
RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER

OVERVIEW

As of the Latest Practicable Date, Dr. Shen is interested in approximately 15.92% of the Shares. Accordingly, Dr. Shen constitutes our Single Largest Shareholder. See “History, Development and Corporate Structure” for further details.

Immediately following the completion of the [REDACTED], Dr. Shen will hold approximately [REDACTED]% of the Shares (assuming the [REDACTED] is not exercised). Therefore, upon Listing, Dr. Shen will remain as our Single Largest Shareholder and our Company will not have any controlling shareholders as defined under the Listing Rules.

COMPETITION

As of the Latest Practicable Date, Dr. Shen has confirmed that he did not have an interest in a business excluded from the business of our Group which competes or is likely to compete, either directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR SINGLE LARGEST SHAREHOLDER AND HIS CLOSE ASSOCIATES

Our Directors consider that we are capable of carrying on our business independently from Dr. Shen and his close associates after Listing, taking into consideration the factors below.

Management Independence

Our Board comprises two executive Directors, two non-executive Directors and three independent non-executive Directors. Dr. Shen is an executive Director, chief executive officer, chairman of the Board and our Single Largest Shareholder, responsible for the strategic planning, business direction and daily operations and management of our Group. Our other Directors have relevant experience to ensure the proper functioning of the Board.

We believe that our Directors and members of the senior management are able to perform their roles in our Company in managing our business independently from our Single Largest Shareholder and/or his close associates for the following reasons:

- (i) each of our Directors is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests. In the event that there is an actual or potential conflict of interest arising out of any transaction to be entered into between our Group and any of the Directors or their respective close 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 in the quorum;
- (ii) our Board comprises seven Directors, including three independent non-executive Directors, which represent over one-third of the members of our Board. Our independent non-executive Directors have extensive experience in corporate management and governance, and they are appointed to ensure that our Board will only make decisions after due consideration of independent and impartial opinions. Certain matters of our Company must always be referred to the independent non-executive Directors for review; and
- (iii) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and Dr. Shen that would support our independent management. For details, see “—Corporate Governance” in this section.

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Based on the reasons above, our Directors are of the view that our Group is capable of managing our business independently from Dr. Shen and his close associates after the Listing.

Operational Independence

We have full rights to make all decisions on, and carry out, our own business operations independently from Dr. Shen and his close associates and will continue to do so after the Listing. Our Group is able to operate without reliance on Dr. Shen and his close associates.

Access to suppliers and business partners

We have independent access to our suppliers, business partners and other resources required for our business. Our suppliers and business partners bases are diversified and unrelated to Dr. Shen and his close associates.

Operational facilities and administration

We have full-time management team and staff to carry out our own administration and operation independently from Dr. Shen and his close associates. All key administrative functions (including administration, finance, internal audit, human resources, legal and compliance and company secretarial functions) have been and will be carried out by our own without reliance or the support of Dr. Shen and his close associates.

Employees

As of the Latest Practicable Date, save as disclosed in the section headed “Directors and Senior Management” in this document, all of our full-time employees were independent from Dr. Shen and his close associates and were primarily recruited through both internal referrals and external sources such as campus recruitment, recruitment websites and third-party recruiters.

Based on the reasons above, our Directors are of the view that we have full rights to make all decisions on, and to carry out, our own business operations independently from Dr. Shen and his close associates and will continue to do so after the Listing.

Financial Independence

We have independent internal control and accounting systems and make financial decisions according to our business needs. We also have an independent finance department responsible for discharging the financial management, accounting, reporting, funding and treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on Dr. Shen or his close associates.

Based on the above, our Directors believe that we are capable of carrying on our business independently of, and do not place undue reliance on Dr. Shen or his close associates after Listing.

CORPORATE GOVERNANCE

Upon Listing, our Company will comply with the provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, which sets out principles of good corporate governance.

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Our Directors recognize the importance of good corporate governance in protection of our Shareholders’ interests. We will adopt the following measures to safeguard good corporate governance standards and to avoid potential conflicts of interests between our Group and Dr. Shen or his close associates:

- (i) as part of our preparation for the [REDACTED], we have amended our Articles of Association to comply with the Listing Rules which will take effect upon Listing. In particular, our Articles of Association provide that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (ii) a Director with himself/herself or his/her close associates having material interests shall make full disclosure in respect of matters that may have conflict or potentially conflict with any of our interest at the meeting of our Board, shall abstain from voting on such matters and not be counted in the quorum, unless the attendance or participation of such Director at such meeting of the Board is permitted under the Listing Rules;
- (iii) we are committed that our Board should include a balanced composition with not less than one-third of independent non-executive Directors to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. For details of our independent non-executive Directors, see “Directors and Senior Management—Board of Directors—Independent non-executive Directors”;
- (iv) we have appointed Somerley Capital Limited as our Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to Directors’ duties and corporate governance;
- (v) our Company has established internal control mechanisms to identify connected transactions. Upon and after the Listing, if our Company enters into connected transactions with Dr. Shen or any of his associates, our Company will comply with the applicable Listing Rules; and
- (vi) as required by the Listing Rules, our independent non-executive Directors shall review any continuing connected transaction annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favorable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole.

Based on the above, our Directors believe that there are sufficient and adequate corporate governance measures in place to manage existing and potential conflicts of interest that may arise between our Group and our Single Largest Shareholder, and to protect minority shareholders’ interests after the Listing.