
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, the Concert Parties, namely Mr. Zhang, Mr. WEI Liang, Mr. LI Yong and Mr. LI Xin, acting in concert pursuant to the Concert Party Agreement, directly as well as through their respective controlled intermediary entities (namely, Chalk Sky Ltd, Chalk Star Ltd, Chalk World Ltd, Chalk Wonder Ltd, Liang Ma Limited, Green Creek Holding Limited and Taurus Fund L.P. (collectively, the “Intermediary Shareholders”)) held approximately 35.33% of the total issued share capital of our Company.

Immediately after the completion of the [REDACTED] (assuming no exercise of the [REDACTED] and without taking into account any Shares to be issued pursuant to the [REDACTED] Share Option Scheme), the Concert Parties, through the Intermediary Shareholders, will hold approximately [REDACTED]% of the enlarged share capital of our Company. Accordingly, the Concert Parties, together with the Intermediary Shareholders, will continue to be our Controlling Shareholders upon the [REDACTED].

BUSINESS DELINEATION AND COMPETITION

We primarily offer non-formal VET services (the “Core Business”).

As of the Latest Practicable Date, other than the interest in our Group, members of the Concert Parties, invested and/or controlled certain other companies in various industries, including online social and entertainment platform, baby accessories, media and online games, which do not compete with the Core Business. Among others, two members of the Concert Parties, namely Mr. LI Yong and Mr. LI Xin owned equity interests in and both served as directors of YUAN Inc as of the Latest Practicable Date, which is an online tutoring service provider based in China targeting primarily pre-college students.

Our Controlling Shareholders and our Directors confirm that as of the Latest Practicable Date, neither of them nor their respective close associates have any interest in any business, apart from the Core Business operated by members of our Group, that competes or is likely to compete, directly or indirectly, with the Core Business and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are able to carry on our business independently of our Controlling Shareholders and their respective close associates after the [REDACTED].

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Management Independence

Our business is managed and conducted by our Board and senior management. Upon the completion of the [REDACTED], our Board consists of two executive Directors, three non-executive Directors and three independent non-executive Directors. The table below sets forth the overlapping directors between our Group on the one hand, and the Concert Parties and their close associates on the other hand:

<u>Name</u>	<u>Position in our Company</u>	<u>Main positions in the Concert Parties and their close associates (excluding Intermediary Shareholders)</u>
LI Yong	non-executive Director	Director and chief executive officer of YUAN Inc and various subsidiaries of YUAN Inc
LI Xin	non-executive Director	Director of YUAN Inc and various subsidiaries of YUAN Inc
LI Zhaohui	non-executive Director	Director of YUAN Inc

Each of Mr. LI Yong, Mr. LI Xin and Mr. LI Zhaohui is our non-executive Director. They do not hold any management positions in our Group and are not involved in the daily management of our business.

Save as disclosed above, none of the remaining members of our Board, including our executive Directors, and senior management holds any position in the Concert Parties or their close associates (excluding Intermediary Shareholders). Despite the aforesaid overlapping personnel, our Directors consider that our Board and senior management will function independently of our Controlling Shareholder for the following reasons:

- (1) each Director is aware of his or her fiduciary duties as a director 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 interests;
- (2) 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 Controlling Shareholders or their respective associates, the interested Directors 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;
- (3) we have three independent non-executive Directors, representing more than one-third of the members of our Board, who have extensive experience in different professions. They have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of the Board are made only 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;
- (4) our senior management members (other than Mr. Zhang and Mr. WEI Liang) are independent from our Controlling Shareholders. They have substantial experience in the industry which we are engaged in. Accordingly, they are able to discharge their duties independently from our Controlling Shareholders; and
- (5) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. See “— Corporate Governance Measures.”

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational Independence

Our Company (through our subsidiaries and the Consolidated Affiliated Entities) holds or enjoys the benefit of all relevant licenses necessary to carry on our business, and has sufficient capital, equipment, access to customers and suppliers, and employees to operate our business independently from our Controlling Shareholders. In addition, our organizational structure is made up of individual departments, each with specific areas of responsibilities. We have also established a set of internal control measures to facilitate the effective operation of our business.

Based on the above, our Directors believe that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates.

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs. Our Group's accounting and finance functions are independent of those of our Controlling Shareholders. During the Track Record Period, we primarily financed our business operation with cash generated from our operating and financing activities. As of the Latest Practicable Date, we did not have any outstanding borrowing or guarantee from our Controlling Shareholders or any of their respective close associates.

Having considered the above, Our Directors confirm that we will not rely on our Controlling Shareholders for financing after the [REDACTED] as we expect that our working capital will be primarily funded from the [REDACTED] and cash flow from operations. Therefore, there is no financial dependence on our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We have put in place sufficient corporate governance measures to manage the conflict of interest and potential competition from our Controlling Shareholders and safeguard the interest of the Shareholders, including that:

- (1) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of his close associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (2) our Company has established internal control mechanism to identify connected transactions. Upon [REDACTED], our Company will comply with the requirements in connection with connected transactions under the Listing Rules;
- (3) where our Directors reasonably request the advice of independent professionals, such as independent financial advisors, the appointment of such independent professional will be made at our Company's expense;
- (4) we have appointed Maxa Capital 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; and
- (5) we [have] established the audit committee, remuneration committee and nomination committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective close associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.