
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

As of the Latest Practicable Date, (i) Beijing Yonyou Tech, a company directly owned as to 100% by Mr. Wang, held 921,161,630 Shares; (ii) Shanghai Yonyou Tech, a company directly and indirectly owned as to 85.15% by Mr. Wang, held 392,069,275 Shares, and (iii) Yonyou Institute, a company directly owned as to 79.64% by Mr. Wang, held 107,848,606 Shares. Therefore, as of the Latest Practicable Date, Mr. Wang, through Beijing Yonyou Tech, Shanghai Yonyou Tech and Yonyou Institute, is entitled to exercise the voting rights attached to approximately 41.86% of total issued share capital of our Company (excluding the 21,855,792 A Shares held by our Company as treasury Shares). Immediately following completion of the [REDACTED] and assuming that the [REDACTED] is not exercised and no changes are made to the total issued share capital of our Company or the treasury Shares from the Latest Practicable Date to the [REDACTED], Mr. Wang, through Beijing Yonyou Tech, Shanghai Yonyou Tech and Yonyou Institute, will be entitled to exercise the voting rights attached to approximately [REDACTED]% of total issued share capital of our Company (excluding the 21,855,792 A Shares held by our Company as treasury Shares). Therefore, Mr. Wang, Beijing Yonyou Tech, Shanghai Yonyou Tech and Yonyou Institute are and will continue to be a group of Controlling Shareholders of our Company upon the [REDACTED]. For further details of the treasury Shares, see “Share Capital — Our Shares” section in this document.

Each of Beijing Yonyou Tech, Shanghai Yonyou Tech and Yonyou Institute was an investment holding platform as of the Latest Practicable Date.

COMPETITION

As of the Latest Practicable Date, none of our Controlling Shareholders and their respective close associates had any interest in any business that competes or is likely to compete, either directly or indirectly with our Group’s business, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE OF OUR BUSINESS

We believe that we are capable of carrying on our business independently from the Controlling Shareholders and/or their respective close associates upon the [REDACTED] for the following principal reasons:

Management Independence

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

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Our Directors believe that our Company is capable of maintaining management independence due to the following reasons:

- (1) each of Mr. Wang, Mr. Guo Xinping, and Mr. Wu Zhengping serves as a director and/or manager of Yonyou Institute, reflecting their shareholding interests in the company. However, Yonyou Institute functions solely as an investment holding company, engaging primarily in equity investments without any other substantial business operations and, as such, does not require their active involvement in its daily work or day-to-day management. Furthermore, none of the other Directors or senior management members of our Company will hold any directorships or managerial roles in our Controlling Shareholders or their respective close associates upon the [REDACTED];
- (2) our Directors are aware of their fiduciary duties as a director, which require, among other things, that they act for the benefits and in the interests of our Company and all our Shareholders as a whole and do not allow any conflict between their duties as a Director and their personal interests;
- (3) 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;
- (4) our Board acts collectively by majority vote in accordance with our Articles of Association and applicable laws and regulations, and no single Director is able to make any decisions unless authorized by the Board;
- (5) our Board has a balanced composition of executive and non-executive Directors, which ensures the independence of the Board in making decisions affecting our Company. Our independent non-executive Directors account for over one-third of the Board, and do not and will not take up any position with our Controlling Shareholders. All of our three independent non-executive Directors are independent from our Controlling Shareholders and have extensive experience in their respective areas of expertise. For details, see “Directors and Senior Management.” All independent non-executive Directors are appointed in accordance with the requirements under the Listing Rules, and certain matters of our Company must always be referred to the independent non-executive Directors for review, ensuring the decisions of the Board are made only after the due consideration of independent and impartial opinions;
- (6) 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 Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions and will abstain from voting at the relevant meeting in accordance with the Listing Rules; and
- (7) 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. Please see “— Corporate Governance Measures” in this section for further information.

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Based on the above, our Directors believe that our Company has sufficient and effective control mechanisms to ensure that our Directors perform their respective duties properly and safeguard the interests of our Company and our Shareholders as a whole. Our Board together with our senior management team, therefore, are able to perform the managerial role in our Group independently.

Operational Independence

We are in possession of all technologies relating to our Group’s business. Currently, we engage in our Group’s business independently, with the independent right to make operational decisions and implement such decisions.

We have independent access to customers and suppliers and, therefore, are not dependent on our Controlling Shareholders for any significant amount of our revenue, R&D, staffing or marketing and sales activities, and we have sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders. We have an established and complete organizational structure comprising various separate departments, each charged with specific responsibilities, such as staffing, administration, finance, internal audit, R&D, sales and marketing, or company secretarial functions. These departments have been in operation and are expected to continue to operate separately and independently from our Controlling Shareholders and their close associates. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business.

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

Financial Independence

Our Company has its own team of independent financial staff responsible for discharging treasury, accounting, reporting, group credit and internal control functions independently from our Controlling Shareholders and their respective close associates, as well as a sound and independent financial system, and makes independent financial decisions according to our own business needs. Our Company maintains bank accounts independently and does not share any bank account with our Controlling Shareholders. Our Company makes tax registration and pays tax independently with its own funds. As such, our Company’s financial functions, such as cash and accounting management, invoices and bills, operate independently from our Controlling Shareholders and their respective close associates.

As of the Latest Practicable Date, there were no outstanding loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective close associates.

Based on the above, our Directors are of the view 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 respective close associates.

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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 recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders.

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:

- (1) under the Articles of Association, where our Company has knowledge that any Shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution of our Company or restricted to vote only for or only against any particular resolution of our Company, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted;
- (2) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable Listing Rules;
- (3) our Board will consist of a balanced composition of executive and non-executive Directors, including not less than one-third of independent non-executive Directors, to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors, individually and collectively, possess the requisite knowledge and experience. They are committed to providing experienced and professional advice to protect the interests of our minority Shareholders;
- (4) our independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (5) our Controlling Shareholders will provide our independent non-executive Directors with all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review;
- (6) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its interim and/or annual reports or by way of announcements as required by the Listing Rules;
- (7) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company’s expense;
- (8) we have appointed First Shanghai 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

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- (9) we have established the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee with written terms of reference in compliance with the Listing Rules and the Code on Corporate Governance and Corporate Governance Report in Appendix C1 to the Listing Rules. We have also established a Strategy and Sustainable Development Committee with written terms of reference.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders’ interests after the [REDACTED].