
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

On March 28, 2016, Mr. Chen and Mr. Qin entered into a concert party agreement, pursuant to which they acknowledged and confirmed that they had been acting in concert excising their rights as shareholders of Readboy Technology before entering into the agreement, and agreed to continue the same going forward. On April 1, 2021, Mr. Chen and Mr. Qin further entered into the Concert Parties Confirmatory Deed, pursuant to which they reaffirmed that they had been acting in concert in respect of each of the members of our Group before the date of the Concert Parties Confirmatory Deed, and shall continue the same thereafter. They have undertaken to continue to act in concert directly or indirectly through the companies controlled by them. They have also agreed to, among others, vote unanimously at all meetings of the shareholders of each member of our Group, discuss and reach consensus with each other before proposing to such meetings, and act in concert in respect of the business operations, governance and other key matters of our Group which shall be decided by the shareholders of each of the members of the Group.

Immediately following the completion of the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into account any Shares which may be issued pursuant to the [REDACTED] RSU Scheme and [REDACTED] Share Option Scheme), by virtue of the Concert Parties Confirmatory Deed, Mr. Chen, Mr. Qin, Sky Focus, Kimlan Limited and Trade Honour will be together interested in approximately [REDACTED]% of the issued share capital of the Company. Sky Focus is entirely held by Kimlan Limited which is in turn entirely held by Maples Trustee Services (Cayman) Limited, the trustee of Joywish Family Trust. Joywish Family Trust is a discretionary trust established by Mr. Chen as the settlor, and the beneficiaries of which include Mr. Chen and his family members. Trade Honour is a wholly-owned company of Mr. Qin. As Mr. Chen, Mr. Qin, Sky Focus, Kimlan Limited and Trade Honour will continue to control more than 30% of the issued share capital of the Company, and by virtue of the Concert Parties Confirmatory Deed, they will be regarded as a group of Controlling Shareholders under the Listing Rules.

DEED OF NON-COMPETITION

To ensure that competition does not develop between us and other business activities and/or interest of our Controlling Shareholders, our Controlling Shareholders have entered into the Deed of Non-Competition dated [●] in favor of our Company (for itself and as trustee for its subsidiaries) pursuant to which each of our Controlling Shareholders has jointly and severally, irrevocably and unconditionally, undertaken to us in the Deed of Non-Competition that he/it will not, and will procure his/its close associates (other than members of our Group) not to (i) directly or indirectly invest in, participate in, engage in, conduct or be involved in any business (other than our business) that directly or indirectly competes, or may compete, with the core business of our Group, namely smart learning device service or any other business conducted by our Group from time to time (the “**Restricted Business**”), or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by our Group from time to time, or conduct any Restricted Business, or (ii) take any action which interferes with or disrupts or may interfere with or disrupt the Restricted Business

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including, but not limited to, solicitation of any of the then current customers, suppliers or employees from any members of our Group, except (a) where our Controlling Shareholders and their close associates individually and in aggregate hold or control, directly or indirectly, less than 5% of the total issued share capital of any company listed on the Stock Exchange or any other stock exchange which has or may have competing business; and (b) they do not control 10% or more of the composition of the board of directors of such company. The above restrictions also do not apply when our Group engages in a new business that is not a Restricted Business and at the time of commencement of such new business, any of our Controlling Shareholders had already been conducting or been involved in, or otherwise been interested in, the relevant business.

Further, each of our Controlling Shareholders has undertaken that if any new business investment/other business opportunity which will directly or indirectly compete or is likely to compete the Restricted Business (the “**Competing Business Opportunity**”) is identified by/made available to him/it or any of his/its close associates, he/it shall, and shall procure that his/its close associates shall, refer such Competing Business Opportunity to our Company on a timely basis by giving written notice (the “**Offer Notice**”) within 30 business days of identifying such Competing Business Opportunity, the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity.

Upon receiving the Offer Notice, our Company shall seek approval from a board committee comprising independent non-executive Directors who do not have an interest in the Competing Business Opportunity (the “**Independent Board**”) as to whether to pursue or decline the Competing Business Opportunity (any Director who has actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity). The Independent Board shall consider whether such Competing Business Opportunity would constitute competition or potential competition to the Restricted Business and the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group’s strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board may appoint independent financial advisors and legal advisors to assist in the decision making process in relation to such Competing Business Opportunity. The Independent Board shall, within 30 business days of receipt of the written notice referred above, inform our Controlling Shareholders in writing on behalf of our Company its decision whether to pursue or decline the Competing Business Opportunity. If we determine to take up the Competing Business Opportunity, the relevant Controlling Shareholder or his or its close associates (except members of our Group) would be obligated to offer such Competing Business Opportunity to us.

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The relevant Controlling Shareholder shall be entitled but not obliged to pursue such Competing Business Opportunity if he/it has received a notice from the Independent Board declining such Competing Business Opportunity or if the Independent Board failed to respond within such 30 business days’ period mentioned above. If there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by the relevant Controlling Shareholder, he/it shall refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

Pursuant to the Deed of Non-Competition, the respective obligations of each of our Controlling Shareholders under the Deed of Non-Competition shall become effective on the [REDACTED] and the above restrictions will lapse automatically if our Controlling Shareholders and their respective close associate cease to hold, whether directly or indirectly, 30% or above of our Shares with voting rights or our Shares cease to be [REDACTED] on the Stock Exchange.

Our Company will adopt the following procedures to monitor the Deed of Non-Competition is being observed:

- (i) our independent non-executive Directors shall review on an annual basis the above undertakings by the Controlling Shareholders and evaluate the effective implementation of the Deed of Non-Competition;
- (ii) each of the Controlling Shareholders has undertaken to provide any information as is reasonably required by our Group or our independent non-executive Directors as a basis to decide whether to exercise the right of first refusal in relation to Competing Business Opportunity by our Company from time to time; and
- (iii) each of our Controlling Shareholders has further undertaken to us that he/it will provide and procure his/its close associates to provide on best endeavor basis, all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Deed of Non-Competition. Our Controlling Shareholders will also make an annual declaration in our annual report on the compliance with the Deed of Non-Competition in accordance with the principle of voluntary disclosure in the corporate governance report.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders and their respective close associates after [REDACTED].

Management Independence

Our Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors. See “Directors and Senior Management” for further details.

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Each of our Directors is aware of his/her fiduciary duties as a Director which require, among others, that he/she must act for the benefit and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests. In the event that there is a potential conflict of interests arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) shall abstain from voting on any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest and shall not be counted in the quorum present at the relevant Board meeting. In addition, we believe that our independent non-executive Directors can bring independent judgment to the decision-making process of our Board.

The daily operation of our Group is carried out by an independent and experienced management team. We have the capabilities and personnel to perform all essential administrative functions, including financial and accounting, human resources, business management and research and development on a standalone basis.

Based on the above, our Directors are satisfied that our Board as a whole, together with our senior management team, is able to perform the managerial role in our Group independently.

Operational Independence

Although our Controlling Shareholders will retain a controlling interest in our Company after the [REDACTED], we have full rights to make all decisions regarding, and carry out, our own business operations independently. We have established our own organizational structure, and each department is assigned to specific areas of responsibilities. We are also in possession of all necessary relevant licenses, approvals and certificates to carry on our business and we have sufficient operational capacity in terms of capital and employees to operate and manage independently. We do not rely on our Controlling Shareholders or their respective close associates for our operations. We have independent access to suppliers and an independent management team (including our Directors and senior managements) to handle our daily operations. We have our own headcount of employees for our operations and management for human resources. We have also established a set of internal control procedures to facilitate and maintain the independent operation of our business. As at the Latest Practicable Date, our Group did not share any operational resources, such as sales and marketing and general administration resources with our Controlling Shareholders and their respective close associates.

Based on the above, our Directors are satisfied that there is no operational dependence by us on our Controlling Shareholders and their respective close associates and our Group is able to operate independently from our Controlling shareholders and their respective close associates after [REDACTED].

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Financial Independence

We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control function of our Group. The finance department is independent from our Controlling Shareholders. We make financial decisions independently and our Controlling Shareholders do not intervene with our use of funds. We have also established an independent audit system, a standardized financial and accounting system and a financial management system.

During the Track Record Period, Mr. Qin, our Controlling Shareholder, provided personal guarantees (the “**Guarantees**”) for certain secured bank loans of our Group. In addition, there were amounts due to Mr. Qin during the Track Record Period. Please refer to Note 25 and Note 31 to the Accountants’ Report in Appendix I to this document for further details.

As of the Latest Practicable Date, we have repaid the entire outstanding balance of bank loans secured by the Guarantees. No loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective associates was outstanding as of the Latest Practicable Date.

Based on the above, our Directors believe that we have the ability to operate independently of our Controlling Shareholders and their respective close associates from a financial perspective and are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. We would adopt the following corporate governance measures to manage potential conflict of interests between our Group and the Controlling Shareholders:

- (i) where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;
- (ii) our Board will consist of a balanced composition of executive and non-executive Directors, including 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. Our independent non-executive Directors, individually and collectively, possess the requisite knowledge and experience. They are committed to providing impartial and professional advice to protect the interests of our minority Shareholders;

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- (iii) in the event that our independent non-executive Directors are requested to review any conflict of interests between our Group and the Controlling Shareholders, the Controlling Shareholders shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either in its annual reports or by way of announcements; and
- (iv) we have appointed UOB Kay Hian (Hong Kong) Limited as our compliance adviser, 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.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and the Controlling Shareholders and/or Directors to protect minority Shareholders’ rights after the [REDACTED].