
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the [REDACTED] and the [REDACTED], assuming that the [REDACTED] is not exercised at all and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, Mr. Liu and Ms. Li, who are co-founders of our Group and are parties acting in concert, will be interested in and control indirectly, through Bright Education Holdings and Bright Education Investment respectively, in aggregate [REDACTED]% of the issued share capital of our Company and will remain as our Controlling Shareholders under the Listing Rules. Accordingly, Mr. Liu, Ms. Li, Bright Education Holdings and Bright Education Investment are our Controlling Shareholders.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Delineation of Business and Non-competition

Other than his interests in our Group, as confirmed by Mr. Liu, Mr. Liu also holds direct or indirect interests in other companies engaged in other businesses in the PRC including real estate, construction, hotel management and tourism.

Further, Mr. Liu, through Dongguan Andres, held interests in eight kindergartens in the PRC as at the Latest Practicable Date. We did not include the business of these kindergartens in our Group primarily because (i) being an education group providing private education at primary, middle and high school levels, we were not engaged in, and had no intention to engage in, the operation of kindergartens as at the Latest Practicable Date; and (ii) the operation of kindergartens involves resources and personnel substantially different from the operation of the schools operated by our Group. Our Directors are of the view that the business activities of these kindergartens are clearly delineated from those of our Group and the potential competition between these kindergartens and our Group is minimal, taking into account that (i) the students at the kindergartens in which Dongguan Andres is interested and the primary, middle and high school operated by our Group are in distinct age groups; and (ii) our Controlling Shareholders including Mr. Liu [have executed] the Deed of Non-competition in favour of our Company and other members of our Group, details of which are set out in the paragraph headed "Non-compete Undertaking" below.

Accordingly and based on the confirmation by Mr. Liu, our Directors are of the view that the business activities of Dongguan Andres and other companies in which Mr. Liu has a direct or indirect interest (other than our Group) are clearly delineated from and are not directly or indirectly in competition with those carried on by our Group.

Other than her interests in our Group, as confirmed by Ms. Li, Ms. Li also holds direct or indirect interests in other companies, none of which is engaged in any education business activities in the PRC.

Accordingly and based on the confirmation by Ms. Li, our Directors are of the view that the business activities of the companies in which Ms. Li has a direct or indirect interest (other than our Group) are clearly delineated from and are not directly or indirectly in competition with those carried by out by our Group.

None of our Controlling Shareholders, or their close respective associates have any interest in a business, other than our Group's business, which competes or is likely to compete, either directly or indirectly, with our Group's business.

Management Independence

Although each of Mr. Liu and Ms. Li is also a director of Bright Education Holdings and Bright Education Investment respectively, each of Bright Education Holdings and Bright Education Investment is an investment holding company and other than the interest in our Company, it does not have any other business. Therefore the time required for Mr. Liu and Ms. Li to attend to the affairs of Bright Education Holdings and Bright Education Investment is limited. Further, the day-to-day

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

management of our business is primarily rested with our Board as well as other members of our senior management team referred to in "Directors and Senior Management-Senior Management". We consider that our Board and other members of our senior management team will function independently from our controlling shareholder because:

- each Director is aware of his or her fiduciary duties as a Director of our Company which requires, among other things, that he or she acts for the benefit and in the best interest of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest;
- none of our non-director senior management team holds any position in Bright Education Holdings and Bright Education Investment; and
- in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director is obliged to declare and fully disclose such potential conflict of interest and shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Operational Independence

Our Group is not operationally dependent on our Controlling Shareholders. We do not rely on our Controlling Shareholders for our business development, staffing or marketing and sales activities. Our Directors and senior management are responsible for the conduct of our business. We have independent access to our customers and an independent management team to handle our day-to-day operations. We do not rely on our Controlling Shareholders for any relevant material licenses necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently.

During the Track Record Period, we conducted certain related party transactions in relation to the purchase of goods and hospitality expenses. Please see "Financial Information – Related Party Transactions and Balances" for details. We expect to discontinue such related party transactions prior to [REDACTED]. During the Track Record Period, we also incurred certain construction expenses to related parties. We engaged Dongguan Cinese Real Estate in the construction of schools and expect to continue doing so after the [REDACTED]. Please see "Connected Transaction – Continuing Connected Transactions – Master Construction Agreement" for further details.

Our Directors are of the view that considering that alternative construction contractors are generally available in the market, there is no operational dependence by us on our Controlling Shareholders in relation to the construction services under the Master Construction Agreement.

Financial Independence

Our Group has its own financial management system, internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payments and the ability to operate independently from our Controlling Shareholders from a financial perspective. As at 31 May 2016, Ms. Li, Mr. Liu and related parties have provided guarantees and mortgages for the loans we borrowed, the outstanding amount of which was approximately RMB916.7 million in aggregate. All the aforesaid guarantees and mortgages are expected to be fully released upon [REDACTED]. Our Directors believe that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholders.

In addition, all the amount due from Mr. Liu and/or related parties will be fully settled prior to the [REDACTED].

Having considered the above reasons, our Directors are of the view that our Group is capable of carrying its business independently of our Controlling Shareholders and their respective close associates after the [REDACTED].

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

NON-COMPETE UNDERTAKING

Our Controlling Shareholders [have executed] the Deed of Non-competition dated [●] 2016 in favour of our Company and other members of our Group. Pursuant to the Deed of Non-competition, our Controlling Shareholders have undertaken to our Company that conditional upon [REDACTED], they will not, directly or indirectly, carry on, engage, invest, participate or otherwise be interested in any business which competes or is likely to compete with any of the existing and/or future businesses carried on by any member of our Group in relation to the provision of primary, middle and high school educational services (the "**Restricted Business**").

Notwithstanding the foregoing, our Controlling Shareholders may conduct any of the following:

- carry on, engage, invest, participate or otherwise be interested in such Restricted Business where the opportunity to carry on, engage, invest, participate or otherwise be interested in such Restricted Business has first been offered or made available to our Company, and our Company, after review and approval by our independent non-executive Directors or Shareholders as required under relevant laws and regulations, has declined such opportunity, provided that the principal terms by which our Controlling Shareholders or any of their close associates subsequently engages, invests, participates or otherwise is interested in such Restricted Business are not more favourable in any material aspect than those offered or made available to our Company;
- in aggregate, have interests in shares or other securities of a company (other than our Group) representing not more than 10% of such company conducting any Restricted Business whose shares are listed on the Stock Exchange or any other stock exchange provided that none of our Controlling Shareholders is in a position to control the board of directors of such company and that none of our Controlling Shareholders is the single largest shareholder of such company; and
- in aggregate, have interests in the shares or other securities of a company (other than our Group) which is listed on the Stock Exchange or any other stock exchange provided that any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than five % of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts.

Pursuant to the Deed of Non-competition, the above restrictions would cease to have effect if our Shares cease to be listed on the Stock Exchange.

CORPORATE GOVERNANCE MEASURES

We will adopt the following corporate governance measures to consider new business opportunities referred to us, to manage any potential conflicts of interest arising from any future potential competing business of our controlling shareholder and to safeguard the interests of our Shareholders:

- Our independent non-executive Directors will review, at least on an annual basis, the compliance with the non-compete undertakings by our Controlling Shareholders and any decisions in relation to new business opportunities referred to us.
- Our independent non-executive Directors will be responsible for deciding, without attendance by any executive Director (except as invited by our independent non-executive Directors to assist them or provide any relevant information but in no circumstances shall the executive Directors participate in such meeting be counted towards the quorum or allowed to vote in such meeting), whether or not to take up a new business opportunity referred to us under the terms of the non-compete undertakings.
- Our independent non-executive Directors may employ an independent financial adviser as they consider necessary to advise them on the terms of any new business opportunity.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- Each of our Controlling Shareholders has undertaken to us to provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the non-compete undertakings.
- We will disclose the review by our independent non-Executive Directors relating to the compliance with, and the enforcement of, the non-compete undertakings in our annual report.
- Our Controlling Shareholders will make an annual declaration of their compliance with the non-compete undertakings in our annual reports.

In the event that our Company decides not to proceed with any business opportunities referred to us and that our Controlling Shareholders or any of their respective close associates decides to proceed with such business opportunity, we will disclose such decision in our annual reports to Shareholders setting out the basis for us not taking the business opportunity.