

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after completion of the [REDACTED] and the [REDACTED], Niusanping Limited will directly hold [REDACTED]% of the issued share capital of our Company, assuming the [REDACTED] is not exercised and without taking into account any Shares which may be issued upon the exercise of options granted under the Share Option Scheme. Niusanping Limited is solely owned by Mr. Niu Sanping, the chairman of our Board and an executive Director. Details of the background of Mr. Niu Sanping are set out in “Directors and Senior Management — Board of Directors — Chairman and executive Director” in this document.

Information on other companies owned by our Controlling Shareholders

We are currently engaged in the provision of higher educational services in Shanxi Province, the PRC. Other than the interests in our Group, our Controlling Shareholders currently hold direct or indirect interests in companies outside of our Group, which are engaged in education and non-education related business.

In relation to education related business other than those conducted by our Group, Mr. Niu Sanping held interests in the following companies:

- ***Tongcai Investment***

Tongcai Investment is a limited liability company established in the PRC on September 16, 2005, and is principally engaged in, among others, conference services, catering and accommodation services and sales of teaching and office equipment. As of the Latest Practicable Date, Tongcai Investment is owned as to 40% by Mr. Niu Sanping, our Chairman and an executive Director, 40% by Mr. Niu Jian, the son of Mr. Niu Sanping and also an executive Director, and 20% by Ms. Chen Xue, an Independent Third Party. Mr. Niu Jian is a director of Tongcai Investment. Based on the unaudited management accounts prepared in accordance with the PRC GAAP, Tongcai Investment recorded net loss of approximately RMB3.7 million, RMB2.3 million and RMB1.3 million for the years ended August 31, 2018, 2019 and 2020, respectively, and net profit of approximately RMB390,000 for the four months ended December 31, 2020.

- ***Shanxi Tongcai Educational Consulting Company Limited**** (山西通才教育諮詢有限公司) (“*Tongcai Consulting*”)

Tongcai Consulting (formerly known as Shanxi Tongcai Information Consulting Company Limited* (山西通才信息諮詢有限公司)) is a limited liability company established in the PRC on May 7, 2010, and is principally engaged in, among others, consultation and intermediary services for overseas studies, translation services and education consulting (excluding training, tutoring and intermediary). As of the Latest Practicable Date, Tongcai Consulting is owned as to 40% by Tongcai Investment and 60% by Mr. Niu Jian, the son of Mr. Niu Sanping and an executive Director. Mr. Niu Jian is a director of Tongcai Consulting. Based on the unaudited management accounts prepared in accordance with the PRC GAAP, Tongcai Consulting recorded net loss of approximately RMB19,000 and RMB477,000 for the years ended August 31, 2018 and 2019, respectively, and net profit of approximately RMB36,000 and RMB239,000 for the year ended August 31, 2020 and the four months ended December 31, 2020, respectively.

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- ***Shanxi Tongcai Training School**** (山西通才培訓學院) (“*Tongcai Training School*”)

Tongcai Training School is a training school located in Shanxi Province, the PRC, which provides non-degree academic training programs to college students to prepare them for post-graduate admission examinations or professional qualification examinations. As of the Latest Practicable Date, the sole school sponsor of Tongcai Training School is Tongcai Consulting. Based on the unaudited management accounts prepared in accordance with the PRC GAAP, Tongcai Training School recorded net loss of approximately RMB2.1 million and RMB1.4 million for the years ended August 31, 2018 and 2019, respectively, and net profit of approximately RMB1.3 million and RMB2.7 million for the year ended August 31, 2020 and the four months ended December 31, 2020, respectively.

Views of the Sole Sponsor and Directors

Our Directors are of the view and the Sole Sponsor concurs that based on the unaudited management accounts, prepared in accordance with PRC GAAP, of Tongcai Investment, Tongcai Consulting and Tongcai Training School, as well as Tongcai Media and Tongcai Culture, as discussed in the section headed “History and Corporate Structure — Disposal of Entities not Related to our Principal Business” of this document, the Group would still meet the [REDACTED] pursuant to Rule 8.05(1) of the Listing Rules if Tongcai Investment, Tongcai Consulting and Tongcai Training School, as well as Tongcai Media and Tongcai Culture were included in the Group.

These institutions and companies (collectively, the “**Excluded Companies**”) do not currently provide, and will not provide bachelor’s degree programs in the future. The Excluded Companies are not included in our Group because (i) being an education group providing formal higher education, we are not currently engaged in, and have no intention in the future to engage in, providing non-degree academic training programs, including training programs for post-graduate admission examinations and professional qualification examinations currently offered by Tongcai Training School (collectively, the “**Excluded Business**”); and (ii) the operation of the Excluded Business involves management personnel that is different from Shanxi Technology & Business, except for Mr. Niu Jian. Although Mr. Niu Jian acts as the director of each of Tongcai Investment and Tongcai Consulting, each of Tongcai Investment and Tongcai Consulting confirmed that he is not involved in the daily operations of both Tongcai Investment and Tongcai Consulting. Ms. Chen Li, acting as the chief operating officer of Tongcai Investment, is responsible for the daily operation and management of Tongcai Investment. The heads of different departments of Tongcai Investment report to Ms. Chen Li directly. Ms. Chen Xue, acting as the chief operating officer of Tongcai Consulting, is responsible for the daily operation and management of Tongcai Consulting. The heads of different departments of Tongcai Consulting report to Ms. Chen Xue directly.

Our Directors are of the view that the Excluded Business is clearly delineated from that of our Group and there is no potential competition, direct or indirect, between the Excluded Business with our Group, on the basis that:

- (i) Shanxi Technology & Business offers an undergraduate program, which provides a bachelor’s degree to graduating students. Unlike Shanxi Technology & Business, Tongcai Training School provides non-degree academic training to college students in preparation for their post-graduate entrance examinations or professional qualification examinations;

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- (ii) our target students are clearly different from those targeted by Tongcai Training School. Our College mainly targets high school graduates and junior college or vocational school graduates who are seeking formal higher education to earn formal undergraduate degrees officially recognized by the PRC government, while Tongcai Training School primarily provides non-degree academic training programs to students who have already enrolled in colleges/universities and intend to improve their performance in standardized examinations, enhance their vocational skills, or obtain completion certificates for the training and learning courses they have taken yet do not require official recognition of their academic or skill level by way of formal diplomas and degrees. Student requirements met by enrolling in our College and those met by attending training programs offered by Tongcai Training School are clearly different, as one is to earn formal undergraduate degrees and one is to enhance test skills and/or professional skills. The majority of our College’s students are admitted based on their respective scores achieved in the National Higher Education Entrance Examination, whilst Tongcai Training School has no strict selecting criteria and entry requirements. Even if there are overlapping students, training programs provided by Tongcai Training School merely serve as supplementary education on top of the formal higher education for students who have already enrolled in colleges/universities, and our students can choose whether to attend such training programs based on their personal academic needs and whether to attend training programs provided by Tongcai Training School or other training institutions on a fully voluntary basis. Our Directors consider the education services provided by our College and Tongcai Training School are of different nature, and are not mutually exclusive with each other;
- (iii) the regulatory requirements for our College are different from that for Tongcai Training School, for example, the operation of our College is subject to the Basic Indicators and the Monitoring Indicators while Tongcai Training School is not;
- (iv) the course structures of Shanxi Technology & Business are different from those of the Excluded Business, for example, we are required to develop curriculums and course structures according to the National Standards for Teaching Quality of Undergraduate Majors in General Colleges and Universities (《普通高等學校本科專業類教學質量國家標準》), which shall be filed with and examined by the Department of Education of Shanxi Province, while Tongcai Training School is not. In addition, the knowledge, experience and qualifications requirements on our teachers are different from those of the Excluded Business;
- (v) the operation of our PRC Affiliated Entities and the Excluded Business are under different management teams. Mr. Niu Sanping, our Chairman of the Board, an executive Director and the principal of Shanxi Technology & Business, does not have any management roles at, and are not involved in the decision making and daily operations of, the Excluded Business; and
- (vi) under the Contractual Arrangements, Mr. Niu Sanping also provided certain non-competition undertakings in favour of our Company, details of which are set out in the paragraph headed “Contractual Arrangements — Arrangement to address potential conflict of interest” in this document.

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INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that we are capable of carrying on our business independently from our Controlling Shareholders and its/his respective associates after completion of the [REDACTED]:

Management independence

Our Board comprises four executive Directors and three independent non-executive Directors. Mr. Niu Sanping is the Chairman of the Board and an executive Director. Save as disclosed above, no other Controlling Shareholder holds any directorship in our Company. Each of our Directors 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 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 in 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 following the completion of the [REDACTED].

Operational independence

We believe that we are capable of carrying on our business independently of our Controlling Shareholders and its or his respective associates upon [REDACTED] for the following reasons:

- (i) we hold or enjoy the benefit of all relevant licenses necessary to operate our business;
- (ii) we have independent management team to engage in our business;
- (iii) we can make decisions and carry out our own business operations independently;
- (iv) we have our own organizational structure and departments independent from our Controlling Shareholders;
- (v) we have established a set of internal control procedures to facilitate the effective operation of our business;
- (vi) we own or have the right to use all the operational facilities relating to our business; and
- (vii) we have sufficient capital, facilities and employees to operate our business independently.

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Financial independence

Our Group has an independent financial system and makes financial decisions according to our Group’s own business needs. Save as disclosed in the sections headed “History and Corporate Structure” and “Appendix V — Statutory and General Information” in this document, our source of funding was independent from our Controlling Shareholders and none of our Controlling Shareholders or their respective associates, financed our operations during the Track Record Period. Our Group’s accounting and finance functions are independent of our Controlling Shareholders. Our Directors confirm that our Group does not intend to obtain any borrowings, guarantees, pledges or mortgages from any of our Controlling Shareholders or entities controlled by our Controlling Shareholders. Therefore, we have no financial dependence on our Controlling Shareholders.

Confirmation given by other Directors

Each Director confirms that he or she does not have any competing business with our Group.

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflict of interest. In order to avoid any potential conflict of interests arising, we have implemented the following measures:

- (a) under the Articles of Association, where a Shareholders’ meeting is to be held for considering proposed transactions in which any of our Controlling Shareholders or any of their close associates has a material interest, the relevant Controlling Shareholders or their close associates will not vote on the relevant resolutions;
- (b) we have established internal control mechanisms to identify connected transactions. Upon [REDACTED], if we enter into connected transactions with our Controlling Shareholders or any of their close associates, our Company will comply with the applicable Listing Rules;
- (c) our independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and our Controlling Shareholders 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 their 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 advisors, the appointment of such independent professionals will be made at our expenses; and
- (g) we have appointed Sinolink Securities (Hong Kong) Company Limited as our compliance advisor 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.