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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### CONTROLLING SHAREHOLDERS

Immediately after the completion of the Global Offering (assuming that the Over-allotment Option and the options granted under the Share Option Schemes are not exercised and no Shares are granted under the Share Award Scheme), the Controlling Shareholders, who are parties acting in concert pursuant to the Concert Party Agreement (see “History, Reorganisation and Corporate Structure – The Concert Party Agreement”), will be interested in an aggregate of 75% of the issued share capital of our Company. Accordingly, Mr. Yu, Mr. Xie, Blue Sky BVI and White Clouds BVI are acting together as a group of Controlling Shareholders.

Mr. Yu and Mr. Xie are both our executive Directors. For further background of Mr. Yu and Mr. Xie, see “Directors and Senior Management”.

### Competition

Each of our Controlling Shareholders confirms that as of the Latest Practicable Date, he or it did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

### INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their close associates after the Listing.

### Management Independence

Our Board comprises four executive Directors and three independent non-executive Directors. Mr. Yu and Mr. Xie, our Controlling Shareholders, are two of our executive Directors.

Each of our Directors is aware of his fiduciary duties as a director of our Company which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted towards the quorum. In addition, we have an independent senior management team to carry out the business decisions of our Group independently.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders and their respective close associates following the completion of the Global Offering.

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### **Operational Independence**

We have sufficient capital, facilities and employees to operate our business independently from our Controlling Shareholders and their close associates. We also have independent access to our customers and suppliers and an independent management team to operate our business.

Although during the Track Record Period, there had been transactions between us and our related parties, details of which are set out in the section headed “Financial Information – Related Party Transactions” and Note 37 to the Accountants’ Report set out in Appendix IA, our Directors have confirmed that these related party transactions were conducted on normal commercial terms or better from the standpoint of our Company. In particular, some of these transactions were conducted with a view to promoting the welfare of our students, which align with the interests of our Company and our Shareholders as a whole. We intend to continue our cooperation going forward. None of the historical related party transactions with connected persons (as defined in the Listing Rules) are expected to continue after the Listing.

Accordingly, our Directors are satisfied that we will be able to function and operate independently from our Controlling Shareholders and their respective close associates.

### **Financial Independence**

We have an independent internal control and accounting system. We also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders and their respective close associates.

During the Track Record Period, our Group had certain non-trade related amounts due to/from our Controlling Shareholders or their respective close associates, see “Financial Information – Related Party Transactions” and Note 27 of the Accountants’ Report set out in Appendix IA for further details. As of the Latest Practicable Date, (i) all non-trade related amounts due from our Controlling Shareholders or their respective close associates had been settled; and (ii) we had certain amounts due to Dr. Yu relating to, among other things, our Listing expenses that we expect to be fully settled upon the Listing.

We have sufficient capital to operate our business independently, and have adequate internal resources and a strong credit profile to support its daily operations. There will be no financial assistance, security and/or guarantee provided by our Controlling Shareholders or their respective close associates in our favour or vice versa (as the case may be) upon the Listing. We have engaged an independent internal control consultant to assist us in putting in place controls in relation to transactions with connected persons and their associates to ensure that any advances to or from such persons are in compliance with the Listing Rules.

Having considered that our future operations are not expected to be financed by our Controlling Shareholders or their respective close associates, we believe we are financially independent of our Controlling Shareholders and their respective close associates.

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### CORPORATE GOVERNANCE MEASURES

Our Directors recognise the importance of good corporate governance in protecting our Shareholders' interests. We have adopted the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

- (a) under the Articles, where a Shareholders' meeting is to be held for considering proposed transactions in which any of our Controlling Shareholders or any of their associates has a material interest, the relevant Controlling Shareholders or their associates will not vote on the relevant resolutions;
- (b) we have established internal control mechanisms to identify connected transactions. Upon the Listing, if we enter into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable Listing Rules;
- (c) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and our Controlling Shareholders (the "**Annual Review**") and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;
- (e) we will disclose decisions on matters reviewed by the independent non-executive Directors either in our annual reports or by way of announcements as required by the Listing Rules;
- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our expenses; and
- (g) we have appointed Somerley Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between us and our Controlling Shareholders, and to protect our minority Shareholders' interests after the Listing.