
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following the Listing, Mr. Li will be interested in and will control a total of 239,750,000 Class B Ordinary Shares held by Lera Ultimate Limited and Lera Infinity Limited, a total of 164,086,568 Class A Ordinary Shares held by Lera Ultimate Limited and Lera Infinity Limited, and directly in the form of ADSs. Lera Ultimate Limited and Lera Infinity Limited are ultimately owned by trusts established by Mr. Li (as the settlor) for the benefit of Mr. Li and his family. For details, please see the section headed “Share Capital.”

Assuming that no further Shares are issued under the Share Incentive Plans between the Latest Practicable Date and the Listing Date, and considering that (A) the voting rights attached to Class B Ordinary Shares will be modified from 20 votes to ten votes per Share with effect from the Listing pursuant to the irrevocable written consent dated November 21, 2022 delivered by Mr. Li; and (B) all Class B Ordinary Shares held by Tencent Group through Qiantang River Investment Limited will be converted into Class A Ordinary Shares upon Listing, Mr. Li will be interested in approximately 36.25% of our issued and outstanding share capital, and will be entitled to exercise approximately 78.29% of the voting rights in the Company (except for resolutions with respect to the Reserved Matters, in relation to which each Share is entitled to one vote) upon the completion of the Introduction.

Therefore, Mr. Li, Lera Ultimate Limited and Lera Infinity Limited together will constitute the Controlling Shareholders of our Company after the Listing. See “Share Capital — Weighted Voting Rights Structure” for details of the weighted voting rights attached to the Class B Ordinary Shares of our Company.

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 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, including two executive Directors, one non-executive Director and three independent non-executive Directors. Mr. Li, a Controlling Shareholder, is our founder, chairman of the Board, executive Director and chief executive officer. For further details, please see the section headed “Directors and Senior Management.”

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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

- (a) each Director is aware of his/her fiduciary duties as a director which require each of them to, among others, act for the benefit and in the interest of our Group and not to allow any conflict between their duties as a Director and their personal interests, and Director with potential conflict of interest should abstain from voting at the relevant Board meeting;
- (b) our daily management and operations are carried out by our a senior management team, all of whom have substantial experience in the industry in which our Group 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) would be 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” below.

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

Operational Independence

Our Group is not operationally dependent on the Controlling Shareholders. Our Group holds all relevant licenses, and owns all relevant intellectual properties and technologies, which are necessary and material 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 our business is operationally independent of our Controlling Shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Financial Independence

Our Group has an independent accounting and internal control system and makes financing decisions according to our own business needs. We have an independent finance department responsible for discharging the treasury function. We can obtain financing from third parties, if necessary, without reliance on our Controlling Shareholders.

In 2018, we provided certain margin services in our ordinary course of business to Mr. Li. Our Group does not currently provide such margin services to Mr. Li. Save as the above, during the Track Record Period, our Controlling Shareholders or their associates had not provided any loan or guarantee in favour of the Group, and our Group had not granted to our Controlling Shareholders or their associates any such loan or guarantee. Upon Listing, there will be no outstanding loan or guarantees provided by, or granted to, our Controlling Shareholders or their respective associates.

Based on the above, our Directors believe that our business is financially independent of our Controlling Shareholders.

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.

CORPORATE GOVERNANCE MEASURES

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

In light of the above, our Company has established a corporate governance committee which has adopted terms of reference consistent with Code Provision D.3.1 of Appendix 14 to, and Rule 8A.30 of, the Listing Rules. Our corporate governance committee consists of all our independent non-executive Directors with experience in overseeing corporate governance related functions of private and listed companies. The primary duties of the corporate governance committee are to ensure that our Company is operated and managed for the benefit of all Shareholders and to ensure our Company's compliance with the Listing Rules and safeguards relating to its WVR structure.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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 measures to identify connected transactions and will comply with the applicable Listing Rules if the Group enters into connected transactions with our Controlling Shareholders or any of their associates after the Listing;
- (c) 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;
- (d) we have appointed Guotai Junan 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
- (e) we have established our audit committee, compensation committee, nomination committee and corporate governance 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.

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.