

CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTIONS

We have entered into a number of continuing agreements and arrangements with our connected persons in our ordinary and usual course of business. Upon the [REDACTED] of the Shares on the Stock Exchange, the transactions disclosed in this section will constitute continuing connected transactions under the Listing Rules.

No.	Transactions	Applicable Listing Rules	Waiver sought	Proposed annual cap for the year ending August 31,		
				2021	2022	2023
				<i>(in RMB)</i>		
Non-exempt continuing connected transactions						
1.	Contractual Arrangements	14A.34, 14A.35, 14A.36, 14A.49, 14A.52 to 59 and 14A.71	Requirements as to announcement, circular, shareholders’ approval, annual cap, and terms not more than three years	N/A	N/A	N/A

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Contractual Arrangements

As disclosed in “Contractual Arrangements — Background of the Contractual Arrangements” in this document, due to regulatory restrictions on foreign ownership in our PRC Affiliated Entities in the PRC, Shanxi WFOE, our PRC Affiliated Entities and the Registered Shareholders have entered into the Contractual Arrangements such that we can conduct our business operations indirectly in the PRC through our PRC Affiliated Entities while complying with applicable PRC laws and regulations. The Contractual Arrangements, as a whole, are designed to provide our Group with effective control over the financial and operational policies of our PRC Affiliated Entities, to the extent permitted by PRC laws and regulations, the right to acquire the equity interest in and/or the assets of our PRC Affiliated Entities after the [REDACTED] through Shanxi WFOE. We operate our education business through our PRC Affiliated Entities, which are ultimately beneficially owned as to 71% by Mr. Niu Sanping, the chairman of our Board, an executive Director and a Controlling Shareholder, and 29% by Mr. Niu Jian, an executive Director. We do not hold any direct equity interest in our PRC Affiliated Entities. The Contractual Arrangements were entered into on November 12, 2020 pursuant to which all material business activities of our PRC Affiliated Entities are instructed and supervised by our Group, through Shanxi WFOE, and all economic benefits arising from such business of the our PRC Affiliated Entities are transferred to our Group.

The Contractual Arrangements consist of a series of agreements, including the Business Cooperation Agreement, the Exclusive Technical Service and Management Consultancy Agreement, the Exclusive Call Option Agreement, the Equity Pledge Agreement, the School Sponsor’s and Directors’ Rights Entrustment Agreement, the Shareholders’ Rights Entrustment Agreement, the School Sponsor’s Powers of Attorney, the Directors’ Power of Attorney, the Shareholders’ Power of Attorney and the Spouse Undertaking, each of which is an integral part of the Contractual Arrangements. See “Contractual Arrangements” in this document for details of these agreements.

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Listing Rules Implications

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

<u>Name</u>	<u>Connected Relationships</u>
Mr. Niu Sanping	an executive Director and a Controlling Shareholder, and therefore a connected person of our Company under the Listing Rules
Mr. Niu Jian	an executive Director, the chief executive officer and a substantial shareholder, and therefore a connected person of our Company under the Listing Rules

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group's legal structure and business operations, that such transactions have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing agreements to be entered into between any of our PRC Affiliated Entities and any member of our Group technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement and independent shareholders' approval requirements.

Application for Waiver

In view of the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are [REDACTED] on the Stock Exchange subject however to the following conditions:

- (a) *No change without independent non-executive Directors' approval*

No change to the Contractual Arrangements will be made without the approval of the independent non-executive Directors.

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(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our Company's independent Shareholders.

The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) Economic benefits flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by our PRC Affiliated Entities through (i) our Group's option, to the extent permitted under PRC laws and regulations, to acquire all or part of our school sponsor's interest held by the school sponsor of Shanxi Technology & Business, as the case may be, at the lowest possible amount permissible under the applicable PRC laws and regulations, (ii) the business structure under which the net profit generated by our PRC Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Shanxi WFOE by our PRC Affiliated Entities under the Exclusive Technical Service and Management Consultancy Agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of our PRC Affiliated Entities as appointed by the shareholders of our PRC Affiliated Entities or by the school sponsor of Shanxi Technology & Business, as the case may be.

(d) Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on one hand, and our PRC Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executives or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

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(e) *Ongoing reporting and approvals*

Our Group will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report in accordance with relevant provisions of the Listing Rules.
- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the profit generated by our PRC Affiliated Entities has been substantially retained by our Group, (ii) no dividends or other distributions have been made by our PRC Affiliated Entities to the respective holders of equity or the school sponsor's interest which are not otherwise subsequently assigned or transferred to our Group, and (iii) the Contractual Arrangements and if any, any new contracts entered into, renewed or reproduced between our Group and our PRC Affiliated Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Shareholders as a whole.
- Our Company's auditors will carry out procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange, confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by our PRC Affiliated Entities to the respective holders of equity or the school sponsor's interest which are not otherwise subsequently assigned or transferred to our Group.
- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", each of our PRC Affiliated Entities will be treated as our Company's wholly-owned subsidiary, but at the same time, the directors, chief executives or substantial shareholders of each of our PRC Affiliated Entities and their respective associates will be treated as connected persons of our Company, and transactions between these connected persons and our Group, other than those under the Contractual Arrangements, will be subject to the requirements under Chapter 14A of the Listing Rules.
- Each of our PRC Affiliated Entities will undertake that, for so long as our Shares are [REDACTED] on the Stock Exchange, each of our PRC Affiliated Entities will provide our Group's management and our Company's auditors' full access to its relevant records for the purpose of our Company's auditors' review of the continuing connected transactions.

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New Transactions amongst our PRC Affiliated Entities and our Company

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

Views of the Sole Sponsor and Directors

Our Directors (including the independent non-executive Directors) are of the view and the Sole Sponsor concurs that the transactions contemplated under the Contractual Arrangements have been and will be entered into in the ordinary and usual course of business of our Group, are fundamental to our Group’s legal structure and business operations, are on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and the Shareholders as a whole. With respect to the term of the relevant agreements underlying the Contractual Arrangements which is of a duration longer than three years, it is a justifiable and normal business practice to ensure that (i) the financial and operational policies of our PRC Affiliated Entities can be effectively controlled by Shanxi WFOE or its designee, (ii) Shanxi WFOE or its designee can obtain the economic benefits derived from our PRC Affiliated Entities, and (iii) any possible leakages of assets and values of our PRC Affiliated Entities can be prevented, on an uninterrupted basis.