
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately prior to the [REDACTED], our Company is owned directly as to (i) approximately 39.11% by Mr. Cai and (ii) approximately 0.99% by Zhuhai Aoli, one of our Employee Shareholding Platforms, which is controlled by Mr. Cai as its sole general partner.

Immediately following the completion the [REDACTED], Mr. Cai and Zhuhai Aoli will be, in aggregate entitled to control the exercise of approximately [REDACTED]% of the voting rights (assuming the [REDACTED] is not exercised) or approximately [REDACTED]% of the voting rights (assuming the [REDACTED] is exercised in full). Accordingly, Mr. Cai and Zhuhai Aoli will be our Controlling Shareholders after the [REDACTED].

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently of our Controlling Shareholders and their close associates after [REDACTED].

Management Independence

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

Our executive Directors and senior management team are responsible for the day-to-day management of our operations. Notwithstanding the roles of Mr. Cai in our Board, our Directors are of the view that our Company is able to function independently from Mr. Cai for the following reasons:

- (a) all of the independent non-executive Directors are independent from Mr. Cai, and decisions of our Board require the approval of a majority vote from members of our Board;
- (b) 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;
- (c) 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;
- (d) 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;
- (e) 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
- (f) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and the Controlling Shareholders which would support our independent management.

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 the Controlling Shareholders and their close associates after the [REDACTED].

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Operational Independence

We do not rely on the Controlling Shareholders and their close associates for our business development, staffing, 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 the Controlling Shareholders and their close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

In 2024, our Group entered into a lease agreement (the “**Office Lease Agreement**”) with Guangzhou Aofei Silicon Valley Culture Development Co., Ltd. (廣州奧飛硅谷文化發展有限公司) (“**Aofei Silicon Valley**” or the “**Lessor**”), pursuant to which the Lessor agreed to lease to our Group certain premises with a total gross area of approximately 1,787.25 sq.m. in Guangzhou, Guangdong (the “**Premises**”), primarily for our use as offices. Aofei Silicon Valley is owned by Guangzhou Aofei Culture Communication Co., Ltd. (廣州奧飛文化傳播有限公司) (“**Aofei Culture**”), Guangzhou Aochen Real Estate Co., Ltd.* (廣州奧晨置業有限公司) (“**Guangzhou Aochen**”) and Guangzhou Zhongxiang Investment Development Co., Ltd. (廣州中翔投資開發有限公司) as to 35.0%, 33.0% and 32.0%, respectively. As of the Latest Practicable Date, Aofei Culture is wholly owned by Aofei Entertainment Co., Ltd.* (奧飛娛樂股份有限公司), where Mr. Cai holds 34.15% of the equity interests; Guangzhou Aochen is wholly-owned by Guangzhou Aochen Real Estate Group Co., Ltd.* (廣州奧晨房地產集團有限公司), which in turn wholly-owned by Shantou Donghuang Investment Co., Ltd. (汕頭市東煌投資有限公司), where Mr. Cai holds 52.50% of the equity interests. Therefore, Aofei Silicon Valley is an associate of Mr. Cai and constitutes a connected person of the Company under the Listing Rules. For more details in relation to the balance of the right-of-use assets recognized in respect of the Premises, see Note 35 to the Accountants’ Report in Appendix I to this document.

The Office Lease Agreement has a fixed term of five years effective from October 1, 2024, and the Group entitles to the priority to renew the lease under the same circumstances before the expiration of the Office Lease Agreement. The Office Lease Agreement was entered into (i) in the ordinary and usual course of business of our Group, (ii) on arm’s length basis, and (iii) on normal commercial terms with the rental being determined with reference to, among others, the prevailing market rental prices of comparable premises in the locality and the acreage of the Premises and the square meters rented.

In accordance with IFRS 16 “Leases,” our Company recognized a right-of-use asset on its balance sheet in connection with the lease of each of the Premises. Therefore, the transactions under the Office Lease Agreement was recorded as an acquisition of a capital assets and one-off connected transactions of our Company for the purpose of the Listing Rules. Accordingly, the reporting, announcement, annual review and independent shareholders’ approval requirements with respect to continuing connected transactions in Chapter 14A of the Listing Rules will not be applicable to the Office Lease Agreements and the transactions thereunder.

Given that (i) the Office Lease Agreement is on normal commercial terms after arm’s-length negotiations in the ordinary and usual course of our business, and (ii) even if the counterparty in the transaction terminates such agreements, the interruption to our business would be limited as we would be able to find an alternative lease in the market, our Directors believe that the lease of offices from Lessors would not cast doubts on our operational independence.

During the Track Record Period, there were certain transactions between our Group and certain associates of our Controlling Shareholders. See “Financial Information — Related Party Transactions” and Note 35 of the Accountants’ Report as set out in Appendix I to this document for more details.

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

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Financial Independence

Our Group has its own internal control, accounting, funding, reporting and financial management system as well as accounting and finance department. Moreover, our Group opens and manages bank accounts independently and has never shared any bank account with Controlling Shareholders. Our Group has independent taxation registration according to the relevant laws and makes tax payments independently according to the applicable PRC taxation laws and regulations. Our Group has never made any tax payment jointly with Controlling Shareholders or any other entities controlled by them.

As of the Latest Practicable Date, our Group did not rely on the Controlling Shareholders and/or their close associates for any provision of financial assistance. Our Directors confirm that as of the Latest Practicable Date, none of the Controlling Shareholders or their close associates had provided any loans, guarantees or pledges to our Group and our Group did not provide any loans, guarantees or pledges to our Controlling Shareholders.

Based on the above, our Directors are of the view that we are able to maintain financial independence from our Controlling Shareholders and their close associate.

INTERESTS OF THE CONTROLLING SHAREHOLDER IN OTHER BUSINESSES

The Controlling Shareholders and the Directors 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, which would require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules (the “**Corporate Governance Code**”), which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders’ interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and the Controlling Shareholders:

- (a) where a Shareholders’ meeting is to be held for considering proposed transactions in which the Controlling Shareholders or any of their respective associates has a material interest, the Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with a Controlling Shareholder or any of his/its associates, our Company will comply with the applicable Listing Rules;
- (c) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between the Group and the Controlling Shareholders (the “**Annual Review**”) and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) the Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;

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- (e) our Company will disclose decisions (with basis) on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements;
- (f) 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 expenses; and
- (g) we have appointed Octal Capital Limited as our Compliance Adviser to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

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