
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Our Controlling Shareholders

Immediately following the Global Offering (presuming the Assumptions), each of Dr. J. Liu (our Chairperson, Director and a core founding member of our Group) and Neusoft Holdings, through intermediaries, will become our Controlling Shareholders. We set out their respective controlling interests below:

<u>Controlling Shareholder⁽¹⁾</u>	<u>Aggregate approximate percentage of voting rights held in our Company (presuming the Assumptions)</u>
1. Dr. J. Liu who (i) beneficially controls the Shares held by Kang Ruidao, ⁽²⁾ and (ii) controls the voting rights of Shares held by Century Bliss, Alpine Electronics, and Apex Venture (collectively, the Proxy Grantors) through the Irrevocable Voting Proxies ⁽³⁾	37.88% ⁽³⁾
2. Neusoft Holdings . . . being the holding company of Neusoft International, which is the sole holding company of Dongkong First and Dongkong Second ⁽⁴⁾	37.12%

Dr. J. Liu

Dr. J. Liu is our Chairperson, Director and a core founding member of our Group. See “Directors and senior management — Directors — Chairperson”. See “History, Reorganisation and corporate structure — Overview” for our historical founding relationship with Dr. J. Liu.

Notes:

- ⁽¹⁾ Dr. J. Liu and Neusoft Holdings, through their shareholding in intermediaries, are the ultimate beneficial holders of 30% or more voting rights in our Company, and are our ultimate Controlling Shareholders. The intermediaries through which Neusoft Holdings holds its interests in our Company (being Neusoft International, Dongkong First and Dongkong Second) are also our Controlling Shareholders.
- ⁽²⁾ Kang Ruidao holds Shares representing approximately 22.54% of the voting rights in our Company immediately following the Global Offering (presuming the Assumptions). Dr. J. Liu is the sole beneficial owner of Kang Ruidao First, which holds shares representing all of the voting rights in Kang Ruidao.
- ⁽³⁾ See “— Irrevocable Voting Proxies” for more information. The aggregate percentage of voting rights immediately following the Global Offering (presuming the Assumptions) comprise of: (i) voting rights of approximately 22.54% held directly by Dr. J. Liu through Kang Ruidao First, and (ii) voting rights controlled by Dr. J. Liu through the Irrevocable Voting Proxies, totaling approximately 15.34%. See also “Substantial shareholders.”
- ⁽⁴⁾ Dongkong First and Dongkong Second each holds Shares representing approximately 19.12% and 18.00%, respectively, of the voting rights in our Company immediately following the Global Offering (presuming the Assumptions), and both of which are wholly-owned subsidiaries of Neusoft International, which is a wholly-owned subsidiary of Neusoft Holdings. See “History, Reorganisation and corporate structure — Corporate structure — Corporate structure before the Reorganisation” for the shareholding structure of Neusoft Holdings.

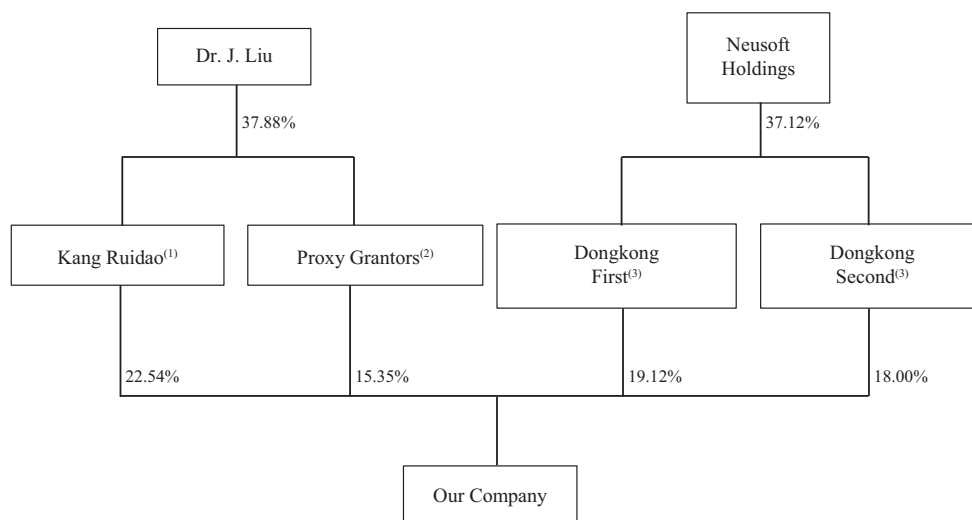
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Neusoft Holdings

Neusoft Holdings is an investment holding company. As at the Latest Practicable Date, Neusoft Holdings invests and has operations in four primary industries: education, IT services, medical devices, and healthcare services. Neusoft Holdings’ IT services business is primarily held (and operated) by Neusoft Corporation, a company currently listed on the Shanghai Stock Exchange. Neusoft Holdings’ education business is primarily held (and operated) by our Group.

See “History, Reorganisation and corporate structure — Overview” for further information about our Group’s relationship with our Controlling Shareholders.

The following diagram illustrates the ultimate beneficial interest of our Controlling Shareholders’ voting rights at general meeting, immediately following the Global Offering (presuming the Assumptions):



Notes:

- (1) Dr. J. Liu holds all the voting shares in Kang Ruidao.
- (2) Dr. J. Liu is entitled to exercise the voting rights attached to the Shares held by the Proxy Grantors pursuant to the Irrevocable Voting Proxies.
- (3) Neusoft Holdings wholly-owns Neusoft International, which, in turn, wholly-owns each of these entities.

Irrevocable Voting Proxies

Century Bliss, Alpine Electronics and Apex Venture each holds Shares representing approximately 9.75%, 4.22% and 1.38%, respectively, of voting rights in our Company immediately following the Global Offering (presuming the Assumptions). Century Bliss (on 22 February 2019), Alpine Electronics (on 26 December 2018) and Apex Venture (on 12 November 2018) each gave an Irrevocable Voting Proxy, entitling Dr. J. Liu to exercise, in accordance with and subject to the respective Irrevocable Voting Proxy documents, the voting rights (“**Voting Rights**”) attached to their respective Shares (including upon their exercise of any share options in our Company) on resolutions proposed at a Shareholders’ meeting or in written Shareholders’ resolutions.

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DELINEATION OF BUSINESS FROM OUR CONTROLLING SHAREHOLDERS

Delineation of business natures

There is a clear delineation of business with those operated by our Controlling Shareholders. Our core businesses include offering (i) full-time formal higher education services, (ii) continuing education services, and (iii) education resources and apprenticeship programme. See “Business.”

Non-compete undertaking

Our Controlling Shareholders, Dr. J. Liu and Neusoft Holdings (for itself and on behalf of the entities that it controls) have given our Company a non-compete undertaking, pursuant to which, each of the two Controlling Shareholders has undertaken that while they remain a controlling shareholder of our Company (as defined in the Listing Rules), whichever is earlier, he/it would not, and would procure other members that it controls not to, carry on, engage or participate in the “restricted businesses” (being businesses that our Group operates, which consists of (i) full-time formal higher-education services, (ii) continuing education services, and (iii) education resources and apprenticeship programme, collectively the “**Restricted Business**”) in China. The restrictions do not apply to (i) minority investments in any Restricted Businesses in which the Controlling Shareholders are merely passive investors, or (ii) opportunities in Restricted Businesses provided that we were given a priority option to participate in the opportunity and have decided not to take up the opportunity after a commercially reasonable period of time.

As at the Latest Practicable Date, apart from the business of our Group, our Controlling Shareholders did not operate higher-education institutions that compete with our universities, nor did they operate businesses that compete (whether in the nature of services offered or customer-base) with our other businesses (being (i) continuing education services, and (ii) education resources and apprenticeship programme).

Our Controlling Shareholders’ investments

Our Controlling Shareholders, through intermediaries, may invest in higher-education institutions, educational services or technological or innovative businesses from time to time. While our Controlling Shareholders may hold non-controlling interests in sectors similar to those in which we operate, they act as financial investors only, and have (or will have) no management or shareholding control over these investee business. As such, our Controlling Shareholders do not operate any business that competes in any material way with our Group.

INDEPENDENCE FROM OUR 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 following the Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Management independence

Our business is managed and conducted by our Board and senior management. Upon Listing, our Board will consist of nine Directors, comprising of one executive Director, five non-executive Directors and three independent non-executive Directors.

Of our nine Directors, Dr. J. Liu (our Chairperson, non-executive Director and a core founding member of our Group) is also the chairperson of Neusoft Holdings, since November 2011. Dr. Wen (our executive Director and chief executive officer) sits on the board and is the vice-president (education sector) of Neusoft Holdings and primarily oversees Neusoft Holdings' education investment (*i.e.*, our Group). Apart from our Group's business, Dr. Wen does not manage, or report to the board of Neusoft Holdings on, any other Neusoft Holdings' business operations. Mr. Rong (our non-executive Director) is a deputy chairperson, general manager and chief executive officer of Neusoft Holdings. Mr. Zimmer (our non-executive Director) is a vice-president of Neusoft Holdings. See "Directors and senior management."

Nevertheless, our Directors consider that our Board and senior management will function independently of our Controlling Shareholders (and their respective close associates) because:

- (a) each Director 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 interests of our Company and not to allow any conflict between his/her duties as a Director and his/her personal interests;
- (b) our daily management and operations are carried out by a senior management team (including our executive Director), all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Company;
- (c) we have a separate management team and administrative departments, including financial, human resources, legal and general management department, through which our Company carries out essential administration and its daily operations;
- (d) we have three independent non-executive Directors who are independent of our Controlling Shareholders, and certain matters (*e.g.*, non-exempt connected transactions, including transactions between our Group and Neusoft Holdings) of the Company must always be referred to the independent non-executive Directors for review;
- (e) in the event there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors, the interested Director(s) is/are required to declare the nature of such interest before, and shall not vote at the relevant Board meetings of our Company in respect of the transaction; and
- (f) we have adopted a series of corporate governance measures to manage conflicts of interests, if any, between our Group and any Controlling Shareholders, which would support our independent management. See "— Corporate governance measures" below.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational independence

We are not operationally dependent on our Controlling Shareholders. Save as disclosed in “— Properties — Leased properties” and “— Intellectual property” sub-sections of the “Business” section, “— Neusoft Holdings Framework Agreement” and “— Property Framework Agreement” sub-sections of the “Connected Transactions” section: (i) our Group holds all material licences; (ii) our Group has sufficient capital, facilities and employees to operate independently from our Controlling Shareholders; (iii) we have independent access to, and directly engage with, our customers and suppliers; and (iv) we have an independent management team to operate and manage our business.

Our Directors are satisfied that we are capable of operating our business independently from our Controlling Shareholders (and their respective close associates) following the Listing.

Financial independence

We are not financially dependent on our Controlling Shareholders. We have independent internal controls and accounting systems, and an independent financial 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).

There will be no financial assistance, security or guarantee, provided by our Controlling Shareholders (or their close associates) in favour of our Group, or vice versa, upon the Listing.

Our Directors are satisfied that we are capable of financing our Group independently from our Controlling Shareholders (and their respective close associates) following the Listing.

DISCLOSURE UNDER RULE 8.10 OF THE LISTING RULES

Save as disclosed in this chapter, each of our Controlling Shareholders and Directors confirms that, as at the Latest Practicable Date, he/she/it does not have any interest in a business outside of our Group that competes or is likely to compete, directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

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

- (a) under the Listing Rules, where a Shareholders’ meeting is to be held for considering proposed transactions in which any of our Controlling Shareholders has a material interest, that Controlling Shareholder will not vote on the relevant resolutions;

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- (b) we have established internal control mechanisms to identify connected transactions. We will identify in advance any connected transaction between our Group and our Controlling Shareholders (or their respective close associates), and the conflicting Director will abstain from voting on the relevant resolutions and we will comply with the requirements set out in Chapter 14A of the Listing Rules;
- (c) our independent non-executive Directors are independent of our Controlling Shareholders and are appointed in accordance with the requirements under the Listing Rules to ensure that decisions of the Board are made only after due consideration of independent and impartial opinions;
- (d) our independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interest between our Group and our Controlling Shareholders and seek impartial and professional advice to protect the interests of our other Shareholders;
- (e) our Company 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) we will engage third-party professionals to advise our Board when necessary;
- (g) we have appointed the Compliance Adviser to provide advice and guidance in respect of compliance with applicable laws and regulations, including the Listing Rules, SFO and requirements relating to corporate governance; and
- (h) we have established an Audit Committee, Remuneration Committee and Nomination Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules. The Audit Committee consists of non-executive Directors, the majority of which, including its chairperson, are independent non-executive Directors.

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