OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the **[REDACTED]**, Baidu, Inc. will be interested in 144,945,756 Ordinary Shares, comprising (i) 91,510,833 Ordinary Shares held by Baidu (Hong Kong) Limited, a company wholly-owned by Baidu Holding Limited, which is in turn wholly-owned by Baidu, Inc., and (ii) 53,434,923 Ordinary Shares held by Baidu Holding Limited, which is in turn wholly-owned by Baidu, Inc.

Immediately after the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and without taking into account any Shares that may be issued under the Pre-**[REDACTED]** Share Incentive Plan), Baidu, Inc. will control the voting rights attaching to 91,510,833 Ordinary Shares held by Baidu (Hong Kong) Limited and 53,434,923 Ordinary Shares held by Baidu Holding Limited, in aggregate representing approximately **[REDACTED]**% of the voting rights in our issued share capital in general meetings with each Ordinary Share entitling the holder to exercise one vote.

Therefore, Baidu, Inc., Baidu Holding Limited and Baidu (Hong Kong) Limited will be the Controlling Shareholders of our Company after the **[REDACTED]**.

RULE 8.10 OF THE LISTING RULES

Each of our Controlling Shareholders has confirmed that as of the Latest Practicable Date, save for the below businesses, it 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, and requires disclosure under Rule 8.10 of the Listing Rules.

Clear Delineation of Business

There is a clear delineation between our business and that of Baidu.

Baidu is a leading AI company with a strong internet foundation. Its principal businesses comprise (i) online marketing services, underpinned by its search and other user traffic products, and (ii) other services such as cloud and AI-related solutions. Our core business is organized around the incubation, operation and monetization of our music-related IP portfolio, with three business lines: (i) music catalogue operation, (ii) artist management and live entertainment, and (iii) ticketing and other services. Baidu does not operate any such businesses, save for limited activities that are ancillary to the core businesses of certain Baidu-invested entities:

- **iQIYI, Inc.:** Baidu, Inc. is the controlling shareholder of iQIYI, which operates an online video streaming and entertainment platform. iQIYI owns or uses certain music content that is ancillary to its video and other content offerings. These music-related rights are incidental to its video content operations and do not constitute an independent music copyright operation business compete with our music catalogue operation business.

- **YY Live Streaming:** YY Live Streaming's business involves certain artist-related activities that are ancillary to its video or live streaming content business. These activities are designed to support content production and user engagement on its platforms. By contrast, our artist management business focuses on music artists, with services built around music creation, recording, promotion and live performances, and is a core part of our business rather than an ancillary function.

As demonstrated above, given that the business of our Group differs from that of Baidu in terms of business model, core products and service offerings, and target markets, our Directors are of the view that there is a clear delineation between our business and the business of Baidu.

INDEPENDENCE OF OUR BUSINESS

Having considered the following factors, our Directors are satisfied that we are able to carry out our business independently from our Controlling Shareholders and their respective close associates upon and after the **[REDACTED]**.

Management Independence

We are able to carry on our business independently from our Controlling Shareholders from a management perspective. Our Board consists of eight Directors, including one executive Director, four non-executive Directors and three independent non-executive Directors.

(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 interest of our Company and does not 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, 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. For details of the industry experience of our senior management team, see "Directors and Senior Management";

(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 a Director and/or his/her associate, he/she shall abstain from voting and shall not be counted towards the quorum for the voting; and

(e) 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. For details, see "– Corporate Governance Measures."

Based on the above, our Directors believe that our Board as a whole and together with our senior management are able to perform the managerial role in our Group independently from our Controlling Shareholders and their close associates after the **[REDACTED]**.

Operational Independence

We do not rely on our Controlling Shareholders and their close associates for our business development, staffing, logistics, administration, finance, internal audit, information technology, sales and marketing, or company secretarial functions. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate separately and independently from our Controlling Shareholders and their close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses, certificates, facilities and intellectual property rights necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

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

Financial Independence

We have an independent financial system and make financial decisions according to our Group's own business needs. We have internal control and accounting systems and an independent finance department for discharging the treasury function. We have sufficient capital to operate our business independently, and have adequate internal resources and working capital to support our daily operations. We do not expect to rely on our Controlling Shareholders and their close associates for financing after the **[REDACTED]** as we expect that our working capital will be funded by cash flows generated from operating activities, equity financing, bank loans as well as the **[REDACTED]** from the **[REDACTED]**.

In addition, we are capable of obtaining financing from independent third parties without relying on any guarantee or security provided by our Controlling Shareholders or their respective 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 associates. During the Track Record Period and as of the Latest Practicable Date, we had also received a series of Pre-**[REDACTED]** Investments from third party investors independently. For details of the Pre-**[REDACTED]** Investments, see "History, Reorganization and Corporate Structure – Major Corporate Development and Shareholding Changes of Our Group – Pre-**[REDACTED]** Investments."

Based on the above, our Directors believe that we are able to operate with financial independence from our Controlling Shareholders and their close associates, and we do not place undue reliance on our Controlling Shareholders upon **[REDACTED]**.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests.

We have adopted the following measures to safeguard good corporate governance standards and to avoid potential conflicts of interest between our Group and our Controlling Shareholders:

- where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their respective close associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- our Group has established internal control mechanisms to identify connected transactions. Upon **[REDACTED]**, if any transaction is proposed between our Group and our Controlling Shareholders and their respective associates, we will comply with the requirements of the Articles of Association and the Listing Rules, including, where appropriate, the reporting, annual review by the independent non-executive Directors, announcement and independent shareholders' approval;
- our Board consists of a balanced composition of executive Director, non-executive Directors and independent non-executive Directors, with independent non-executive Directors representing more than one-third of our Board 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 to perform their duties. They will review whether there is any conflict of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;

- 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; and
- we have appointed TFI Capital Limited as our Compliance Adviser, who will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance, and inform us on a timely basis of any amendment or supplement to the Listing Rules or applicable laws and regulations in Hong Kong;
- we have established the Audit Committee, Remuneration Committee and Nomination Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code; and
- our Company will disclose decisions (with basis), if any, on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements.

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 Company and our Controlling Shareholders and their respective close associates, and to protect the interests of our Shareholders, in particular, the minority Shareholders after the **[REDACTED]**.