
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalization Issue and the Global Offering, Ms. Ren and Queen Media will control more than 30% of our issued share capital, irrespective of whether the Over-allotment Option is exercised partially or fully, or at all, and hence, for the purpose of the Listing Rules, will continue to be our Controlling Shareholders. Each of Ms. Ren and Queen Media confirms that she or it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our business upon Listing.

INDEPENDENCE OF OUR GROUP

In the opinion of our Directors, our Group is capable of carrying on our businesses independently of, and does not place undue reliance on, the Controlling Shareholders, their respective associates or any other parties, taking into account the following factors:

(i) Financial independence

Our Group has an independent financial system and makes financial decisions according to our own business needs. The amounts due to or from our Controlling Shareholders will be fully settled before Listing. We have sufficient capital to operate our business independently, and have adequate internal resources and a strong credit profile to support our daily operations.

(ii) Operational independence

We have established our own organizational structure, and each department is assigned to specific areas of responsibilities. Other than the transactions set out in the sections headed “Connected Transaction” and “History and Reorganization — Structured Contracts” in this prospectus, no services or facilities are intended to be provided to our Group by our Controlling Shareholders and/or their associates. Our Group is able to operate independently from our Controlling Shareholders after the Listing. Our Group has also established a set of internal control policy to facilitate the effective operation of our business.

(iii) Management independence

Our Company maintains an independent Board to oversee our Group’s business. Our Board is responsible for considering and approving the overall business plans and strategies of our Group, monitoring the implementation of these plans and strategies, and the general management of our Company. Our Group has an independent management team, which is led by a team of senior managers with substantial experience and expertise in our business, to implement our Group’s policies and strategies.

Our Board consists of nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors. Ms. Ren, one of our Controlling Shareholders, is our chairlady and executive Director.

Each of our Directors 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 best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest to exist. In the event that there is a potential conflict of interest arising from any transaction to be entered into between our Group and our Directors or their respective associates, such interested Director(s) shall abstain from voting at the relevant meeting of the Board in respect of such transactions and shall not be counted in the quorum.

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COMPETING BUSINESS

The Controlling Shareholders and our Directors do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

DEED OF NON-COMPETITION

In order to avoid any potential competition between Ms. Ren and Queen Media, each of whom a Controlling Shareholder (each, a "Covenantor" and together, the "Covenantors") and our Group, the Covenantors executed a deed of non-competition (together, the "Deed") on June 24, 2013 in favor of us (for ourselves and for the benefit of each member of our Group). Pursuant to the Deed, during the period that the Deed remains effective, each of the Covenantors irrevocably and unconditionally undertakes with us (for ourselves and for the benefit of each member of our Group) that she or it shall not, and shall procure her or its associates or companies controlled by her or it (other than members of our Group) not to, directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of our Group in the PRC or any other area in which our Group carries on business, save for the holding of not more than 5% shareholding interests (individually or with her or its associates) in any company listed on a recognized stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with her or its associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of the relevant Covenantor (individually or with her or its associates).

When business opportunities which may compete with the business of our Group arise, the respective Covenantor(s) shall, and shall procure their respective associates to, give us notice in writing and we shall have a right of first refusal to take up such business opportunities. We shall, within a period of 30 days (which may be extended to 60 days if requested by all of our independent non-executive Directors, or such longer period if we are required to complete any approval procedures as set out under the Listing Rules from time to time), inform the Covenantor(s) whether we will exercise the right of first refusal or not. We shall only exercise the right of first refusal upon the approval of all our independent non-executive Directors (who do not have any interest in such proposed transactions). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

The undertakings mentioned above are conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, our Shares on the Stock Exchange and all conditions precedent under the Underwriting Agreements having been fulfilled (or where applicable, waived), and the Underwriting Agreements not having been terminated in accordance with their respective terms. If any such condition is not fulfilled on or before the date falling 30 days after the date of this prospectus, the Deed shall become null and void and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed.

The Deed shall terminate on the earliest of (i) the date on which the Controlling Shareholders and their associates cease to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company; or (ii) the date on which our Shares cease to be listed and traded on the Stock Exchange (except for temporary suspension of trading of our Shares on the Stock Exchange due to any reason).

In connection with the Deed, where the equity capital in the Company, Queen Media and/or Trust Co forms the whole or part of the trust asset of the SKY Trust (or any subsequent replacement trust

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arrangement) which is managed by any professional trust company, the Deed shall not be applicable to the following persons (notwithstanding their being deemed to be the associates of Trust Co under the Listing Rules):

- (a) the corporate directors of Trust Co who are nominated by the said professional trust company who are represented by employees or officers of such professional trust company; and
- (b) any holding company, subsidiaries or fellow subsidiaries of the professional trust company,

provided that any person falling under (a) or (b) above who is a beneficiary of the SKY Trust or any family members of Ms. Ren shall not be entitled to the above exclusion.

In addition, the Covenantors have undertaken to us:

- (i) to provide all information necessary for the evaluation of the enforcement of the Deed as requested by our Company from time to time; and
- (ii) to make an annual confirmation as to compliance with her or its undertaking under the Deed for inclusion in the annual report of our Company.

Each of the Covenantors undertakes to our Company that she or it would, during the term of the Deed, indemnify and keep indemnifying our Company and our Group against any loss suffered by our Company or any members of our Group (as relevant) arising out of any breach of any of her or its undertaking under the Deed.

CORPORATE GOVERNANCE

Our Board will consist of 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. We will ensure that our independent non-executive Directors are of sufficient caliber, knowledge and experience, have no connection or relationship with us or our connected persons and will carry weight in our decision-making process.

We have adopted the following corporate governance measures to manage any potential conflicts of interest arising from any future potential competing businesses and to safeguard the interests of our Shareholders:

- Our Controlling Shareholders will make an annual declaration on compliance with their undertakings under the Deed in the annual report of our Company;
- Our independent non-executive Directors will review, at least on an annual basis, the compliance of our Controlling Shareholders with the Deed; and
- We will make disclosures in our annual reports or by way of announcements regarding the review conducted by our independent non-executive Directors relating to such compliance with and enforcement of the Deed including, among others, any new business opportunity turned down by our Company under the Deed and basis thereon.

Based on the above, our Board is satisfied that there are sufficient and effective preventive measures to manage conflicts of interest and our Board is able to operate independently of our Controlling Shareholders.