

VIE Contractual Arrangements

Current PRC laws and regulations restrict foreign ownership in the private education industry in China. We are a company registered in the Cayman Islands. Yunnan WFOE is our PRC subsidiary and a foreign-invested enterprise under PRC laws. To comply with PRC laws and regulations, we primarily operate in China through our affiliated entities, based on a series of contractual arrangements by and among Yunnan WFOE, our affiliated entities, and the shareholders of Long-Spring Education.

Our contractual arrangements with our affiliated entities and the shareholders of Long-Spring Education permit us to (1) exercise effective control over the affiliated entities, (2) receive substantially all of the economic benefits of our affiliated entities, and (3) have an exclusive call option to purchase all or part of the equity interests in our affiliated entities when and to the extent permitted by PRC law.

We do not have any equity interest in our affiliated entities. However, as a result of these contractual arrangements, we control our affiliated entities through our PRC subsidiary, Yunnan WFOE. As a result of our direct ownership in Yunnan WFOE and the contractual arrangements with our affiliated entities, we are the primary beneficiary of our affiliated entities, and we have also consolidated their financial results in accordance with U.S. GAAP.

The following is a summary of the material provisions of these contractual arrangements with our affiliated entities and the shareholders of Long-Spring Education executed in December 2018.

Exclusive Call Option Agreement. Pursuant to the exclusive call option agreement, the shareholders of Long-Spring Education unconditionally and irrevocably granted Yunnan WFOE or its designated entity the right to purchase at any time all or part of their equity interests in Long-Spring Education at the lowest price applicable under PRC laws and regulations. Without Yunnan WFOE's prior written consent, the shareholders of Long-Spring Education also refrain from (1) selling, assigning, transferring, or otherwise disposing of the equity or sponsorship interest, (2) increasing or reducing the capital investment, (3) dividing the affiliated entities into or merging it with other entities, (4) disposing of any of the assets of the affiliated entities, (5) terminating or contradicting any material contract entered into by the affiliated entities, (6) procuring the affiliated entities to enter into transactions that may have material impact on their assets, liabilities, operations, equity structure, or other legal rights, (7) procuring the affiliated entities to declare or distribute profits and/or returns, (8) amending the article of association of the affiliated entities, and (9) allowing the affiliated entities to undertake any material obligation beyond normal business activities.

School Sponsor's and Directors' Rights Entrustment Agreement. Pursuant to the school sponsor's and directors' rights entrustment agreement, the school sponsors irrevocably authorized and entrusted Yunnan WFOE or its designated personnel to exercise all their rights as the school sponsor of each school, including but not limited to the right to appoint and/or elect directors, council members, and supervisors of the school, right to review the resolutions of the board of directors and the financial statement of the school, right to transfer school sponsor's interest, and right to decide whether the school would be for-profit or non-profit. Each director appointed by the sponsor of each school unconditionally and irrevocably authorized and entrusted Yunnan WFOE to exercise all the rights as a director of the school, including but not limited to the right to attend meetings of the board of directors and vote, right to sign board resolutions and other legal documents and other rights of directors under the school's articles of association and the applicable PRC laws.

Shareholders' Rights Entrustment Agreement. Pursuant to the shareholders' rights entrustment

agreement, each shareholder of Long-Spring Education irrevocably authorized and entrusted Yunnan WFOE to exercise all the respective rights as shareholders of Long-Spring Education, including but not limited to the right to attend shareholder's meeting and vote, right to sign shareholders' resolutions and other legal documents, right to instruct the directors and other rights of shareholders under the school's articles of association and the applicable PRC laws.

Power of Attorney. Pursuant to the school sponsors' power of attorney, each school sponsor authorized and appointed Yunnan WFOE as its agent to exercise on its behalf a school sponsor's rights. Pursuant to the directors' power of attorney, each director of Long-Spring Education authorized and appointed Yunnan WFOE as his/her agent to exercise on his/her behalf a director's rights. Pursuant to the shareholders' power of attorney, each shareholder of Long-Spring Education authorized and appointed Yunnan WFOE as his/her/its agent to exercise on his/her/its behalf a shareholder's rights.

Exclusive Technical Service and Management Consultancy Agreement and Business Cooperation Agreement. Pursuant to the exclusive technical service and management consultancy agreement and business cooperation agreement, Yunnan WFOE provides exclusive technical services to Long-Spring Education VIEs, including software, website, and on-site technical support and training. It also provides exclusive management consultancy services such as staff training, student recruitment support, internal management advisory, and market research and public relations. Each of the Long-Spring Education VIEs pays Yunnan WFOE a service fee equal to the total amount of surplus of its operation. Yunnan WFOE also reserves the exclusive proprietary rights to any technology or intellectual property developed in the course of the provision of services under the agreements. Without the prior written consent of Yunnan WFOE, Long-Spring Education VIEs cannot accept services provided by or establish similar cooperation relationship with any third-party. The agreements will remain effective unless Yunnan WFOE and/or the designated entity fully exercised its purchase rights pursuant to the exclusive call option agreement or unilaterally terminated by Yunnan WFOE with a 30-day advance notice. Unless otherwise required by applicable PRC laws, Long-Spring Education VIEs do not have any right to terminate the agreements.

Equity Pledge Agreement. Pursuant to the equity pledge agreement, the shareholders of Long-Spring Education unconditionally and irrevocably pledged and granted first priority security interests over all of his/her/its equity interest in Long-Spring Education, as well as all related rights, to Yunnan WFOE as security for performance of all the contractual arrangements. Without Yunnan WFOE's prior written consent, the shareholders of Long-Spring Education must not transfer the equity interest or create further pledge or encumbrance over the pledged equity interest. They also waived any pre-emptive rights upon enforcement, and Yunnan WFOE can enforce upon default by transferring all or part of the equity interest, selling the pledged equity interest, or disposing of the pledged equity interest in any other way to the extent permitted by PRC laws and regulations.

Spousal Undertaking. Pursuant to the spousal undertaking executed by the spouses of the shareholders of Long-Spring Education, the signing spouses consented to the contractual arrangements with respect to the equity interest in Long-Spring Education, including its pledge, transfer, and disposal in any other forms. The spouses will not participate in the operation, management, liquidation, or any other matters in relation to Long-Spring Education's subsidiaries and affiliated schools. They authorized the shareholders of Long-Spring Education to exercise their shareholding rights on behalf of them to ensure the interest of Yunnan WFOE. This undertaking will not terminate until Yunnan WFOE and the spouses terminate it in writing.

Loan Agreement. Pursuant to the loan agreement, Yunnan WFOE agreed to provide interest-free loans

to Long-Spring Education. Each loan will be for an infinite term until termination at the sole discretion of Yunnan WFOE. This agreement will terminate when all equity interests of the Long-Spring Education are transferred to Yunnan WFOE.

In the opinion of our PRC legal counsel:

- the ownership structures of Yunnan WFOE and our affiliated entities in China, both currently and immediately after giving effect to this offering, are not in violation of applicable PRC laws and regulations currently in effect; and
- the contractual arrangements among Yunnan WFOE, our affiliated entities, and the shareholders of Long-Spring Education, governed by PRC law are legal, valid and binding, and will not result in any violation of applicable PRC laws and regulations currently in effect.

However, our PRC legal counsel has also advised us that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. Accordingly, the PRC regulatory authorities may take a view that is contrary to the opinion of our PRC legal counsel. It is uncertain whether any new PRC laws or regulations relating to variable interest entity structures will be adopted or if adopted, what they would provide. If we or our contractual arrangements are found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures.