

## Chapter X. Corporate Governance

### Section I. Basic summary of corporate governance of the Company

During the reporting period, in accordance with relevant laws and regulations, and rules and regulatory documents from supervision authorities, i.e. *Company Law*, *Securities Law*, *Code of Corporate Governance for Listed Companies in China*, *Stock Listing Rules of Shenzhen Stock Exchange*, and *Guidelines of the Shenzhen Stock Exchange for the Standard Operation of Companies Listed on the SME Board*, the Company consistently improved its corporate governance structure and internal control system, and enhanced the level of corporate governance based on the actual situation. The Company's overall operation, corporate governance system and information disclosure were sound and standardized. The actual conditions of corporate governance met the requirements of the regulatory documents with respect to the corporate governance of listed companies issued by CSRC.

#### 1. Shareholders and the Shareholders' General Meeting

In strict accordance with *Articles of Corporation* and *Rules of Procedure for Shareholders' General Meetings* as well as other applicable regulations and requirements, the Company standardized the gathering, convening, deliberations and voting procedures of its shareholders' general meetings and hired legal advisers to issue legal opinions for the shareholders' general meetings. The Company equally treated all shareholders, especially ensured the minority of shareholders' equal status guaranteed. During the reporting period, the Company convened three shareholders' general meetings in total, and all resolutions of the shareholders' general meetings were seriously implemented by the board of directors.

#### 2. The relationship between the Company and the controlling shareholders

The controlling shareholders of the Company exercised the rights and obligations of the investors in strict accordance with *Company Law*. During the reporting period, there was neither any direct or indirect interference with the Company's decision-making and operations beyond the Shareholders' General Meeting by the controlling shareholders nor a situation where the controlling shareholders damaged the legitimate rights and interests of other shareholders of the listed Company. The Company is independent in personnel, assets, finance, institutions, business, and accounting from its controlling shareholders so that they take responsibilities and risks independently. There was neither significant related-party transactions between the Company and the controlling shareholders nor the situation where controlling shareholders occupied the funds of the listed Company, or the listed Company provided guarantees for the controlling shareholders and their subsidiaries.

#### 3. Directors and the Board of Directors

The Company elected candidates for the Board of Directors in strict accordance with *Company Law*, *Articles of Corporation*, and *Regulated Opinions on Shareholders General Meetings of Listed Companies*. The number of directors and composition of the Board of Directors met the requirements of laws and

regulations. The Board of Directors of the Company convened Board sessions in strict accordance with the relevant provisions of Articles of Corporation, Working System for Independent Directors, Rules of Procedure for the Board of Directors and Guidelines of the Shenzhen Stock Exchange for the Directors' Behavior of Companies Listed on the SME Board. All directors of the Company attended the Board sessions on time, fulfilled their duties diligently, scrupulously reviewed various proposals and made scientific and reasonable decisions on major matters of the Company to effectively safeguard the interests of the Company and the legitimate rights and interests of all shareholders. Under the Board of Directors of the Company are four professional committees: Strategy and Investment Committee, Nomination Committee, Audit Committee and Remuneration and Appraisal Committee. With clearly defined powers and responsibilities and effective operations, each committee gave full play to its professional functions and provided scientific and professional opinions for the decision-making of the Board of Directors.

#### **4. Supervisors and the Supervisor Committee**

The Company elected candidates for the Board of Supervisors in strict accordance with *Company Law*, *Articles of Corporation*, and *Regulated Opinions on Shareholders General Meetings of Listed Companies*. The number of supervisors and composition of the Board of Supervisors met the requirements of laws and regulations. The Board of Supervisors of the Company convened the Board sessions in strict accordance with the relevant provisions of *Articles of Corporation*, *Rules of Procedure for the Board of Supervisors*, and other related regulations. All supervisors of the Company attended the Board sessions on time, fulfilled their duties scrupulously, provided supervision and opinions for major issues, related-party transactions, financial status, etc., and safeguarded legitimate rights and interests of the Company and shareholders.

#### **5. Relevant stakeholders**

The Company fully respect and safeguard the legitimate rights and interests of relevant stakeholders, constantly strengthen the awareness of social responsibility and enhance communication with all parties to coordinate the interests of the society, government, shareholders, Company, and employees, and balance the interests of the shareholders, employees and society. The Company adhered to the principle of mutual benefits and win-win results with relevant stakeholders and jointly promoted the Company's harmonious, steady and healthy development.

#### **6. Information disclosure and transparency**

In strict accordance with the requirements of *Information Disclosure Management System* and *Investor Relations Management System*, the Company designated the Secretary of the Board of Directors to be responsible for information disclosure and receiving shareholders' visits and consultations and to disclose the relevant information in a true, accurate, complete, timely and fair manner according to the relevant regulations so as to ensure that all shareholders of the Company can have equal access to the information.

#### **7. Performance appraisal and incentives**

During the reporting period, the Company constantly improved working performance evaluation system and incentive mechanism. The appointment and remuneration of the Company's directors, supervisors and

senior executives were open and transparent, which met the requirements of relevant laws and regulations. The Company regularly and comprehensively evaluated employees' working skills, values and their recognition of corporate culture by an evaluation method based on quantitative indicators of performance and qualitative standards to ensure that both the work results and growth of employees were given attention to.

## 8. Investor relations management

During the reporting period, the Company constantly strengthened the management of investor relations and safeguarded the legitimate rights and interests of the Company's shareholders. The Company designated the Secretary of the Board of Directors as the head of investor relations management to organize and implement the daily management of investor relations, promptly answer investors' questions through phone calls, emails, interactive platform and online briefings of business performance, and timely release *Record of Investor Relations Activities* after carrying out a survey of investors, which ensured that all the investors have equal access to the Company's information and fully guaranteed investors' rights to know.

In terms of the Company's actual governance status, is there any significant non-compliance with the regulatory documents on governance of listed companies issued by CSRC:

Yes  No

In terms of the Company's actual governance status, there is no significant non-compliance with the regulatory documents on governance of listed companies issued by CSRC.

## Section II. Company's independence in business, personnel, assets, institutions and finance from controlling shareholders

The Company standardized its operation, established and improved corporate governance structure in strict accordance with *Company Law*, *Securities Law*, *Articles of Offcn Education Technology Co., Ltd.*, and other relevant laws and regulations. The Company is independent in businesses, personnel, assets, institutions and finance from the controlling shareholders, actual controllers and other enterprises under their control and is capable of operating independently with its complete and independent business.

1. Business independence: With independent and complete business structure, the Company is capable of running market-oriented business independently. There is no horizontal competition among the Company, controlling shareholders, and other enterprises under their control.

2. Personnel independence: The Company has independent personnel. It has set up various independent departments, including R&D, sales, administration, finance and operation management divisions, and established independent human resources and payroll management system. The directors, supervisors and senior executives of the Company do not hold any posts prohibited by regulations in other companies with the same or similar business to the Company's.

3. Asset Completeness: The property relations between the Company and the controlling shareholders are clear. No assets, funds, or other resources owned by the Company are illegally occupied or controlled by the controlling shareholders.

4. Institutional independence: The Company has set up a sound organization system, with independent operation of General Meeting of Shareholders, Board of Directors, Board of Supervisors, management and all the functional departments, and established corresponding internal management and control system to make each department have clearly defined responsibilities, perform its own duties and cooperate with each other, thus composing an organic whole and guaranteeing the legal operation of the Company. There is no subordinate relationship between the Company's institutions and the functional departments of the controlling shareholders.

5. Financial independence: The Company has set up complete and independent financial department equipped with adequate full-time financial accountants, established independent accounting calculation system and financial management system, and independently opened bank accounts, paid taxes and made financial decisions. There is no interference from the controlling shareholders in the financial management of the Company.

### Section III. Horizontal Competition

Applicable     Not applicable

### Section IV. Annual general meeting and extraordinary general meetings convened during the reporting period

#### 1. Particulars about the shareholders' general meeting during the reporting period

Session	Type	Proportion of participating investors	Convening date	Disclosure date	Disclosure index
2019 First Extraordinary General Meeting	Extraordinary General Meeting	37.35%	February 1, 2019	February 2, 2019	For details, refer to the <i>Announcement on Resolutions of the First Extraordinary General Meeting of 2019</i> (No. 2019-018) disclosed on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> .

2018 Annual General Meeting	Annual General Meeting	78.49%	April 29, 2019	April 30, 2019	For details, refer to the <i>Announcement on Resolutions of the Annual General Meeting of 2018</i> (No. 2019-047) disclosed on www.cninfo.com.cn.
2019 Second Extraordinary General Meeting	Extraordinary General Meeting	77.79%	July 22, 2019	July 23, 2019	For details, refer to the <i>Announcement on Resolutions of the Second Extraordinary General Meeting of 2019</i> (No. 2019-056) disclosed on www.cninfo.com.cn.

## 2. Extraordinary general meetings requested by preferred shareholders with resumed voting rights:

Applicable     Not applicable

## Section V. Performance of duties by independent directors during the reporting period

### 1. Attendance of independent directors at board meetings and shareholders' general meetings

Attendance of independent directors at board meetings and shareholder's general meetings							
Name of Independent director	Board meetings Presence required in the reporting period (times)	Board meetings presence in person (times)	Board meetings presence by way of telecommunication (times)	Board meetings presence by a proxy (times)	Board meetings absence (times)	Non-attendance in person for two consecutive times	Attendance at general meetings (times)
Wang Qiang	8	8	0	0	0	N	2
Tong Yan	8	1	7	0	0	N	0
Zhang Xuanming	8	0	8	0	0	N	0

### 2. Particulars about independent directors objecting to relevant events of the Company

Were there any objections on relevant issues of the Company from independent directors?

Yes  No

During the reporting period, no objections on relevant issues of the company from independent directors.

### 3. Other explanations on the performance of duties by independent directors

Were the suggestions from independent directors adopted by the Company?

Yes  No

During the reporting period, the Company's independent directors were able to scrupulously exercise their rights and perform their duties as independent directors. They carefully reviewed the issues of the Board of Directors and proactively expressed opinions, which played a catalytic role in the normative operations and scientific decision-making of the Board of Directors. The independent directors of the Company, with rich professional experience, put forward many instructive and rational suggestions on the Company's development strategy and standardized operation. The independent directors of the Company provided cautious, objective and independent opinions on major issues required to be commented. For more details, please refer to the *2019 Independent Directors' Debriefing Report* published on [www.cninfo.com](http://www.cninfo.com) on the same day as this *Annual Report*.

## Section VI. Performance of duties by special committees affiliated to the Board during the reporting period

**Under the Board of Directors of the Company, there are four special committees: Audit Committee, Remuneration and Appraisal Committee, Strategy and Investment Committee and Nomination Committee.**

### 1. Audit Committee

During the reporting period, the Audit Committee of the Company's Board of Directors carefully reviewed the Company's periodic reports, regular audits of the internal audit department, and special audit work etc., understood the Company's financial status and operating conditions in details, and strictly reviewed the Company's internal control systems and its implementation. It effectively performed its duties and provided guidance and supervision on the Company's financial status and operating conditions.

### 2. Remuneration and Appraisal Committee

During the reporting period, the Board of Directors formulated the *Remuneration Management System for Directors, Supervisors and Senior executives*. The Remuneration and Appraisal Committee of the Board of Directors provided professional guidance on its formulation, which promoted the soundness and improvement of the Company's remuneration system.

### 3. Strategy and Investment Committee

During the reporting period, the Strategy and Investment Committee of the Board of Directors actively performed its duties in accordance with *Company Law, Articles of Corporation, Working Rules of the*

Strategy Committee of the Board of Directors, and other relevant regulations.

#### 4. Nomination Committee

During the reporting period, the Nomination Committee of the Board of Directors conducted a careful review of the resumes and qualifications of the candidates for the new directors, senior executives and heads of internal audit institutions in accordance with *Company Law*, *Articles of Corporation*, and *Working Rules of the Nomination Committee of the Board of Directors*, and actually fulfilled the duties of the Nomination Committee.

### Section VII. Performance of duties by the Supervisory Committee

Were there any risks in the Company according to the supervision of the Supervisory Committee during the reporting period?

Yes  No

The Supervisory Committee raised no objection to matters under supervision during the reporting period.

### Section VIII. Assessment and incentive mechanism for senior executives

During the reporting period, the Remuneration and Appraisal Committee of the Company's Board of Directors conducted a comprehensive evaluation of the performance of senior executives. The Company's management team has fairly fulfilled the business planning for this year according to the strategic planning for long-term development. The Company's current evaluation and incentive mechanism which is in line with the current status of the Company and related laws, regulations and *Articles of Corporation* is operating well.

### Section IX. Evaluation report on internal control

#### 1. Particulars about material weakness found in the Company's internal control during the reporting period

Yes  No

#### 2. Self-evaluation report on internal control

Disclosure date of full text of self-evaluation report on internal control	March 10, 2020
Disclosure index of full text of self-evaluation report on	www.cninfo.com.cn

internal control		
Proportion of assets evaluated in total assets	100.00%	
Proportion of revenue evaluated in total revenue	100.00%	
Recognition standard of deficiencies		
Category	Financial report	Non-financial report
Qualitative criteria	<p>Material Weakness: one deficiency, or a combination of deficiencies in internal control that may result in a significant deviation from the control objectives of the Company. Those with the following characteristics should be recognized as material weakness: ①Fraud of directors, supervisors and senior executives; ②Correction of misstatement in previously issued financial statements; ③Material misstatement in current financial statements not detected by the Company's internal control; ④Invalid supervision of internal control over financial reporting by the Company's Audit Committee and internal audit department.</p> <p>Significant Deficiency: one deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet may still result in a deviation from control objectives of the Company.</p> <p>Control Deficiency: Other internal control deficiencies that do not meet the standards of material weakness or significant deficiency.</p>	<p>Material Weakness: ①Severe violations of national laws and regulations in the Company's operation; ②Negative news frequently disclosed by the media and the negative impact has not been eliminated; ③Serious loss of middle and senior management personnel and senior technical personnel; ④Lack or ineffectiveness of policy for major business; ⑤No rectification of the material weaknesses or significant deficiencies of the Company's internal control.</p> <p>Significant Deficiency: one deficiency, or a combination of deficiencies in internal control that is less severe and has minor economic consequences than a material weakness, yet may still result in a deviation from control objectives of the Company.</p> <p>Control Deficiency: Other internal control deficiencies that do not meet the standards of material weakness or significant deficiency.</p>
Quantitative criteria	<p>Material Weakness: Misstatements account for more than 5% of total profits.</p> <p>Significant Deficiency: Misstatements account for 2% to 5% (including 5%) of total profits.</p> <p>Control Deficiency: Misstatements account for less than 2% (including 2%) of total profits.</p>	<p>Refer to the quantitative criteria for the evaluation of internal control deficiencies in financial reports.</p>



Number of material weaknesses in the financial report (number)	0
Number of material weaknesses in	0
Number of significant deficiencies in the financial report	0
Number of significant deficiencies in the non-financial report	0

### Section X. Audit report or authentication report on internal control

Not applicable