of business and conducted with the prior disclosure and written consent of Shanxi WFOE.

### **(3) Exclusive Call Option Agreement**

Under the Exclusive Call Option Agreement, the Registered Shareholders have irrevocably and unconditionally granted Shanxi WFOE or its designated purchaser the right to purchase all or part of the school sponsor's direct or indirect interest of our School Sponsor in Shanxi Technology & Business and direct or indirect equity interest in our School Sponsor (the "**Equity Call Option**"). The purchase price payable by Shanxi WFOE in respect of the transfer of such school sponsor's interest or equity interest upon exercise of the Equity Call Option shall be the lowest price permitted under the PRC laws and regulations. Shanxi WFOE or its designated purchaser shall have the right to purchase such proportion of the school sponsor's interest in Shanxi Technology & Business and/or equity interest in our School Sponsor as it decides at any time.

In the event that PRC laws and regulations allow Shanxi WFOE or other foreign-owned entities designated by our Company to directly hold all or part of the school sponsor's interest in Shanxi Technology & Business or equity interest in our School Sponsor and operate private education business in the PRC, Shanxi WFOE shall issue the notice of exercise of the Equity Call Option as soon as practicable, and the percentage of school sponsor's interest and/or equity interest purchased upon exercise of the Equity Call Option shall not be lower than the maximum percentage then allowed to be held by Shanxi WFOE or other foreign-owned entities designated by our Company under PRC laws and regulations.

The Registered Shareholders have further undertaken to Shanxi WFOE that, it:

- (a) shall not sell, assign, transfer or otherwise dispose of or create encumbrance over its direct and/or indirect interest equity in our PRC Affiliated Entities without the prior written consent of Shanxi WFOE;
- (b) shall not increase or reduce or agree to the increase or reduction of capital investment as school sponsor and/or capital investment in our PRC Affiliated Entities without the prior written consent of Shanxi WFOE;

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- (c) shall not agree to or procure any of our PRC Affiliated Entities to divide into or merge with other entities without the prior written consent of Shanxi WFOE;
- (d) shall not dispose of or procure the management of our PRC Affiliated Entities to dispose of, or create encumbrance over any of the assets of our PRC Affiliated Entities without the prior written consent of Shanxi WFOE, except in the ordinary course of business and provided that the value of such assets so disposed shall not exceed RMB100,000;
- (e) shall not terminate or procure the management of our PRC Affiliated Entities to terminate any material contract (which includes any agreement under which the amount involved exceeds RMB100,000, the Contractual Arrangements and any agreement of similar nature or content to the Contractual Arrangements) or enter into any other contracts which may contradict such material contracts without the prior written consent of Shanxi WFOE;
- (f) shall not procure any of our PRC Affiliated Entities to enter into any transactions which may have an actual impact on the assets, liabilities, operations, equity structures or other legal rights of our PRC Affiliated Entities without the prior written consent of Shanxi WFOE, save for transactions which are in the ordinary course of business of our PRC Affiliated Entities with the amount involved not more than RMB100,000, or transactions which have been disclosed to and approved by Shanxi WFOE;
- (g) shall not agree to or procure any of our PRC Affiliated Entities to declare or in substance distribute any distributable school operating income or agree to such distribution without the prior written consent of Shanxi WFOE;
- (h) shall not agree to or procure any of our PRC Affiliated Entities to amend its articles of association without the prior written consent of Shanxi WFOE;
- (i) shall ensure that any of our PRC Affiliated Entities does not provide or obtain loans or provide any guarantees or otherwise undertake any other action to guarantee, or undertake any material obligations (including obligations under which the amount payable by our PRC Affiliated Entities exceeds RMB100,000, obligations which restrict or hinder the due performance of obligations under the Contractual Arrangements by our PRC Affiliated Entities, obligations which restrict or prohibit the financial or business operations of our PRC Affiliated Entities, or any obligations which may result in change of the structure of the school sponsor's interest and/or the equity interest in our PRC Affiliated Entities outside its ordinary course of business without the prior written consent of Shanxi WFOE;
- (j) shall use its best endeavors to develop the business of any of our PRC Affiliated Entities and ensure compliance with laws and regulations by our PRC Affiliated Entities, and shall not take or fail to take any action which may prejudice the assets, goodwill or the effectiveness of operational licenses of our PRC Affiliated Entities;
- (k) shall, prior to the transfer of its school sponsor's interest or shareholders' interest to Shanxi WFOE or its designated purchaser and without prejudice to our School Sponsor's and Directors' Rights Entrustment Agreement and the Shareholders' Rights Entrustment

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Agreement, execute all documents necessary for holding and maintaining the ownership of its school sponsor's interest and/or its equity interest in our PRC Affiliated Entities;

- (l) shall sign all documents and take all necessary actions to facilitate transfer of its school sponsor's interest and/or its equity interest in our PRC Affiliated Entities to Shanxi WFOE or its designated purchaser;
- (m) shall take all such actions to facilitate our PRC Affiliated Entities in their performance of its obligations under the Exclusive Call Option Agreement if such performance requires any action be taken by our School Sponsor on behalf of the interest owner of our PRC Affiliated Entities;
- (n) shall, in its capacity as a school sponsor and/or shareholder of our PRC Affiliated Entities and without prejudice to the Contractual Arrangements, procure directors nominated by it to exercise all rights to enable any of our PRC Affiliated Entities to perform its rights and obligations under the Exclusive Call Option Agreement, and shall replace any director or council member who fails to do so;
- (o) in the event that the consideration paid by Shanxi WFOE or its designated purchaser for the transfer of all or part of the school sponsor's interest and/or equity interest in our PRC Affiliated Entities exceeds RMB0, shall pay such excess amount to Shanxi WFOE or its designated entity;
- (p) in the event of the dissolution, liquidation, bankruptcy or reorganization of our PRC Affiliated Entities, (i) the Registered Shareholders unconditionally agree that, other entities or persons designated by our Company shall inherit the rights and obligations of our PRC Affiliated Entities under the Contractual Arrangements, and sign all necessary documents in addition to all necessary measures to make sure all the aforementioned rights and obligations can be taken over smoothly by the designated entities or persons; (ii) the Registered Shareholders agree that they shall sell or deposit their direct or indirect interest in our PRC Affiliated Entities in accordance with the instructions of our Company and transfer all receivable at nil consideration to our Company or other entities or persons designated by our Company; or (iii) the Registered Shareholders agree that they shall sell or deposit part or all assets of our PRC Affiliated Entities in accordance with the instructions of our Company and transfer all receivable at nil consideration to our Company or other entities or persons designated by our Company; and
- (q) in the event of the dissolution or liquidation of our PRC Affiliated Entities, (i) Shanxi WFOE and/or its designated entities or persons shall have the right to exercise all shareholders' right on behalf of the Registered Shareholders (including but not limited to, deciding to dissolve and liquidate our PRC Affiliated Entities, instructing and delegating the liquidation group and/or its agent of our PRC Affiliated Entities, as well as approving liquidation plan and report); (ii) the Registered Shareholders shall transfer all assets received or receivable in its capacity as shareholders of our School Sponsor as a result of the dissolution or liquidation of our PRC Affiliated Entities to Shanxi WFOE or other entities or persons designated by our Company at nil consideration, and instruct all of our PRC Affiliated Entities to transfer such assets directly to Shanxi WFOE or other entities or persons designated by our Company before such dissolution or liquidation; and (iii) if



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consideration is required for such transfer under the then applicable PRC laws, the Registered Shareholders shall compensate Shanxi WFOE or the entities or persons as designated by our Company the amount and guarantee that Shanxi WFOE or other entities or persons as designated by our Company does not suffer any loss.

#### *(4) School Sponsor's and Directors' Rights Entrustment Agreement*

Pursuant to the School Sponsor's and Directors' Rights Entrustment Agreement, our School Sponsor has irrevocably authorized and entrusted Shanxi WFOE to exercise all its rights as school sponsor of Shanxi Technology & Business to the extent permitted by PRC laws. These rights include, but are not limited to: (a) the right to appoint and/or elect directors of Shanxi Technology & Business; (b) the right to appoint and/or elect supervisors of Shanxi Technology & Business; (c) the right to participate in the operation and management of Shanxi Technology & Business; (d) the right to learn the operation and financial situation of Shanxi Technology & Business; (e) the right to review the resolutions and records of the board of directors and financial statements and reports of Shanxi Technology & Business; (f) the right to acquire residue assets upon liquidation of Shanxi Technology & Business in accordance with the laws; (g) the right to obtain distribution of school operating income (if applicable); (h) the right to transfer school sponsor's interest in accordance with the laws; (i) the right to choose to register Shanxi Technology & Business as a for-profit or non-profit school pursuant to PRC laws and regulations; (j) the right to exercise the voting rights of our School Sponsor upon bankruptcy, liquidation, dissolution or termination of Shanxi Technology & Business; (k) the right to handle the legal procedures of registration, approval, licensing and filing of Shanxi Technology & Business, as the case may be at the department of education, the department of civil affairs or other government regulatory departments, and to submit any documents submitted by our School Sponsor to relevant government regulatory departments; and (l) other school sponsor's rights pursuant to applicable PRC laws and regulations and the articles of association of Shanxi Technology & Business as amended from time to time.

Pursuant to the School Sponsor's and Directors' Rights Entrustment Agreement, each director of Shanxi Technology & Business (the "**Appointees**") has irrevocably authorized and entrusted Shanxi WFOE to exercise all their rights as directors of Shanxi Technology & Business to the extent permitted by PRC laws. These rights include, but are not limited to: (a) the right to attend meetings of the board of directors as representatives of the Appointees; (b) the right to exercise voting rights of the Appointees in respect of all matters discussed and resolved at the board meeting of Shanxi Technology & Business; (c) the right to propose to convene interim board meetings of Shanxi Technology & Business; (d) the right to sign all board minutes, board resolutions and other legal documents which the Appointees have authority to sign in their capacities as directors of Shanxi Technology & Business; (e) the right to instruct the legal representative and financial and business responsible persons of Shanxi Technology & Business to act in accordance with the instruction of Shanxi WFOE; (f) the right to exercise all other rights and voting rights of directors as prescribed under the articles of association of Shanxi Technology & Business; (g) the right to handle the legal procedures of registration, approval and licensing of Shanxi Technology & Business at the department of education, the department of civil affairs or other government regulatory departments; (h) the right to exercise the voting rights of directors of Shanxi Technology & Business upon bankruptcy, liquidation, dissolution or termination of Shanxi Technology & Business; and (i) other directors' rights pursuant to applicable PRC laws and regulations and the articles of association of Shanxi Technology & Business as amended from time to time.

In addition, our School Sponsor and the Appointees have irrevocably agreed that (i) Shanxi WFOE may delegate its rights under the School Sponsor's and Directors' Rights Entrustment Agreement to the

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directors of Shanxi WFOE or its designated person, without prior notice to or approval by our School Sponsor and the Appointees; and (ii) any person as successor of civil rights of Shanxi WFOE or liquidator by reason of subdivision, merger, liquidation of Shanxi WFOE or other circumstances shall have authority to replace Shanxi WFOE to exercise all rights under the School Sponsor's and Directors' Rights Entrustment Agreement.

### **(5) School Sponsor's Powers of Attorney**

Pursuant to the School Sponsor's Powers of Attorney executed by our School Sponsor in favor of Shanxi WFOE, our School Sponsor authorized and appointed Shanxi WFOE as its agent to act on its behalf to exercise or delegate the exercise of all its rights as school sponsor of Shanxi Technology & Business. For details of the rights granted, see "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (4) School Sponsor's and Directors' Rights Entrustment Agreement" in this document.

Shanxi WFOE shall have the right to further delegate the rights so delegated to the directors of Shanxi WFOE or other designated person. The School Sponsor irrevocably agreed that the authorization appointment in the School Sponsor's Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of the School Sponsor's subdivision, merger, winding up, consolidation, liquidation or other similar events. The School Sponsor's Powers of Attorney shall constitute a part and incorporate terms of the School Sponsor's and Directors' Rights Entrustment Agreement.

### **(6) Directors' Powers of Attorney**

Pursuant to the Directors' Powers of Attorney executed by each of the Appointees in favor of Shanxi WFOE, each of the Appointees authorized and appointed Shanxi WFOE as his/her agent to act on his/her behalf to exercise or delegate the exercise of all of his/her rights as directors of Shanxi Technology & Business. For details of the rights granted, see "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (4) School Sponsor's and Directors' Rights Entrustment Agreement" in this document.

Shanxi WFOE shall have the right to further delegate the rights so delegated to the directors of Shanxi WFOE or other designated person. Each of the Appointees irrevocably agreed that the authorization appointment in the Directors' Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of his/her loss of or restriction on capacity, death or other similar events. The Directors' Powers of Attorney shall constitute a part and incorporate terms of the School Sponsor's and Directors' Rights Entrustment Agreement.

### **(7) Shareholders' Rights Entrustment Agreement**

Pursuant to the Shareholders' Rights Entrustment Agreement, each of the Registered Shareholders has irrevocably authorized and entrusted Shanxi WFOE to exercise all of his respective rights as shareholders of our School Sponsor to the extent permitted by the PRC laws. These rights include, but are not limited to: (a) the right to attend shareholders' meetings of our School Sponsor, as the case may be; (b) the right to make and sign the resolutions of the general meeting of our School Sponsor, propose to convene and attend the general meeting of our School Sponsor in accordance with the provisions of the articles of association of our School Sponsor, and sign the minutes and resolutions of the general meeting of our School Sponsor or other legal documents on behalf of the Registered Shareholders; (c) the right to

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exercise voting rights in respect of all matters discussed and resolved at the shareholders' meeting of our School Sponsor, as the case may be; (d) the right to propose to convene general meetings of our School Sponsor, as the case may be; (e) the right to sign all shareholders' resolutions and other legal documents which the Registered Shareholders have authority to sign in his or their capacity as shareholders of our School Sponsor, as the case may be; (f) the right to instruct the directors and legal representative of our School Sponsor, as the case may be, to act in accordance with the instruction of Shanxi WFOE; (g) the right to exercise all other rights and voting rights of shareholders as prescribed under the relevant laws and articles of association of our School Sponsor, as the case may be; (h) the right to handle the legal procedures of registration, approval, licensing and filing of our School Sponsor, as the case may be at the administration department for market regulation, administration department for commerce and industry, or other government regulatory departments; (i) the right to decide to transfer or otherwise dispose of the Registered Shareholders' shares in our School Sponsor; and (j) other shareholders' rights pursuant to applicable PRC laws and regulations and the articles of association of our School Sponsor as amended from time to time.

In addition, each of the Registered Shareholders has irrevocably agreed that (i) Shanxi WFOE may delegate its rights under the Shareholders' Rights Entrustment Agreement to the directors of Shanxi WFOE or its designated person, without prior notice to or approval by the Registered Shareholders; (ii) any person as successor of civil rights of Shanxi WFOE or liquidator by reason of subdivision, merger, liquidation of Shanxi WFOE or other circumstances shall have authority to replace Shanxi WFOE to exercise all rights under the Shareholders' Rights Entrustment Agreement; (iii) the Registered Shareholders will not authorize and entrust the rights under the Shareholders' Rights Entrustment Agreement to any entity or individual that may have a conflict of interest with our Company; and (iv) the rights of the Registered Shareholders under the Shareholders' Rights Entrustment Agreement shall be authorized and entrusted to the persons or directors of our Company unrelated to the Registered Shareholders.

### **(8) *Shareholders' Powers of Attorney***

Pursuant to the Shareholders' Powers of Attorney executed by each of the Registered Shareholders in favor of Shanxi WFOE, each of the Registered Shareholders authorized and appointed Shanxi WFOE, as his agent to act on his behalf to exercise or delegate the exercise of all his rights as shareholders of the our School Sponsor. For details of the rights granted, see "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (7) Shareholders' Rights Entrustment Agreement" in this document.

Shanxi WFOE shall have the right to further delegate the rights so delegated to its directors or other designated person. Each of the Registered Shareholders irrevocably agreed that the authorization appointment in the Shareholders' Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of his loss of or restriction on capacity, death, divorce or other similar events. The Shareholders' Powers of Attorney shall constitute a part and incorporate terms of the Shareholders' Rights Entrustment Agreement.

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### (9) *Spouse Undertaking*

Pursuant to the Spouse Undertaking, Ms. Geng Jie, the spouse of Mr. Niu Sanping, as one of the Registered Shareholders, has irrevocably undertaken that:

- (a) Ms. Geng Jie has full knowledge of and has consented to the entering into of the Contractual Arrangements by Mr. Niu Sanping, Shanxi WFOE and our PRC Affiliated Entities, and in particular, the arrangement as set out in the Contractual Arrangements in relation to the restrictions imposed on the direct or indirect equity interest in our School Sponsor and/or school sponsor's interest in Shanxi Technology & Business, pledge or transfer the direct or indirect equity interest in our School Sponsor and/or school sponsor's interest in Shanxi Technology & Business, or the disposal of the direct or indirect equity interest in our School Sponsor and/or school sponsor's interest in Shanxi Technology & Business in any other forms;
- (b) Ms. Geng Jie has not participated, is not participating and shall not in the future participate in the operation, management, liquidation, dissolution and other matters in relation to our PRC Affiliated Entities;
- (c) Ms. Geng Jie authorizes Mr. Niu Sanping or his authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in relation to the spouse's direct or indirect equity interest in our School Sponsor and/or school sponsor's interest in Shanxi Technology & Business in order to safeguard the interest of Shanxi WFOE under the Contractual Arrangements and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures, and fully cooperates with the implementation of the relevant documents and procedures at any time;
- (d) any undertaking, confirmation, consent and authorization under the Spouse Undertaking shall not be revoked, prejudiced, invalidated or otherwise adversely affected by any increase, decrease, consolidation or other similar events relating to the direct or indirect equity interest in our School Sponsor and/or school sponsor's interest in Shanxi Technology & Business;
- (e) any undertaking, confirmation, consent and authorization under the Spouse Undertaking shall not be revoked, prejudiced, invalidated or otherwise adversely affected by death, loss of or restriction on capacity of the spouse, divorce or other similar events; and
- (f) all undertakings, confirmations, consents and authorizations under the Spouse Undertaking shall continue to be valid and binding until otherwise terminated by both Shanxi WFOE and Ms. Geng Jie in writing. Shanxi WFOE and Mr. Niu Sanping do not need to make any monetary or non-monetary compensation to Ms. Geng Jie for her foregoing acknowledgment and undertakings.

The Spouse Undertaking shall have the same term as and incorporate the terms of the Business Cooperation Agreement.

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### *(10) Equity Pledge Agreement*

Pursuant to the Equity Pledge Agreement, each of the Registered Shareholders unconditionally and irrevocably pledged and granted first priority security interests over all of his equity interest in our School Sponsor, together with all related rights thereto to Shanxi WFOE as security for performance of the Contractual Arrangements and all direct, indirect or consequential damages and foreseeable loss of interest incurred by Shanxi WFOE as a result of any event of default on the part of the Registered Shareholders and our PRC Affiliated Entities and all expenses incurred by Shanxi WFOE as a result of enforcement of the obligations of the Registered Shareholders and our PRC Affiliated Entities under the Contractual Arrangements (the "**Secured Indebtedness**").

Pursuant to the Equity Pledge Agreement, without the prior written consent of Shanxi WFOE, the Registered Shareholders shall not transfer the equity interest or create further pledge or encumbrance over the pledged equity interest. Any unauthorized transfer shall be invalid, and the proceeds of any transfer of the equity interest shall be first used in the payment of the Secured Indebtedness or deposited to such third party as agreed by Shanxi WFOE. The Registered Shareholders also waived any pre-emptive rights upon enforcement and agreed to any transfer of the pledged equity interest pursuant to the Equity Pledge Agreement.

Pursuant to the Equity Pledge Agreement, each party has undertaken that, if the registration authorities require to define the amount of the principal claim upon the pledge range in the equity pledge registration, the amount of claims under the Contractual Arrangements shall be registered as the principal, RMB50,000,000 and any other amount in the event of default and compensation under the Contractual Arrangements.

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

- (a) any of the Registered Shareholders and our PRC Affiliated Entities commits any breach of any obligations under the Contractual Arrangements;
- (b) any representations or warranties or information provided by any of the Registered Shareholders and our PRC Affiliated Entities under the Contractual Arrangements is proved incorrect or misleading; or
- (c) any provision in the Contractual Arrangements 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, Shanxi WFOE shall have the right to enforce the Equity Pledge Agreement by written notice to the Registered Shareholders in one or more of the following ways:

- (a) to the extent permitted under PRC laws and regulations, Shanxi WFOE may request the Registered Shareholders to transfer all or part of his equity interest in our School Sponsor to any entity or individual designated by Shanxi WFOE at the lowest consideration permissible under the PRC laws and regulations, while the Registered Shareholders irrevocably

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undertake that in the event that the consideration paid by Shanxi WFOE or its designated purchaser for the transfer of all or part of the equity interest in our School Sponsor exceeds RMB0, shall pay such excess amount to Shanxi WFOE or its designated entity;

- (b) sell the pledged equity interest by way of auction or at a discount and have priority in the entitlement to the sales proceeds; and/or
- (c) dispose of the pledged equity interest in other manner subject to applicable laws and regulations.

The pledges under the Equity Pledge Agreement were registered with the relevant Administration for Market Regulation of the PRC on November 26, 2020 and became effective on the same date of the registration of the pledge.

Under the Contractual Arrangements, there is no equity pledge arrangement between Shanxi WFOE and our School Sponsor over the school sponsor's interest in Shanxi Technology & Business held by our School Sponsor. As advised by our PRC Legal Advisors, if we were to make an equity pledge arrangement with our School Sponsor where our School Sponsor pledges its school sponsor's interest in Shanxi Technology & Business in favor of us, such arrangement would be unenforceable under PRC laws and regulations given that school sponsor's interests in schools are not pledgeable under PRC laws and any equity pledge arrangements with respect to our School Sponsor's interests in Shanxi Technology & Business cannot be registered with the relevant PRC regulatory authorities.

Nevertheless, we have implemented various measures which shall remain in place before the Contractual Arrangements being unwound, with the aim of further enhancing our control over our PRC Affiliated Entities, in particular:

- (a) as disclosed above, pursuant to the Business Cooperation Agreement, the Registered Shareholders and our PRC Affiliated Entities have undertaken that, without prior written consent of Shanxi WFOE or its designated party, he/it shall not conduct or cause to conduct any activity or transaction which may have an actual impact (i) on the assets, business, staff, obligations, rights or operations of our PRC Affiliated Entities or (ii) on the ability of the Registered Shareholders and our PRC Affiliated Entities to perform the obligations under the Contractual Arrangements. See "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (1) Business Cooperation Agreement" in this document for details;
- (b) as disclosed above, pursuant to the Exclusive Call Option Agreement, the Registered Shareholders have further undertaken to Shanxi WFOE that, among others, he shall not sell, assign, transfer or otherwise dispose of or create any encumbrance over the school sponsor's interest in any of Shanxi Technology & Business and/or equity interest in our School Sponsor without prior written consent of Shanxi WFOE. See "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (3) Exclusive Call Option Agreement" in this document for details; and
- (c) our Company has taken measures to ensure that the company seals of our PRC Affiliated Entities are properly secured, are within the full control of our Company and cannot be used by our PRC Affiliated Entities or the Registered Shareholders without our permission. Such



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measures include arranging for the company seals of our PRC Affiliated Entities to be kept in the safe custody of the finance department of Shanxi WFOE and setting up lines of authority for using the company seals, financial chops and business registration certificates such that the company seals, financial chops and business registration certificates can only be used under direct authorization of our Company or Shanxi WFOE.

### DISPUTE RESOLUTION

Each of the Contractual Arrangements provides that:

- (a) any dispute, controversy or claim arising out of or in connection with the performance, interpretation, breach, termination or validity of the Contractual Arrangements shall be resolved through negotiation after one party delivers to the other parties a written negotiation request setting out the specific statements of the disputes or claims;
- (b) if the parties are unable to settle the dispute within 30 days of delivery of such written negotiation request, 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 school sponsor's interest in Shanxi Technology & Business and the equity interest in our School Sponsor and property interest and other assets of our PRC Affiliated Entities, injunctive relief (for the conduct of business or to compel the transfer of assets), or order the winding-up of our PRC 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, our School Sponsor and Shanxi Technology & Business are located shall be considered as having jurisdiction for the above purposes.

In connection with the dispute resolution method as set out in the Contractual Arrangements 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 interest in Shanxi Technology & Business or equity interest in our School Sponsor in case of disputes. As such, these remedies may not be available to our Group under PRC laws;
- (b) further, under PRC laws, courts or judicial authorities in the PRC generally would not award remedies over the shares and/or assets of our PRC Affiliated Entities, injunctive relief or winding-up of our PRC Affiliated Entities as interim remedies, before there is any final outcome of arbitration;

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- (c) however, PRC laws do not disallow the arbitral body to give award of transfer of assets of or an equity interest or sponsor's interest in our PRC 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 Contractual Arrangements, we may not be able to exert effective control over our PRC 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 agreements under the Contractual Arrangements.

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

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

As disclosed above, pursuant to the Spouse Undertaking, the spouse of Mr. Niu Sanping, as one of the Registered Shareholders, has irrevocably undertaken and authorized, among others, that Mr. Niu Sanping and his authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of her in relation to the direct and indirect equity interest of Mr. Niu Sanping in our School Sponsor in order to safeguard the interest of Shanxi WFOE under the Contractual Arrangements and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures and any undertaking, confirmation, consent and authorization under the Spouse Undertaking shall not be revoked, prejudiced, invalidated or otherwise adversely affected by death, loss of or restriction on capacity of the spouse, divorce or other similar events. See "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (9) Spouse Undertaking" in this document for details.

In addition, as disclosed above, pursuant to the Business Cooperation Agreement, each of the Registered Shareholders undertakes to Shanxi WFOE that, in the event of death, loss of or restriction on capacity, divorce or other circumstances which may affect the exercise of his direct or indirect equity interest in Our School Sponsor, he shall have made all necessary arrangement and sign all necessary documents such that his respective successor, guardian, spouse, and any other person which may as a result of the above events obtain the equity interest or relevant rights shall not prejudice or hinder the enforcement of the Contractual Arrangements.

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### PROTECTION IN THE EVENT OF DISSOLUTION OR LIQUIDATION OF SHANXI TECHNOLOGY & BUSINESS AND/OR SCHOOL SPONSOR

Pursuant to the Business Cooperation Agreement, in the event of the dissolution or liquidation of Shanxi Technology & Business and/or our School Sponsor, the Registered Shareholders undertake that, among others, Shanxi WFOE and/or its designee shall have the right to exercise all school sponsor’s rights on behalf of our School Sponsor and/or to exercise all shareholders’ rights on behalf of the Registered Shareholders and shall instruct all of Shanxi Technology & Business and/or the School Sponsor to transfer assets received under PRC laws directly to Shanxi WFOE and/or our designee. See “— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (1) Business Cooperation Agreement” in this document for details.

Furthermore, Shanxi WFOE has been irrevocably authorized and entrusted to exercise the rights of our School Sponsor as school sponsor of Shanxi Technology & Business and the rights of the Appointees as directors of Shanxi Technology & Business and rights of Registered Shareholders as shareholders of our School Sponsor. See “— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (4) School Sponsor’s and Directors’ Rights Entrustment Agreement” and “— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (7) Shareholders’ Rights Entrustment Agreement” in this document for details.

### LOSS SHARING

In the event that Shanxi Technology & Business and/or our School Sponsor incur any loss or encounters any operational crisis, Shanxi WFOE may, but is not obliged to, provide financial support to Shanxi Technology & Business and/or our School Sponsor.

None of the agreements constituting the Contractual Arrangements provide that our Company or its wholly-owned PRC subsidiary, Shanxi WFOE, is obligated to share the losses of Shanxi Technology & Business and/or our School Sponsor or provide financial support to Shanxi Technology & Business and/or our School Sponsor. Further, Shanxi Technology & Business and/or our School Sponsor 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 Shanxi WFOE is not expressly required to share the losses of Shanxi Technology & Business and/or our School Sponsor or provide financial support to Shanxi Technology & Business and/or our School Sponsor. Despite the foregoing, given that Shanxi Technology & Business and our School Sponsor’s 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 Shanxi Technology & Business and/or our School Sponsor suffer losses. However, due to the restrictive provisions contained in the Contractual Arrangements as disclosed in the respective sections headed “Contractual Arrangements — Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (1) Business Cooperation Agreement” and “Contractual Arrangements — Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (3) Exclusive Call Option Agreement” above, the potential adverse effect on Shanxi WFOE and our Company in the event of any loss suffered from Shanxi Technology & Business and/or our School Sponsor can be limited to a certain extent.

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### TERMINATION OF THE CONTRACTUAL ARRANGEMENTS

Each of the Contractual Arrangements provides that: (a) each of the Contractual Arrangements shall be terminated upon the completion of the purchase of all the equity interest that the Registered Shareholders (directly and indirectly) hold in our School Sponsor and school sponsor’s interest that our School Sponsor holds in Shanxi Technology & Business by Shanxi WFOE or another party designated by our Company pursuant to the terms of the Exclusive Call Option Agreement, save for the Equity Pledge Agreement which shall continue to be in force until all obligations thereunder have been performed or all Secured Indebtedness has been repaid in full; (b) Shanxi WFOE shall have the right to terminate the Contractual Arrangements by serving 30-day prior notice; and (c) each of our PRC Affiliated Entities and the Registered Shareholders shall not be entitled to unilaterally terminate the Contractual Arrangements in any situation other than prescribed by the laws.

In the event that PRC laws and regulations allow Shanxi WFOE or us to directly hold all or part of the School Sponsor’s interest in Shanxi Technology & Business and/or all or part of the equity interest in our School Sponsor and operate private education business in the PRC, Shanxi WFOE shall exercise the Equity Call Option as soon as practicable and Shanxi WFOE 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 Equity Call Option and the acquisition of all the equity interest that the Registered Shareholders (directly and indirectly) hold in our School Sponsor and school sponsor’s interest that our School Sponsor holds in Shanxi Technology & Business by Shanxi WFOE or another party designated by our Company pursuant to the terms of the Exclusive Call Option Agreement, each of the Contractual Arrangements shall be automatically terminated. Our Registered Shareholders and our School Sponsor have undertaken to compensate to Shanxi WFOE or its respective designated entity any consideration they received in the event that Shanxi WFOE or its respective designated purchaser acquire all or part of the equity interest in our School Sponsor and/or school sponsor’s interest in Shanxi Technology & Business.

### INSURANCE

Our Company does not maintain any insurance policy to cover the risks relating to the Contractual Arrangements.

### ARRANGEMENT TO ADDRESS POTENTIAL CONFLICT OF INTEREST

We have in place arrangements to address the potential conflicts of interest between the Registered Shareholders on the one hand, and our Company on the other hand. Pursuant to the Business Cooperation Agreement, each of the Registered Shareholders undertakes to Shanxi WFOE that, unless with the prior written consent of Shanxi WFOE, the Registered Shareholders shall not directly or indirectly engage, participate in, conduct, acquire or hold any Competing Business and Shanxi WFOE is granted an option to (i) require the entity engaging in the Competing Business to enter into an arrangement similar to that of the Contractual Arrangements; or (ii) require the entity engaging in the Competing Business to cease operation. See “— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (1) Business Cooperation Agreement” in this document for details. 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 our School Sponsor and the Registered Shareholders on the one hand, and our Company on the other hand.

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### LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

#### PRC Legal Opinions

Based on the above, our PRC Legal Advisors are of the opinion that:

- (a) each of our College and our School Sponsor was duly incorporated and is validly existing and their respective establishment is valid, effective and compliant with the relevant PRC laws and regulations in all material aspects. Each of the Registered Shareholders is a legal person with full civil and legal capacity. Each of our PRC Affiliated Entities has also obtained all necessary approvals and completed all necessary registration for conducting their businesses as required by PRC laws and regulations in all material aspects and has the capacity to carry out their respective business operations in accordance with its licenses and approvals;
- (b) each of the agreements comprising the Contractual Arrangements are legal, valid and binding on the parties thereto, the contents of each agreement do not violate the mandatory provisions of current PRC laws, except in the following cases: under the current PRC laws, the arbitral body does not have the power to grant any injunctive relief, requiring civil entities to act or not to act, therefore the injunctive relief and other temporary relief measures under the Contractual Arrangements may not be legally and effectively enforced under current PRC laws;
- (c) the execution and performance of the Contractual Arrangements do not violate the M&A Rules;
- (d) the execution and performance of the Contractual Arrangements do not violate the provisions of the Civil Code of the PRC (《中華人民共和國民法典》) or fall within any of the circumstances under which a contract may become invalid pursuant to the Civil Code of the PRC;
- (e) the execution and performance of the Contractual Arrangements do not violate the articles of association of Shanxi Tongcia and our College; and
- (f) the execution of the Contractual Arrangements does not require any pre-approvals from PRC governmental authorities, except that:
  - a) the pledge of any equity interest in Shanxi Tongcai in favor of Shanxi WFOE is subject to registration requirements with the relevant administration for market regulation;
  - b) the transfer of the sponsor or equity interest in our PRC Affiliated Entities contemplated under the Contractual Arrangements is subject to applicable approval and/or registration requirements under the then applicable PRC laws;
  - c) any arbitral awards or foreign rulings and/or judgments in relation to the performance of the Contractual Arrangements are subject to applications to the competent PRC courts for recognition and enforcement; and

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- d) under PRC laws, an arbitral body does not have the power to grant any injunctive relief, requiring civil entities to act or not to act, or requiring winding-up of each of our PRC Affiliated Entities as interim remedies.

For details in relation to the risks involved in the Contractual Arrangements, see “Risk Factors — Risks Relating to Our Contractual Arrangements” in this document.

### Directors’ Views on the Contractual Arrangements

We believe that the Contractual Arrangements are narrowly tailored because the Contractual Arrangements are only used to enable our Group to consolidate the financial results of our PRC Affiliated Entities which engage or will engage in the provision of higher educational services, where the PRC laws and regulations currently restrict provision of higher educational services 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 Contractual Arrangements so that the financial results of the operation of our PRC Affiliated Entities can be consolidated to those of our Group, and based on the advice of our PRC Legal Advisors, the Directors are of the view that the Contractual Arrangements are enforceable 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 Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon [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 Contractual Arrangements 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 for details.

### CONSOLIDATED FINANCIAL RESULTS OF OUR PRC AFFILIATED ENTITIES

According to IFRS 10 — Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although our Company does not directly or indirectly own our PRC Affiliated Entities, the Contractual Arrangements as mentioned above enable our Company to exercise control over our PRC Affiliated Entities. The basis of consolidating the results of our PRC Affiliated Entities is disclosed in note 2.1 of the Accountants’ Report. Our Directors consider that our Company can consolidate the financial results of our PRC Affiliated Entities as if they were our Group’s subsidiaries.



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### DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

#### Background of the Foreign Investment Law

On March 15, 2019, the Foreign Investment Law was formally passed by the 13th National People’s Congress and took effect on January 1, 2020. The Foreign Investment Law replaced the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Contractual Joint Ventures and the Law on Foreign-Capital Enterprises to become the legal foundation for foreign investment in the PRC.

#### Impact and Potential Consequences of the Foreign Investment Law on our Contractual Arrangements

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including us, to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in the PRC. The Foreign Investment Law does not explicitly stipulate the contractual arrangements as a form of foreign investment. As advised by our PRC Legal Advisors, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law, and if the future laws, regulations and rules do not incorporate contractual arrangements as a form of foreign investment, our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties.

For the details of risks relating to the Foreign Investment Law, please see “Risk Factors — Risks relating to our Contractual Arrangements — Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations” in this document.

#### The Potential Impact to our Company in the Worst Scenario pursuant to the Foreign Investment Law that the Contractual Arrangements are Treated as a Foreign Investment

If the operation of higher education institutions is no longer in the Negative List and our Group can legally operate the education business under PRC laws, Shanxi WFOE will exercise the Equity Call Option under the Exclusive Call Option Agreement to acquire the school sponsor’s interest of Shanxi Technology & Business and/or the equity interest in our School Sponsor and unwind the Contractual Arrangements subject to re-approval by the relevant authorities.

If the operation of higher education institutions is in the Negative List, the Contractual Arrangements may be viewed as restricted foreign investment. Although contractual arrangements are not specified as foreign investment under the Foreign Investment Law, the Contractual Arrangements may be regarded as invalid and illegal if the future laws, administrative regulations or provisions prescribed by the State Council define contractual arrangements as a form of foreign investment and the operation of higher education institutions remains in the Negative List. As a result, our Group would not be able to operate our PRC Affiliated Entities through the Contractual Arrangements and we would lose our rights to receive the economic benefits of our PRC Affiliated Entities. As a result, the financial results of our PRC Affiliated Entities would no longer be consolidated into our Group’s financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. An investment loss would be recognized as a result of such derecognition.

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Nevertheless, considering that a number of existing conglomerates are operating under contractual arrangements and some of which have obtained listing status abroad and contractual arrangements are not specified as foreign investment under the Foreign Investment Law, our Directors are of the view that it is unlikely that the relevant regulations will take retrospective effect to require the relevant enterprises to remove the contractual arrangements.

### COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

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

- (a) major issues arising from the implementation and compliance with the Contractual Arrangements 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 Contractual Arrangements at least once a year;
- (c) our Company will disclose the overall performance and compliance with the Contractual Arrangements 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 Foreign Investment Law as stipulated under the section headed “Contractual Arrangements — Background of the Contractual Arrangements” and the latest development of the Foreign Investment Law as disclosed under the section headed “Contractual Arrangements — 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 Contractual Arrangements, review the legal compliance of Shanxi WFOE and our PRC Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

In addition, notwithstanding that our executive Directors, Mr. Niu Sanping and Mr. Niu Jian, are also 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 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;

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- (b) each of our Directors is aware of his or her fiduciary duties as a Director which requires, amongst other things, that he or she 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 or her 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.