

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

Transactions	Applicable Listing Rules	Waiver Sought	(in RMB) (in RMB) (in RMB) Proposed annual cap for the year ending 31 December		
			2017	2018	2019
<b>Exempt continuing connected transactions</b>					
Fanyu Dental Cooperation Agreements	14A.76		N/A*	N/A*	N/A*
<b>Non-exempt continuing connected transactions</b>					
Contractual Arrangements	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 to 59 and 14A.71	Requirements as to announcement, circular, shareholders approval, annual cap, and terms not more than three years	N/A	N/A	N/A

*Note:*

- \* As it is expected that the applicable percentage ratios for the Fanyu Dental Cooperation Agreement will not exceed 0.1%, the Fanyu Dental Cooperation Agreement will be fully exempt and therefore, there will not be any proposed annual caps in respect of the years ending 31 December 2017, 2018 and 2019.

### EXEMPT CONTINUING CONNECTED TRANSACTION

#### ***Fanyu Dental Cooperation Agreement***

On 10 June 2017 and 13 June 2017, Guangzhou Fanyu Dental Technology Company Limited (“**Fanyu Dental**”) (廣州泛宇醫療科技有限公司), an associate of Mr. Xie, entered into a cooperation agreement with each of Baiyun Technician College and Guangdong Baiyun University, respectively (together the “**Fanyu Dental Cooperation Agreements**”). Pursuant to the Fanyu Dental Cooperation Agreements, Baiyun Technician and Guangdong Baiyun University shall each jointly establish a research centre and develop school-enterprise cooperative courses in relation to dental technology and other related technologies in material sciences and electronic engineering with Fanyu Dental. The term of the agreement with Baiyun Technician College shall last until 12 June 2020, and no fee is payable under the agreement. The term of the agreement with Guangdong Baiyun University shall be five years from the date of the agreement, and Fanyu Dental shall also pay an annual management fee of RMB219,216 for the use of certain facilities and resources of Guangdong Baiyun University.

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Our Directors currently expect that each of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will not exceed 0.1%. Pursuant to Rule 14A.76(1) of the Listing Rules, the transaction will be fully exempt from all disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Our Directors consider that the Fanyu Dental Cooperation Agreements represent an important school-enterprise cooperation for Guangdong Baiyun University and Baiyun Technician College, expanding the teaching capability, enhancing the learning environment and providing an invaluable opportunity for students to train for a career in dentistry and other related subjects (such as material sciences). Our Directors consider that such cooperation is mutually beneficial to both our schools and Fanyu Dental. As in the case of other school-enterprise collaboration of a similar nature, the agreement between Baiyun Technician College and Fanyu Dental does not involve fees payable by either the school or the enterprise. The annual management fee payable under the agreement with Guangdong Baiyun University is for the use of certain facilities and resources of Guangdong Baiyun University by Fanyu Dental. Accordingly, our Directors (including our independent non-executive Directors) confirm that the Fanyu Dental Cooperation Agreements are entered into on normal commercial terms and in the interests of our Shareholders as a whole.

### NON-EXEMPT CONTINUING CONNECTED TRANSACTION

#### Background

As disclosed in the section headed "Contractual Arrangements", due to regulatory restrictions on foreign ownership in our schools in the PRC, we conduct a substantial portion of our business through our consolidated affiliated entities in the PRC. We do not hold any equity interests in our consolidated affiliated entities which are held directly or indirectly by Mr. Yu and Mr. Xie. Rather, through the Contractual Arrangements, we effectively control these consolidated affiliated entities and are able to derive substantially all of their economic benefits, and expect to continue to do so. The Contractual Arrangements among us, Mr. Yu, Mr. Xie, WFOE and our consolidated affiliated entities enable us to (i) receive substantially all of the economic benefits from our consolidated affiliated entities in consideration for the services provided by WFOE; (ii) exercise effective control over our consolidated affiliated entities; and (iii) hold an exclusive option to purchase all or part of the sponsor interests in our PRC Operating Schools when and to the extent permitted by PRC laws.

The Contractual Arrangements consist of various types of documents. See the section headed "Contractual Arrangements" for the details of these documents.

#### 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 constitute continuing connected transactions of our Company under the Listing Rules upon Listing.

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<u>Name</u>	<u>Connected relationships</u>
Mr. Yu	Mr. Yu is an executive Director and a substantial shareholder of our Company, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules
Mr. Xie	Mr. Xie is an executive Director and a substantial shareholder of our Company, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our organisational structure and business, that such transactions have been and will be entered into in our ordinary and usual course of business, 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 transactions, contracts and agreements to be entered into, among others, by any of our Schools and any member of our Group (“**New Intergroup Agreements**” and each of them, a “**New Intergroup Agreement**”) technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that we are placed in a special situation in relation to relying on the Contractual Arrangements to operate a substantial portion of our business, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to us 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 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 listed on the Stock Exchange subject to the following conditions:

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

No change to the Contractual Arrangements (including with respect to any fees payable to WFOE thereunder) 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. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the 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 consolidated affiliated entities through (i) our options (if and when so allowed under the applicable PRC laws) to acquire, all or part of the entire equity interests or sponsor interests (as the case may be) in our consolidated affiliated entities for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations, (ii) the business structure under which the profit generated by our consolidated affiliated entities is substantially retained by us, such that no annual cap shall be set on the amount of service fees payable to the WFOE by the consolidated affiliated entities under the Exclusive Service Agreements and Business Cooperation Agreements, and (iii) our right to control the management and operation of, as well as, in substance, all of the voting rights of our consolidated affiliated entities.

***(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 the one hand, and the consolidated affiliated entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as ours which we 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**

We will disclose details relating to the Contractual Arrangements on an on-going basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in our annual report and accounts in accordance with the relevant provisions of the Listing Rules.
- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our annual report and accounts 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 and that the profit generated by our consolidated affiliated entities has been substantially retained by the WFOE, (ii) no dividends or other distributions have been made by our consolidated affiliated entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to us, and (iii) any new contracts entered into, renewed or reproduced between us and our consolidated affiliated entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to our Shareholders, so far as we are concerned and in the interests of the Shareholders as a whole.
- Our Company's auditor will carry out review 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 the consolidated affiliated entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to us.
- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", our consolidated affiliated entities will be treated as our Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the consolidated affiliated entities and its associates will be treated as connected persons of our Company (excluding for this purpose, the consolidated affiliated entities), and transactions between these connected persons and us (including for this purpose, the consolidated affiliated entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.
- Our consolidated affiliated entities will undertake that, for so long as the Shares are listed on the Stock Exchange, our consolidated affiliated entities will provide our management and our Company's auditor full access to its relevant records for the purpose of our Company's auditor's review of the connected transactions. In addition, we have also applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance with (i) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect

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of the transactions contemplated in any New Intergroup Agreements, (ii) the requirement of setting an annual cap for the fees payable by/to any member of our Group to/from our consolidated affiliated entities under any New Intergroup Agreements, and (iii) the requirement of limiting the term of any New Intergroup Agreement to three years or less, for so long as Shares are listed on the Stock Exchange subject to the condition that the Contractual Arrangements subsist and that our consolidated affiliated entities will continue to be treated as our Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the consolidated affiliated entities and its associates will be treated as connected persons of our Company (excluding for this purpose, our consolidated affiliated entities), and transactions between these connected persons and our Group (including for this purpose, the consolidated affiliated entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules. We will comply with the applicable requirements under the Listing Rules, and will immediately inform the Stock Exchange of any changes to these continuing connected transactions.

### CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor has reviewed the relevant documents and information provided by our Group, has obtained necessary representations and confirmations from our Company and our Directors and has participated in the due diligence and discussions with our management and our PRC Legal Adviser. Based on the above, the Sole Sponsor is of the view 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 and on normal commercial terms or better that are fair and reasonable and in the interests of our Company and the Shareholders as a whole. Based on the above, the Sole Sponsor is of the view that 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 the consolidated affiliated entities can be effectively controlled by WFOE, (ii) WFOE can obtain the economic benefits derived from the consolidated affiliated entities, and (iii) any possible leakages of assets and values of the consolidated affiliated entities can be prevented, on an uninterrupted basis.