
RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Mr. Ye, our Founder, chairman of the Board, executive Director and chief executive officer, and Ms. Yang, spouse of Mr. Ye and our vice president, held approximately 64.4% of the total issued share capital of the Company, representing approximately 76.8% of the aggregate voting power of our total issued and outstanding Shares, after taking into account the super-voting rights of the 328,290,482 Class B ordinary shares controlled by them through Mini Investment Limited. Each Class B ordinary share is entitled to three votes, and each Class A ordinary share is entitled to one vote at a general meeting of our Company.

Upon Listing, our Company will unwind our weighted voting rights structure and all the issued Shares (including Shares held by Mr. Ye and Ms. Yang through Mini Investment Limited) will be converted and re-designated into ordinary shares which entitle holders to one vote for each Share at the general meeting of our Company pursuant to the Articles of Association to take effect upon Listing.

Immediately following the completion of the Global Offering and upon the unwinding of the weighted voting rights structure, Mr. Ye and Ms. Yang will be interested in and will control, through Mini Investment Limited, YGF MC Limited (“**YGF MC**”), YGF Development Limited (“**YGF Development**”), YYY MC Limited (“**YYY MC**”) and YYY Development Limited (“**YYY Development**”), an aggregate of 789,405,061 Shares, representing approximately 62.3% of our total issued Shares, and will be entitled to exercise approximately 62.3% of the voting rights of our issued Shares in general meetings. All of Mr. Ye, Ms. Yang, Mini Investment Limited, YGF MC, YGF Development, YYY MC and YYY Development are a group of controlling shareholders of the Company.

Mini Investment Limited holds 328,290,482 Shares in our Company and is wholly owned by YGF Development, a limited liability company incorporated under the laws of BVI. All shares of YGF Development are held by TMF (Cayman) Ltd. as trustee of the YGF Trust. Mr. Ye is both the settlor and protector of YGF Trust, and Mr. Ye and his family members are the beneficiaries. As a result, both Mr. Ye and Ms. Yang are deemed to be interested in the Shares held by Mini Investment Limited.

YYY MC holds 257,849,197 Shares in our Company and is wholly-owned by YYY Development, a limited liability company incorporated under the laws of BVI. All shares of YYY Development are held by TMF (Cayman) Ltd. as trustee of the YYY Trust. Ms. Yang is both the settlor and protector of YYY Trust, and Ms. Yang and her family members as beneficiaries. As a result, both Mr. Ye and Ms. Yang are deemed to be interested in the Shares held by YYY MC.

YGF MC Limited holds 203,265,382 Shares in our Company and is wholly-owned by Mr. Ye. Mr. Ye and Ms. Yang are spouses, and are therefore deemed to be interested in the equity interests held by each other. Mr. Ye and Ms. Yang make joint decisions on the exercise of the voting power of the Shares owned by them through their vehicles.

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Based on the above, both prior to and upon Listing, Mr. Ye and Ms. Yang will continue to be the Controlling Shareholders of our Company.

INDEPENDENCE FROM 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 respective close associates after the Listing.

Management Independence

Our business is managed and conducted by our Board and senior management. Upon Listing, our Board will consist of six Directors comprising three executive Directors and three independent non-executive Directors. For more information, please see the section headed “Directors and Senior Management”.

Our Directors consider that our Board and senior management will function independently of our Controlling Shareholders because:

- (a) our Directors are aware of their fiduciary duties as a director which require, among others, that they act for the benefit and in the interest of our Company and do not allow any conflict between their duties as a Director and their personal interests;
- (b) our daily management and operations are carried out by a senior management team, 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 Group;
- (c) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive directors for review;
- (d) 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) is(are) required to declare the nature of such interest before voting at the relevant Board meeting; and
- (e) we have adopted other corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders, as detailed in “–Corporate Governance Measures”.

Based on the above, our Directors believe that our business is managed independently of our Controlling Shareholders.

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Operational Independence

Our Group is not operationally dependent on the Controlling Shareholders. Our Company (through our subsidiaries) holds all relevant licenses and owns all relevant intellectual properties and research and development facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our customers and an independent management team to operate our business.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders.

Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders.

There will be no outstanding loans or guarantees provided by, or granted to, our Controlling Shareholders or their associates as of the Listing Date.

Based on the above, our Directors are of the view that our business is financially independent of our Controlling Shareholders and that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance, on our Controlling Shareholders and their close associates after the Listing.

YYY MC Limited has entered into a loan arrangement in April 2022, as may be amended from time to time (the “**Loan Arrangement**”), pursuant to which certain shares held by YYY MC Limited, YGF MC Limited and Mini Investment Limited are subject to share pledge or are placed in escrow (which may also be pledged to secure repayment of the loan pursuant to terms and conditions of the Loan Arrangement). For further details, please refer to the section headed “Substantial Shareholders”.

Mr. Ye and Ms. Yang have confirmed that, as of the date of this document, they have sufficient resources to pay off the outstanding loan and the ability to refinance during the term of the loan.

Disclosure under Rule 8.10 of the Listing Rules

Our Controlling Shareholders confirm that as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Listing Rules.

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CORPORATE GOVERNANCE MEASURES

Our Company and our Directors are committed to upholding and implementing the highest standards of corporate governance and recognise the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders.

Under the Articles of Association, extraordinary general meetings of the Company may be convened on the written requisition of any one or more members holding, as at the date of deposit of the requisition, in aggregate shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. In addition, pursuant to the Shareholder communication policy to be adopted by the Company upon Listing, Shareholders are encouraged to put governance related matters to the Directors and to the Company directly in writing.

We will also adopt the following corporate governance measures to resolve actual or potential conflict of interests between our Group and our Controlling Shareholders:

- (a) where a Shareholders' meeting is held pursuant to the Listing Rules to consider proposed transactions or arrangements in which our Controlling Shareholders or any of their associates have a material interest, our Controlling Shareholder(s) shall abstain from voting and their votes shall not be counted;
- (b) our Company has established internal control mechanisms to identify connected transactions, and we will comply with the applicable Listing Rules if we enter into connected transactions with our Controlling Shareholders or any of their associates after Listing;
- (c) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between our Group and our Controlling Shareholders (the "**Annual Review**") 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 or requested by the independent non-executive Directors for the Annual Review, including all relevant financial, operational and market information;
- (e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;

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- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expense;
- (g) we have appointed Haitong International Capital Limited as our compliance adviser 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
- (h) we have established our audit committee, remuneration committee, nominating and corporate governance committee with written terms of reference in compliance with the Listing Rules and the Code of Corporate Governance and Corporate Governance Report in Appendix 14 to the Listing Rules.

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