
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

On December 27, 2013, Mr. DAI, as the settlor established DAE Family Trust, and transferred his entire equity interest in Stmoritz Investment Limited to DAE Holding Investments Limited, a trust holding company 100% owned by TMF (Cayman) Ltd., the trustee of DAE Family Trust and an Independent Third Party.

Mr. DAI and Stmoritz Investment Limited exercise control of approximately 34.91% of the issued share capital of the Company immediately prior to the [REDACTION] and therefore are our Controlling Shareholders. Upon completion of the [REDACTION] (assuming the [REDACTION] is not exercised and without taking into account any Shares to be issued upon the exercise of share options granted under the [REDACTION] Share Option Scheme and any Shares which may be issued under the [REDACTION] RSU Scheme), the percentage of issued share capital controlled by Mr. DAI and Stmoritz Investment Limited in the Company will be diluted to 26.18%. Mr. DAI has also been granted RSUs representing 10,000,000 Shares held by the [REDACTION] RSU Nominee.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, neither of our Controlling Shareholders was engaged or had interests, in any business which, directly or indirectly, competes or may compete with our Group’s business, i.e. business of game development and game platform operation, which is discloseable under Rule 8.10 of the Listing Rules.

On December 4, 2013, Mr. DAI made a shareholder undertaking to us, pursuant to which he irrevocably undertook that, among other things, unless a prior written consent is obtained from Guangzhou WFOE, he would not engage in, conduct, participate in or use the information obtained from Guangzhou Baitian or any of its Affiliates to participate in, directly or indirectly, any business or activity which competes or is likely to compete with the business of Guangzhou Baitian or its subsidiaries, nor will him acquire, hold any interests in or derive any interests from any business which competes or is likely to compete with the business of Guangzhou Baitian or its subsidiaries, Please refer to the section headed “Contractual Arrangements” of [REDACTION] for details.

Our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders upon or shortly after the [REDACTION].

Our Directors believe that our Group is capable of carrying on our business independent of, and does not place undue reliance on, our Controlling Shareholders or their respective associates, taking into consideration the following factors:

(a) Financial Independence

Our Group has an independent financial system and makes financial decisions according to our own business needs. As of the Latest Practicable Date, none of our Controlling Shareholders or their respective associates had provided any loans, guarantees or pledge to our Group. We will not rely on our Controlling Shareholders for financing after the [REDACTION] as we have sufficient working capital to operate our business independently.

(b) Operational Independence

We have established our own organizational structure, and each department is assigned to specific areas of responsibilities. We do not rely on our Controlling Shareholders or their respective associates for our operations. We have independent access to suppliers and customers and an independent management team to handle our Daily operations. We are also in possession of all relevant licenses necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently. Save as the transactions set out in the sections headed “Connected Transactions” and “History, Reorganization and Corporate Structure” in [REDACTION], no services or facilities are intended to be provided to our Group by our Controlling Shareholders or their respective associates.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Directors are of the view that there is no operational dependence by us on our Controlling Shareholders and our Group is able to operate independently from our Controlling Shareholders after [REDACTION].

(c) Management Independence

Our Company maintains an independent Board to oversee our Group’s business. Our Board is responsible for contemplating and approving business plans and strategies of the Group, monitoring the implementation of business plans and strategies and supervising the management of our Group. Our Group has an independent management team, which is led by a team of senior management with extensive experience and expertise in our business, to implement our Group’s business plans and strategies in the Daily operations.

Our Board consists of nine Directors, comprising five Executive Directors, one Non-Executive Director and three Independent Non-Executive Directors. Mr. DAI is one of our Executive Directors and our Chairman. Please refer to the section headed “Directors and Senior Management” for details.

Our Directors are of the view that our Board and senior management will function independently from our Controlling Shareholders for the following reasons:

- (i) each of our Directors is aware of his fiduciary duties as a director which require, among other things, that he acts for the benefit and in the best interest of our Company and does not allow any conflict between his duties as a director and his personal interests to exist;
- (ii) 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, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in the quorum;
- (iii) our Independent Non-Executive Directors have extensive experience in different areas and have been appointed in accordance with the requirements under the [REDACTION] to ensure that the decision of the Board are made only after due consideration of independent and impartial opinions; and
- (iv) our Company has also established internal control mechanism to identify related party transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions.

Based on the above, our Board is satisfied that each Director is able to perform its roles in our Company independently and our Board is able to operate independently from our Controlling Shareholders.

CORPORATE GOVERNANCE

Our Company will comply with the provisions in Corporate Governance Code and Corporate Report set out in Appendix 16 to the Listing Rules, which sets out principles of good corporate governance in relation to, among other matters, directors, the chairman and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration and communications with shareholders.

Our Board will consist of a balanced composition of Executive Directors 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, details of whom are set out in the section headed “Directors and Senior Management,” individually and together possess the requisite knowledge and experience for a seat on our Board. All of our Independent Non-Executive Directors are experienced and will provide impartial and professional advice to protect the interest of our minority Shareholders.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Directors are satisfied 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’ rights after the [REDACTION].

CONFIRMATION

Except as disclosed above, neither our Controlling Shareholders nor any of our Directors is, as of the Latest Practicable Date, interested in any business, other than our Group, which, competes or is likely to compete, either directly or indirectly, with our Group’s business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.