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## CONNECTED TRANSACTIONS

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Upon Listing, transactions between members of our Group and our connected persons will constitute connected transactions or continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

### SUMMARY OF OUR CONNECTED PERSONS

The following table sets forth the connected persons of our Company involved in the continuing connected transactions upon Listing and the nature of their relationship with our Group.

Connected Person	Connected Relationship
Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司) (“ <b>Tencent Computer</b> ”)	Tencent Computer is a subsidiary of Tencent, which is one of our substantial shareholders.
Tencent Music Entertainment Technology (Shenzhen) Co., Ltd. (騰訊音樂娛樂科技(深圳)有限公司) (“ <b>TME Shenzhen</b> ”)	TME Shenzhen is a subsidiary of Tencent Music Entertainment Group (New York Stock Exchange stock symbol: TME) (“ <b>TME Group</b> ”). According to the 2020 Interim Report filed by Tencent on the Stock Exchange on August 26, 2020, TME Group is a subsidiary of Tencent. Tencent is one of our substantial shareholders. Therefore, TME Shenzhen is a connected person of our Company.
Beijing Sogou Technology Development Co., Ltd. (北京搜狗科技發展有限公司) (“ <b>Beijing Sogou</b> ”)	Beijing Sogou is a subsidiary of Sogou Inc. (New York Stock Exchange stock symbol: SOGO). According to the Form 20-F filed by Sogou Inc. with the United States Securities and Exchange Commission on April 21, 2020, as of March 31, 2020, Tencent indirectly held 39.2% of the total issued share capital of Sogou Inc., representing 52.3% of the total voting power of Sogou Inc. Tencent is one of our substantial shareholders. Therefore, Beijing Sogou is a connected person of our Company.

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Connected Person	Connected Relationship
Guangzhou Huya Information Technology Co., Ltd. (廣州虎牙信息科技有限公司) (“Guangzhou Huya”)	Guangzhou Huya is a PRC variable interest entity of HUYA Inc. (New York Stock Exchange stock symbol: HUYA). According to the Form 20-F filed by HUYA Inc. with the United States Securities and Exchange Commission on April 27, 2020, as of April 3, 2020, Tencent indirectly held 36.9% of the total issued share capital of HUYA Inc., representing 50.9% of the aggregate voting power of HUYA Inc. Tencent is one of our substantial shareholders. Therefore, Guangzhou Huya is a connected person of our Company.

## SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

			Proposed annual caps for the years ending December 31 (RMB in millions)		
Nature of transactions	Applicable Listing Rules	Waivers sought	2021	2022	2023
<i>Non-exempt continuing connected transactions</i>					
<b>1. Continuing Connected Transactions with Tencent Computer</b>					
(1) Marketing and Promotion Services Framework Agreement	14A.35, 14A.36, 14A.53 and 14A.105	Announcement, circular and independent Shareholders' approval requirements			
(a) provision of marketing and promotion services by the Represented Tencent Group <sup>(1)</sup> to us			4,102.2	4,707.1	5,403.2

*Note:*

- (1) The “Represented Tencent Group” refers to group members of Tencent, excluding China Literature Limited and its subsidiaries, and TME Group and its subsidiaries.

## CONNECTED TRANSACTIONS

			Proposed annual caps for the years ending December 31 (RMB in millions)		
Nature of transactions	Applicable Listing Rules	Waivers sought	2021	2022	2023
(b) <i>provision of marketing and promotion services by us to the Represented Tencent Group</i>			740.2	962.2	1,250.9
(2) Cloud Services and Technical Services Framework Agreement	14A.35, 14A.36, 14A.53 and 14A.105	Announcement, circular and independent Shareholders' approval requirements	1,970.0	2,320.0	2,645.0
(3) Payment Services Framework Agreement	14A.35, 14A.36, 14A.53 and 14A.105	Announcement, circular and independent Shareholders' approval requirements	1,118.4	1,890.6	2,781.6
(4) Game Co-operation Framework Agreement	14A.35, 14A.36, 14A.49, 14A.53 to 59, 14A.71 and 14A.105	Announcement, circular, independent Shareholders' approval and annual caps	N/A	N/A	N/A
<b>2. Contractual Arrangements</b>					
Contractual Arrangements	14A.35, 14A.36, 14A.49, 14A.52, 14A.53 to 59, 14A.71 and 14A.105	Announcement, circular, independent Shareholders' approval, annual caps and fixed term	N/A	N/A	N/A

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### FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have also entered into the following types of transactions with our connected persons during the Track Record Period which will continue after Listing, including:

- (1) certain subsidiaries of Tencent: property leasing transactions, trademark licensing transactions and product licensing transactions;
- (2) Beijing Sogou: platform cooperation arrangement; and
- (3) Guangzhou Huya: advertising service transactions.

On March 27, 2019, Beijing Muyuan, a Consolidated Affiliated Entity of us, entered into a copyright licensing agreement with TME Shenzhen, pursuant to which Beijing Muyuan licenses the copyrights and related rights (namely recording and performance rights) of certain designated music to TME Shenzhen for its promotion, advertising and use of the licensed music on its platforms. The term of this licensing agreement is two years commencing from March 31, 2019 to March 30, 2021.

As the highest relevant percentage ratio in respect of the transactions above (including the transactions with the subsidiaries of Tencent, Beijing Sogou, Guangzhou Huya and TME Shenzhen) is expected to be, on an annual basis, less than 0.1% and the transactions are on normal commercial terms or better, pursuant to Rule 14A.76(1)(a) of the Listing Rules, these transactions will be fully-exempt continuing connected transactions, exempt from reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below a summary of the continuing connected transactions entered into between us and Tencent Computer, which are either (i) subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules; or (ii) subject to reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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## CONNECTED TRANSACTIONS

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### I. CONTINUING CONNECTED TRANSACTIONS WITH TENCENT COMPUTER

#### Continuing Connected Transactions subject to Reporting, Annual Review, Announcement, Circular and Independent Shareholders' Approval Requirements

##### 1. Marketing and Promotion Services Framework Agreement

###### *Parties*

Beijing Dajia; and

Tencent Computer

###### *Principal terms*

On January 18, 2021, Beijing Dajia (for itself and on behalf of other members of our Group) entered into a marketing and promotion services framework agreement (the “**Marketing and Promotion Services Framework Agreement**”) with Tencent Computer (for itself and on behalf of the Represented Tencent Group), pursuant to which:

- (a) the Represented Tencent Group will market and promote our products and services on its platforms (including but not limited to provision of advertisement services to products and services which we develop or operate, or over which we have copyrights or are lawfully authorized to operate, on the platforms of the Represented Tencent Group, and provision of advertisements of our platform and products on the relevant advertisement platforms of the Represented Tencent Group); and
- (b) we will provide marketing and promotion services to the Represented Tencent Group (including but not limited to provision of advertisement services to products and services which the Represented Tencent Group develops or operates, or over which the Represented Tencent Group has copyrights or is lawfully authorized to operate, on our platform).

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In return for the marketing and promotion services provided by the Represented Tencent Group to us, we will pay service fees in one or more of the following manners, depending on the type of marketing and promotion services and the platforms of the Represented Tencent Group through which such services are provided:

- *Cost-Per-Click*: charged on the basis of the price of each click and the aggregate number of clicks of online users;
- *Cost-Per-Mille*: charged on the basis of the number of impressions (expressed in thousands) generated by online users;
- *Cost-Per-Time*: charged on the basis of length of duration of promotion services provided by the Represented Tencent Group;
- *Cost-Per-Activity*: charged on the basis of actual conversion indicators of our products, such as number of user registration, downloading, installment and activation;
- *Cost-Per-Sale*: charged on the basis of revenue generated from the users procured through the Represented Tencent Group; and
- *Cost-Per-Download*: charged on the basis of actual download volumes of our products.

In return for the marketing and promotion services provided by us to the Represented Tencent Group, the Represented Tencent Group will pay service fees in one or more of the following manners, depending on the type of our marketing and promotion services and the platforms through which such services are provided:

- *Cost-Per-Click*: charged on the basis of the price of each click and the aggregate number of clicks of online users;
- *Cost-Per-Mille*: charged on the basis of the number of advertisement impressions (expressed in thousands); and
- *Cost-Per-Time*: charged on the basis of length of duration of promotion services provided by us.

The initial term of the Marketing and Promotion Services Framework Agreement will commence on the Listing Date and end on December 31, 2023, subject to renewal upon the mutual agreement of both parties and in compliance with the Listing Rules.

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Separate underlying agreements will be entered into which will set out the precise scope of services, service fees calculation, method of payment and other details of the service arrangement in the manner provided in the Marketing and Promotion Services Framework Agreement.

### ***Reasons for the transactions***

#### *(a) Provision of marketing and promotion services by the Represented Tencent Group to us*

Given the Represented Tencent Group is a leading player in China's internet, social network, media, games and entertainment industries with a large user base, the use of marketing and promotion services on its platforms would enable us to gain more popularity and reach more potential users, hence further enhancing our business growth. We believe that the marketing and promotion services provided by the Represented Tencent Group can help us continue growing our user base and increase the awareness of and familiarity with our products and services.

#### *(b) Provision of marketing and promotion services by us to the Represented Tencent Group*

Leveraging our large and engaged user community, and a deep and diverse pool of content, we can develop additional monetization opportunities by providing marketing and promotion services to the Represented Tencent Group.

### ***Pricing policies***

#### *(a) Provision of marketing and promotion services by the Represented Tencent Group to us*

Before entering into any specific marketing and promotion service agreement with the Represented Tencent Group pursuant to which the Represented Tencent Group will provide marketing and promotion services to us, we will assess our business needs and compare the terms and conditions, and services proposed by the Represented Tencent Group with those offered by other comparable marketing and promotion service providers who are independent third parties. In addition, we will take into account a number of factors, including but not limited to (i) the effectiveness of the marketing and promotion services provided by different online marketing and promotion service providers; (ii) the breadth of user base of various online marketing and promotion platforms; and (iii) the rates of marketing and promotion service fees. We will only enter into a marketing and promotion service agreement with the Represented Tencent Group if (i) the terms and conditions are fair and reasonable and based on normal or no less favorable commercial terms than those offered by other independent third party service providers who can provide comparable services; and (ii) it is in the best interests of our Company and the Shareholders as a whole.

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### *(b) Provision of marketing and promotion services by us to the Represented Tencent Group*

The service fees to be charged by us for provision of marketing and promotion services to the Represented Tencent Group will be determined by the prices of different online marketing resources, and with reference to the prevailing market rates. We will only enter into a marketing and promotion service agreement with the Represented Tencent Group if (i) the terms and conditions are fair and reasonable and based on normal or no less favorable commercial terms as compared to our provision of similar marketing and promotion services to other customers who are independent third parties; and (ii) it is in the best interests of our Company and the Shareholders as a whole.

### *Historical amounts and proposed annual caps*

The following table sets forth (a) the aggregate amounts of fees paid by us to the Represented Tencent Group and paid by the Represented Tencent Group to us for provision of marketing and promotion services during the Track Record Period; and (b) the proposed annual caps under the Marketing and Promotion Services Framework Agreement:

	Year ended December 31,			Nine months ended
	2017	2018	2019	September 30, 2020
	<i>(RMB in millions)</i>			
Service fees paid by us to the Represented Tencent Group . . . . .	0.1	29.3	10.3	143.3
Service fees paid by the Represented Tencent Group to us . . . . .	—	11.4	302.6	479.1
	Year ending December 31,			
	2021	2022	2023	
	<i>(RMB in millions)</i>			
Proposed annual caps of service fees to be paid by us to the Represented Tencent Group . . . . .	4,102.2	4,707.1	5,403.2	
Proposed annual caps of service fees to be paid by the Represented Tencent Group to us . . . . .	740.2	962.2	1,250.9	



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### *Basis of caps*

#### *(a) Provision of marketing and promotion services by the Represented Tencent Group to us*

In view of the leading position of the Represented Tencent Group in China's internet, social network, media, games and entertainment industries, we have been historically cooperating with the Represented Tencent Group to leverage its platforms to market and promote our products and services and expect that the Represented Tencent Group will continue to be an important marketing and promotion service provider of us. When estimating the proposed annual caps, we have taken into account the following key factors:

- (i) the aforesaid historical amounts and the existing agreements between our Group and the Represented Tencent Group. During the Track Record Period, we incurred marketing and promotion service fees with the Represented Tencent Group as a result of our demand for marketing and promotion services from the Represented Tencent Group, as we continued to grow our business. The service fees paid by us to the Represented Tencent Group were RMB0.1 million, RMB29.3 million and RMB10.3 million in 2017, 2018 and 2019, respectively, and we incurred RMB143.3 million in the nine months ended September 30, 2020;
- (ii) during the Track Record Period, we entered into marketing and promotion agreements with (1) advertising platforms directly; and (2) advertising solution providers. Prior to entering into such agreements with advertising solution providers, we will inform the advertising solution providers of our budgets and expected advertising effects, based on which the solution providers will provide us with an advertising proposal, including their proposed advertising platforms (which may include the platform(s) of the Represented Tencent Group). The advertising solution providers will separately negotiate the price and other terms and conditions with the advertising platforms directly.

Under the model of entering into a marketing and promotion agreement with an advertising solution provider, considering that (1) we do not designate any advertising platform to the advertising solution provider, and it is up to the advertising solution provider to offer us with a proposal (including the proposed advertising platform(s)) based on our budget and expected advertising effects; (2) we do not participate in negotiations with the advertising platforms (which may include the platforms of the Represented Tencent Group) in respect of the price, terms and conditions. Instead, it is the advertising solution provider and the advertising platforms that directly negotiate with each other; and (3) we do not enter into any agreement with advertising platforms, we believe that such transactions are not connected transactions even if the advertising

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platforms eventually selected by the advertising solution providers include the platform(s) of the Represented Tencent Group. As such, the historical amounts during the Track Record Period did not include marketing and promotion service fees paid by us to the advertising solution providers (even if the advertising platforms selected by the advertising solution providers includes the platform(s) of the Represented Tencent Group). The historical amounts during the Track Record Period only include the fees paid by us to the Represented Tencent Group in connection with the marketing and promotion agreements we directly entered into with the Represented Tencent Group.

The Represented Tencent Group has become an important marketing and promotion service provider to us. Starting in the second half of 2020, in respect of provision of marketing and promotion services by the Represented Tencent Group to us, we have gradually changed the model to direct execution of the relevant agreements with the Represented Tencent Group. Therefore, such transactions constitute connected transactions and we expect there will be a substantial increase in the annual caps in respect of the service fees to be paid by us to the Represented Tencent Group as compared to the historical transaction amounts; and

- (iii) The primary purpose of engaging a service provider to provide marketing and promotion services to the Group is to acquire and retain users, increase user engagement and enhance the brand image of our platform. When estimating the proposed annual caps, we also took into account (a) the expected growth of the Group's user base and user engagement; (b) the Group's expected investments in its selling and marketing efforts; and (c) the estimated portion of the marketing and promotion services to be provided by the Represented Tencent Group among all the marketing and promotion service providers to be engaged by the Group.

According to iResearch, short video users in China are expected to continue to grow at a fast pace primarily due to the suitability of short videos to address users' fragmented time. The average DAUs of short video platforms in China reached 495.7 million in 2019 and is expected to reach 899.9 million by 2025, growing at a CAGR of 10.4%, with average daily time spent per DAU increasing from 67.0 minutes in 2019 to 110.2 minutes in 2025, according to iResearch. Live streaming users in China are also expected to continue to grow at a fast pace due to the highly social, interactive and immersive nature of live streaming. The live streaming platform average DAUs in China reached 213.4 million in 2019 and is expected to reach 512.8 million by 2025, growing at a CAGR of 15.7%, with average daily time spent per DAU increasing from 33.2 minutes in 2019 to 51.9 minutes in 2025, according to iResearch.

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Based on the above market trend and considering our market-leading position in both short video and live streaming, we expect to continue our selling and marketing efforts as we continue to grow our user base and user engagement, as well as enhance our brand awareness in the foreseeable future. As such, we expect that there will be an increase in the annual caps in respect of the marketing and promotion service fees to be paid by the Group to the Represented Tencent Group.

*(b) Provision of marketing and promotion services by us to the Represented Tencent Group*

When estimating the proposed annual caps in respect of fees to be paid by the Represented Tencent Group to us for our provision of marketing and promotion services, we have taken into account the following key factors:

- (i) the aforesaid historical amounts and the existing agreements between our Group and the Represented Tencent Group. During the Track Record Period, the service fees paid by the Represented Tencent Group to us increased from RMB11.4 million in 2018 to RMB302.6 million in 2019 and reached RMB479.1 million in the nine months ended September 30, 2020; and
- (ii) given the long term and stable relationship between us and the Represented Tencent Group, and considering our massive user base, we expect that the Represented Tencent Group may strengthen its products marketing efforts through our platform.

***Listing Rules implications***

In respect of the transactions under the Marketing and Promotion Services Framework Agreement, as the highest of all applicable percentage ratio for the three years ending December 31, 2021, 2022 and 2023 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 5%, pursuant to Rule 14A.76(2) of the Listing Rules, such transactions will, upon Listing, constitute continuing connected transactions of the Company subject to annual reporting requirements under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirements under Rule 14A.35 of the Listing Rules and the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

### 2. Cloud Services and Technical Services Framework Agreement

#### *Parties*

Beijing Dajia; and

Tencent Computer

#### *Principal terms*

On January 18, 2021, Beijing Dajia (for itself and on behalf of other members of our Group) entered into a cloud services and technical services framework agreement (the “**Cloud Services and Technical Services Framework Agreement**”) with Tencent Computer (for itself and on behalf of the Represented Tencent Group), pursuant to which the Represented Tencent Group will provide cloud services and other cloud-related technical services to us for service fees. Cloud services and other cloud-related technical services include but are not limited to computing and network, cloud servers, cloud database, cloud security, monitoring and management, domain name resolution services, video services, big data and AI and other products and services.

The initial term of the Cloud Services and Technical Services Framework Agreement will commence on the Listing Date and end on December 31, 2023, subject to renewal upon the mutual agreement of both parties and in compliance with the Listing Rules.

Separate underlying agreements will be entered into which will set out the precise scope of services, service fees calculation, method of payment and other details of the service arrangement in the manner provided in the Cloud Services and Technical Services Framework Agreement.

#### *Reasons for the transactions*

There are limited choices of cloud service providers in the PRC, while the Represented Tencent Group is a leading integrated service provider for a wide range of cloud services and technical services in the PRC and is able to provide high quality, reliable and cost-efficient services. Leveraging on the cloud services provided, part of our servers have become cloud-based, allowing a higher degree of flexibility in managing the number of our servers on an as needed basis. Considering our business has undergone and is expected to undergo rapid growth, we believe that obtaining such services from an integrated service provider is a cost-effective alternative to building all supporting technology infrastructure internally. We therefore entered into the Cloud Services and Technical Services Framework Agreement to govern any cloud services and technical services to be provided by the Represented Tencent Group to us.

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### *Pricing policies*

Before entering into any cloud services and technical services agreement pursuant to the Cloud Services and Technical Services Framework Agreement, we will assess our business needs and compare the terms and conditions, and services proposed by the Represented Tencent Group with those offered by other competent service providers who are independent third parties. The service fee will be reached by the parties through arm's length negotiations based on the fee rates disclosed on the relevant official platforms or websites of the Represented Tencent Group. In addition, we will take into account a number of factors, including but not limited to (i) the quality, reliability and stability of cloud and technical services of different service providers; and (ii) the service fee rates. We will only enter into a cloud services and technical services agreement with the Represented Tencent Group if (i) the terms and conditions are fair and reasonable and based on normal or no less favorable commercial terms than those offered by other independent third party service providers who can provide comparable services; and (ii) it is in the best interests of our Company and the Shareholders as a whole.

### *Historical amounts and proposed annual caps*

The following table sets forth (a) the aggregate amounts of fees relating to cloud services and technical services paid to the Represented Tencent Group by us during the Track Record Period; and (b) the proposed annual caps under the Cloud Services and Technical Services Framework Agreement:

	Year ended December 31,			Nine months ended
	2017	2018	2019	September 30,
				2020
	<i>(RMB in millions)</i>			
Service fees paid by us to the				
Represented Tencent Group . . . . .	209.2	631.9	814.1	1,120.4
	Year ending December 31,			
	2021	2022	2023	
	<i>(RMB in millions)</i>			
Proposed annual caps of service fees to be				
paid by us to the Represented Tencent				
Group . . . . .	1,970.0	2,320.0	2,645.0	

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### *Basis of caps*

When estimating the proposed annual caps, we have taken into account the following key factors:

- (i) the aforesaid historical transaction amounts and the existing agreements between our Group and the Represented Tencent Group. The service fees for cloud services and technical services paid by us to the Represented Tencent Group increased significantly during the Track Record Period from RMB209.2 million in 2017 to RMB631.9 million in 2018 and RMB814.1 million in 2019. We also incurred RMB1,120.4 million as service fees for cloud services and technical services to the Represented Tencent Group during the nine months ended September 30, 2020, and the increase in the service fees we incurred with the Represented Tencent Group was mainly due to the increase in our user traffic and the overall growth of our business; and
- (ii) as we expect growth in the number of our users, higher user engagement on our platform, continual development of our products and services and the corresponding demand for cloud services and technical services, the estimated amount of fees is expected to increase along with the overall growth of our business.

### *Listing Rules implications*

In respect of the transactions under the Cloud Services and Technical Services Framework Agreement, as the highest of all applicable percentage ratio for the three years ending December 31, 2021, 2022 and 2023 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 5%, pursuant to Rule 14A.76(2) of the Listing Rules, such transactions will, upon Listing, constitute continuing connected transactions of the Company subject to annual reporting requirements under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules and the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

### **3. Payment Services Framework Agreement**

#### *Parties*

Beijing Dajia; and

Tencent Computer

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## CONNECTED TRANSACTIONS

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### *Principal terms*

On January 18, 2021, Beijing Dajia (for itself and on behalf of other members of our Group) entered into a payment services framework agreement (the “**Payment Services Framework Agreement**”) with Tencent Computer (for itself and on behalf of the Represented Tencent Group), pursuant to which the Represented Tencent Group will provide us with payment services through its payment channels to enable our users to conduct online transactions on our platform through Tencent payment channel. We shall in return pay payment processing costs to Tencent. The precise scope of services, charge rates, the applicable payment channel and other details of the arrangement shall be agreed between the relevant parties separately.

The initial term of the Payment Services Framework Agreement will commence on the Listing Date and end on December 31, 2023, subject to renewal upon the mutual agreement of both parties and in compliance with the Listing Rules.

Separate underlying agreements will be entered into which will set out the charge rates, method of payment and other details of the service arrangement in the manner provided in the Payment Services Framework Agreement. The payment processing costs will be determined after arm’s length negotiation between the parties with reference to the market rates. The charge rates and calculation method shall be agreed between the parties separately.

### *Reasons for the transactions*

Our users use online payment services mainly to settle their payments in connection with our live streaming and e-commerce businesses. There are limited choices of online payment channels in the PRC. Given that the Represented Tencent Group is a leading player in the PRC online payment service industry and many of our users use the online payment services provided by the Represented Tencent Group, such cooperation would enable us to provide our users with the best available payment methods and therefore enhance our users’ satisfaction with our services.

### *Pricing policies*

Before entering into any payment service agreement pursuant to the Payment Services Framework Agreement, we will assess our business needs and compare the terms and conditions, and services proposed by the Represented Tencent Group with those offered by other comparable service providers who are independent third parties. In addition, we will take into account a number of factors, including but not limited to (i) the efficiency and prevalence of payment channels operated by different online payment service providers; (ii) our users’ preference among different online payment service providers; and (iii) the charge rates. We will only enter into a payment service agreement with the Represented Tencent Group if (i) the terms and conditions are

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fair and reasonable and based on normal or no less favorable commercial terms than those offered by other independent third party service providers who can provide comparable services; and (ii) it is in the best interests of our Company and the Shareholders as a whole.

### *Historical amounts and proposed annual caps*

The following table sets forth (a) the aggregate amounts of payment processing costs paid by us to the Represented Tencent Group during the Track Record Period; and (b) the proposed annual caps under the Payment Services Framework Agreement:

	Year ended December 31,			Nine months ended
	2017	2018	2019	September 30,
				2020
	<i>(RMB in millions)</i>			
Payment processing costs paid by us to the Represented Tencent Group . .	59.0	141.6	218.9	310.8
	Year ending December 31,			
	2021	2022	2023	
	<i>(RMB in millions)</i>			
Proposed annual caps of payment processing costs to be paid by us to the Represented Tencent Group . . . . .	1,118.4	1,890.6	2,781.6	

### *Basis of caps*

When estimating the proposed annual caps for the payment processing costs for the three years ending December 31, 2023, we have taken into account the following key factors:

- (i) the aforesaid historical transaction amounts and the existing agreements between our Group and the Represented Tencent Group. The payment processing costs paid by us to the Represented Tencent Group increased significantly during the Track Record Period from RMB59.0 million in 2017 to RMB141.6 million in 2018 and RMB218.9 million in 2019. We incurred RMB310.8 million payment processing costs with the Represented Tencent Group for the nine months ended September 30, 2020, largely attributable to the growth of our e-commerce business and the overall expansion of our live streaming business.



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According to iResearch, live streaming e-commerce on short video and live streaming-based social platform is becoming more common and will occur in more diverse ways over time. According to iResearch, the GMV of live streaming e-commerce in China is expected to increase from RMB416.8 billion in 2019 to RMB6,417.2 billion in 2025, growing at a CARG of 57.7%, which represents 4.2% of China's retail e-commerce market in 2019, and is expected to reach 23.9% by 2025. As a leader in live streaming e-commerce in China, we plan to continue to grow our e-commerce business.

In addition, according to iResearch, live streaming virtual gifting revenue in China increased from RMB7.0 billion in 2015 to RMB140.0 billion in 2019, and is expected to reach RMB416.6 billion in 2025, growing at a CARG of 19.9%. Additionally, globally, we are the largest live streaming platform by gross billings from virtual gifting and average live streaming MPUs in the nine months ended September 30, 2020, according to iResearch.

Based on the above, considering the continual expansion of our e-commerce and live streaming businesses and the expected increase in revenue contribution from our e-commerce business, we expect that the payment processing costs to be paid by us to the Represented Tencent Group will continue to grow in the three years ending December 31, 2023;

- (ii) the transactions conducted by our users on our platform that are settled through third-party online payment channels primarily include live streaming virtual gifting and e-commerce. As disclosed above, according to iResearch, live streaming virtual gifting revenue and live streaming e-commerce GMV in China are expected to undergo a significant growth for the next couple of years. Considering the Group's market-leading position in live streaming and live streaming e-commerce, we expect that there will also be an increase of live streaming virtual gifting revenue and GMV of our live streaming e-commerce for the three years ending December 31, 2023, and an increase of the total transaction amount of our users on our platform to be settled through third-party online payment channels; and
- (iii) for the three years ended 2017, 2018, 2019 and the nine months ended September 30, 2020, the payment processing cost paid by the Group to the Represented Tencent Group as to the total payment processing cost incurred by the Group was 21.9%, 29.0%, 34.1% and 45.2%, respectively. Given the popularity of the online payment channel offered by the Represented Tencent Group, we expect that the online payment channel offered by the Represented Tencent Group will continue to be one of the most popular payment channels among our users, and the proportion of the payment processing cost payable by the Group to the Represented Tencent Group as to the total payment processing cost to be incurred by the Group for the next three years will remain relatively stable.

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### *Listing Rules implications*

In respect of the transactions under the Payment Services Framework Agreement, as the highest of all applicable percentage ratio for the three years ending December 31, 2021, 2022 and 2023 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 5%, pursuant to Rule 14A.76(2) of the Listing Rules, such transactions will, upon Listing, constitute continuing connected transactions of the Company subject to annual reporting requirements under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules and the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

### **4. Game Co-operation Framework Agreement**

#### *Parties*

Beijing Dajia; and

Tencent Computer

#### *Principal terms*

On January 18, 2021, Beijing Dajia (for itself and on behalf of other members of our Group) entered into a game co-operation framework agreement (the “**Game Co-operation Framework Agreement**”) with Tencent Computer (for itself and on behalf of the Represented Tencent Group). Under the Game Co-operation Framework Agreement, we will display and recommend designated mobile and computer games developed or distributed by the Represented Tencent Group. Our users interested in such games appearing on our platform (the “**Interested Users**”) will be re-directed to downloading pages to download such games.

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## CONNECTED TRANSACTIONS

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The revenue arising out of the Game Co-operation Framework Agreement shall be split between us and the Represented Tencent Group and shall be determined in accordance with the following formula:

$$\text{Net proceeds} \times \text{revenue sharing percentage}$$

Net proceeds refers to the aggregate amount of revenue received by the Represented Tencent Group from such Interested Users through purchasing virtual items connected with the relevant games after deduction of the payment platform commissions charged by payment channels. The amount to be shared by us shall be separately determined for each designated game. The exact prescribed revenue sharing percentage for individual game shall be determined after arm's length negotiation between the relevant parties. The basis for determining the revenue sharing percentage includes (a) the revenue sharing percentage in respect of the game co-operation between our Group and business partners who are independent third parties of the Group; (b) the revenue sharing percentage in respect of the game co-operation between the Represented Tencent Group and its business partners; and (c) the general industry practice of revenue sharing in respect of game co-operation.

The initial term of the Game Co-operation Framework Agreement will commence on the Listing Date and end on December 31, 2023, subject to renewal upon the mutual agreement of both parties and in compliance with the Listing Rules. The collaboration outlined under the Game Co-operation Framework Agreement and the revenue sharing arrangement are in line with industry practice.

### *Reasons for the transactions*

During the nine months ended September 30, 2020, the average DAUs on Kuaishou App reached 262.4 million. Our large user base, many of which are interested in game content, presents an opportunity for game developers and operators. The Represented Tencent Group is a leading developer and operator of quality mobile games in the PRC and overseas. Cooperation with the Represented Tencent Group to jointly operate mobile games on our platform leverages the competitive advantages of both our Group and the Represented Tencent Group and provides us with additional monetization opportunities.

### *Pricing policies*

The revenue sharing proportion between the Represented Tencent Group and us will vary depending on the agreed prescribed percentage for each designated game, which will be determined between the relevant parties on an arm's length basis from time to time.

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## CONNECTED TRANSACTIONS

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### *Historical amounts*

We started game co-operation with the Represented Tencent Group in 2019. For the year ended December 31, 2019, our game co-operation with the Represented Tencent Group involved nine games and the revenue we generated was approximately RMB150 thousands. For the nine months ended September 30, 2020, our game co-operation with the Represented Tencent Group involved 44 games and the revenue we generated was approximately RMB3.4 million.

### *Annual caps*

The sharing of revenue based on the formula provided under the Game Co-operation Framework Agreement (i.e. revenue split based on a prescribed ratio) is consistent with historical and the prevailing market practices in relation to online game co-operation arrangements with the Represented Tencent Group or independent third parties. The Company is of the view that it would be unsuitable to adopt monetary annual caps for the Game Co-operation Framework Agreement for the following reasons:

- (a) considering the recent commencement of the game co-operation and the lack of track record, it would be impracticable to estimate with any degree of certainty the amount of revenue which may be generated by these transactions as it will ultimately depend on (i) the number of games that the Represented Tencent Group will develop or distribute; and (ii) the Interested Users' spending on purchase of virtual items on the Represented Tencent Group's platform, which will ultimately depend on factors such as the acceptance and popularity of the designated games that are the subject matter of the Game Co-operation Framework Agreement. The aforesaid factors are beyond our control;
- (b) adoption of annual caps with fixed monetary amounts will render it unduly burdensome for us to comply with the disclosure, announcement, circular and/or independent Shareholders' approval requirements under Chapter 14A of the Listing Rules whenever the revenue generated through the Game Co-operation Framework Agreement exceeds the estimated annual caps. As discussed above, the amount of revenue generated by the Group under the Game Co-operation Framework Agreement depends on the amount of spending of the Interested Users on purchase of virtual items and the popularity and acceptance of the designated items, which are factors beyond our control. As such, the Group is not able to meaningfully gauge its business volume for the transactions under the Game Co-operation Framework Agreement to set a monetary annual cap. Additionally, the Company is not able to monitor the actual transaction amount on a timely basis and take prompt and necessary measures in advance to prevent the excess of the actual transaction amount over the estimated annual cap; and

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## CONNECTED TRANSACTIONS

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- (c) the current revenue split arrangement incentivizes the Group to leverage its quality resources to market and promote the designated games. The Company is of the view that the adoption of fixed monetary annual caps will impose an arbitrary ceiling on the revenue that we could derive from the Game Co-operation Agreement and defeats the purpose of adopting revenue sharing arrangement to incentivize the Group to market and promote the designated games.

### ***Listing Rules implications***

We have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 14A.53(1) of the Listing Rules to express annual cap for the Game Co-operation Framework Agreement in terms of monetary value. Since the highest of all applicable percentage ratios in respect of the Game Co-operation Framework Agreement might be 5% or more, the Game Co-operation Framework Agreement will be subject to compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, reporting, annual review, announcement, circular and independent shareholders' approval requirement.

## **II. CONTRACTUAL ARRANGEMENTS**

### ***Background***

Due to regulatory restrictions on foreign ownership in the PRC, we conduct a substantial portion of our business through our Consolidated Affiliated Entities in the PRC. See "Contractual Arrangements" in this prospectus for further detailed terms of the Contractual Arrangements.

### ***Listing Rules implications***

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing as certain parties to the Contractual Arrangements, including Mr. Su Hua and Mr. Cheng Yixiao, are connected persons of the Group.

Our Directors (including the independent non-executive Directors) and the Joint Sponsors are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our Group's legal structure and business, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by any of our Consolidated Affiliated Entities and any member of our Group ("**New Intergroup Agreements**")

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## CONNECTED TRANSACTIONS

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and each of them, a “**New Intergroup Agreement**”) technically constitute our continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the annual reporting requirement under Rule 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14.35 of the Listing Rules and the independent Shareholders’ approval requirement under Rule 14A.36 of the Listing Rules.

### INTERNAL CONTROL MEASURES

In order to ensure that the terms under the relevant continuing connected transactions agreements for the continuing connected transactions are fair and reasonable, and the transactions are carried out based on normal or no less favorable commercial terms, we have adopted the following internal control procedures:

- we have adopted and implemented a management system on connected transactions. Under such system, the Audit Committee is responsible for conducting reviews on compliance with relevant laws, regulations, our Company’s policies and the Listing Rules in respect of the continuing connected transactions. In addition, the Audit Committee, the Board and various other internal departments of the Company (including but not limited to the finance department and legal department) are jointly responsible for evaluating the terms under framework agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each agreement;
- the Audit Committee, the Board and various other internal departments of the Company also regularly monitor the fulfillment status and the transaction updates under the framework agreements. In addition, the management of the Company also regularly reviews the pricing policies of the specific business agreements entered into under the framework agreements;
- our independent non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the framework agreements and provide annual confirmation to ensure that in accordance with Rules 14A.55 and 14A.56 of the Listing Rules the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the relevant pricing policies;

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## CONNECTED TRANSACTIONS

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- when considering service fees for the services to be provided to the Group by the above connected persons or the service fees for the services to be provided by the Group to the above connected persons, the Group will regularly research into prevailing market conditions and practices and make reference to the pricing and terms between the Group and independent third parties for similar transactions, to make sure that the terms and conditions offered by/to the above connected persons from mutual commercial negotiations (as the case may be) are fair and reasonable and are based on normal or no less favorable commercial terms than those offered by/to other comparable independent third parties; and
- when considering any renewal or revisions to the framework agreements after Listing, the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at Board meetings or Shareholders' general meetings (as the case may be), and our independent non-executive Directors and independent Shareholders have the right to consider if the terms of the non-exempt continuing connected transactions (including the proposed annual caps) are fair and reasonable, and on normal commercial terms and in the interests of our Company and our Shareholders as a whole. If the independent non-executive Directors' or independent Shareholders' approvals cannot be obtained, we will not continue the transactions under the framework agreement(s) to the extent that they constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules.

### WAIVERS GRANTED BY THE STOCK EXCHANGE

#### **Marketing and Promotion Services Framework Agreement, Cloud Services and Technical Services Framework Agreement and Payment Services Framework Agreement**

In relation to each of (a) Marketing and Promotion Services Framework Agreement; (b) Cloud Services and Technical Services Framework Agreement; and (c) Payment Services Framework Agreement, since the highest applicable percentage ratios for the three years ending December 31, 2021, 2022 and 2023 calculated for the purpose of Chapter 14A of the Listing Rules are expected to exceed 5%, the transactions contemplated under these three framework agreements will, upon Listing, constitute continuing connected transactions of the Company subject to annual reporting requirements under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules and the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement and independent Shareholders' approval requirements under Rule 14A.35 and Rule 14A.36 of the

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## CONNECTED TRANSACTIONS

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Listing Rules in respect of the transactions contemplated under these three framework agreements, provided that the total transaction amount for each of the three years ending December 31, 2021, 2022 and 2023 will not exceed the relevant proposed annual caps.

### **The Game Co-operation Framework Agreement**

In relation to the Game Co-operation Framework Agreement, we have also applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from the announcement requirements, the circular (including the opinion and recommendation from an independent financial advisor) requirements, the independent Shareholders' approval requirements, and the annual monetary cap requirements for the Game Co-operation Framework Agreement pursuant to Rule 14A.105 of the Listing Rules, within the term of the Game Co-operation Framework Agreement subject to the following conditions:

- (a) we will disclose in our subsequent annual and interim reports (i) a clear description of the bases for calculating the revenue derived from the Game Co-operation Framework Agreement; (ii) the number of underlying transactions under the Game Co-operation Framework Agreement; (iii) a summary of the transactions undertaken pursuant to the Game Co-operation Framework Agreement; and (iv) the actual transaction amounts of the Game Co-operation Framework Agreement;
- (b) our independent non-executive Directors will review the underlying transactions entered into pursuant to the Game Co-operation Framework Agreement on an annual basis and confirm in our annual reports the matters set out in Rule 14A.55 of the Listing Rules;
- (c) we will re-comply with the announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules if there is any material change to the terms of the Game Co-operation Framework Agreement (including any changes to the formula for determining how the revenue arising from the Game Co-operation Framework Agreement will be shared between the Group and the Represented Tencent Group);
- (d) we will engage an external auditor to report on, among other things, transactions contemplated in the Game Co-operation Framework Agreement pursuant to Rule 14A.56 of the Listing Rules;
- (e) we will ensure that the Game Co-operation Framework Agreement is undertaken in accordance with the terms of the Game Co-operation Framework Agreement and will comply with the terms of the Game Co-operation Framework Agreement and the Listing Rules requirements applicable to the Game Co-operation Framework Agreement to the extent not waived by the Stock Exchange;



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## CONNECTED TRANSACTIONS

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- (f) we will disclose in the prospectus (i) the background of entering into the Game Co-operation Framework Agreement, (ii) the salient terms of the Game Co-operation Framework Agreement, (iii) the grounds of application for waivers set out in the final waiver application(s) submitted to the Stock Exchange, and (iv) our Directors' and the Joint Sponsors' views on the fairness and reasonableness of the Game Co-operation Framework Agreement as a whole;
- (g) we will implement internal procedures so as to ensure that the Game Co-operation Framework Agreement are undertaken in accordance with the terms and principles set out therein. We will also supervise the implementation of such internal procedures on a regular basis (e.g. holding regular meetings with the relevant internal departments to discuss issues relating to underlying transactions under the Game Co-operation Framework Agreement); and
- (h) to keep our Shareholders and public investors informed of the actual monetary annual transaction amount for the Game Co-operation Framework Agreement for a given financial year.

### **The Contractual Arrangements**

In respect of the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with (i) the announcement, circular and independent Shareholders' approval requirements under Rules 14A.04 and 14A.105 of the Listing Rules; (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Class B Shares are listed on the Stock Exchange, subject, however, to the following conditions:

***(a) No change without independent non-executive Directors' approval***

No change to the Contractual Arrangements (including with respect to any fees payable to Beijing Dajia thereunder) will be made without the approval of our independent non-executive Directors.

***(b) No change without independent Shareholders' approval.***

Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the independent Shareholders' approval. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will, however, continue to be applicable.

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## CONNECTED TRANSACTIONS

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***(c) Economic benefit flexibility***

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities through (i) our Group's option (to the extent permitted under the applicable PRC laws) to acquire all or part of the entire equity interests and assets at a consideration which shall be the higher of (a) a nominal price or (b) the lowest price as permitted under applicable PRC laws, (ii) the business structure under which the profit generated by the Consolidated Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Beijing Dajia by the Consolidated Affiliated Entities under the Exclusive Business Cooperation Agreements, and (iii) our Group's right to control the management and operation of, as well as the substance of, all of the voting rights of the Consolidated Affiliated Entities.

***(d) Renewal and reproduction***

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and our subsidiaries in which our Company has direct shareholding, on the one hand, and the Consolidated Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch companies) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch companies) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however, be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

***(e) Ongoing reporting and approvals***

We will disclose details relating to the Contractual Arrangements on an on-going basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in our Company's annual reports and accounts in accordance with the relevant provisions of the Listing Rules.
- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual reports for the relevant years that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other

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distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and the Consolidated Affiliated Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of our Company and our Shareholders as a whole.

- Our Company's auditor will carry out review procedures annually on the transactions, pursuant to the Contractual Arrangements, and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements, and that no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.
- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", our Consolidated Affiliated Entities will be treated as our Company's subsidiaries, and at the same time, the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and their respective associates will be treated as connected persons of our Company (excluding, for this purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and our Group (including, for this purpose, the Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.
- Our Consolidated Affiliated Entities will undertake that, for so long as our Class B Shares are listed on the Stock Exchange, the Consolidated Affiliated Entities will provide our Group's management and our Company's auditor full access to its relevant records for the purpose of our Company's auditor's review of the connected transactions.
- In addition, we have also applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.102 of the Listing Rules from strict compliance with (i) the announcement, circular and independent Shareholders' approval requirements under Rule 14A.105 of the Listing Rules in respect of the transactions contemplated under any New Intergroup Agreement, (ii) the requirement of setting an annual cap for the fees payable by/to any member of our Group to/from the Consolidated Affiliated Entities pursuant to any New Intergroup Agreement under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of any New Intergroup Agreement to three years or less under Rule 14A.52 of the Listing Rules, for so long as Shares are listed on the Stock Exchange subject however to the condition that the Contractual Arrangements subsist and that the Consolidated Affiliated Entities will continue to be treated as our Company's subsidiaries, but at the same time, the directors,

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chief executives or substantial shareholders of the Consolidated Affiliated Entities and their associates will be treated as connected persons of our Company (excluding for this purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and our Group (including for this purpose, the Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

### DIRECTORS' CONFIRMATION

Our Directors (including independent non-executive Directors) are of the view that the non-exempt continuing connected transactions set out above have been and will be entered into in the ordinary and usual course of business on normal commercial terms or better which are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and the proposed monetary annual caps or alternative caps (as applicable) in respect of non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Our Directors (including the independent non-executive Directors) are of the view that the Game Co-operation Framework Agreement, notwithstanding that it has not adopted monetary annual caps, has been entered into in the ordinary and usual course of the Group's business, is on normal commercial terms, and is fair and reasonable and in the interests of our Company and its Shareholders as a whole.

Our Directors (including the independent non-executive Directors) of our Company are of the view that the Contractual Arrangements and the transactions contemplated therein have been entered into and will be entered into during our ordinary and usual course of business on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and the Shareholders as a whole. The Directors are of the view that with respect to the terms of the relevant agreements underlying the Contractual Arrangements, which are of a duration of longer than three years, it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration to ensure that (i) the financial and operational policies of the Consolidated Affiliated Entities can be effectively controlled by Beijing Dajia; (ii) Beijing Dajia can obtain the economic benefits derived from the Consolidated Affiliated Entities, and (iii) any possible leakages of assets and values of the Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

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### CONFIRMATION BY THE JOINT SPONSORS

The Joint Sponsors have (i) reviewed the relevant documents and information provided by the Group, and (ii) participated in the due diligence and discussion with the management of the Company. Based on the above, the Joint Sponsors are of the view that the non-exempt continuing connected transactions set out above (including the Game Co-operation Framework Agreement, notwithstanding that it has not adopted monetary annual caps) have been and will continue to be carried out in the ordinary and usual course of business of the Company and on normal commercial terms, and are fair and reasonable and in the interests of the Company and our Shareholders as a whole; and that the proposed monetary annual caps or alternative caps (as applicable) of the non-exempt continuing connected transactions are fair and reasonable and in the interests of the Company and our Shareholders as a whole.

The Joint Sponsors are also of the view that with respect to the terms of the relevant agreements underlying the Contractual Arrangements, which is of a duration of longer than three years, it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration to ensure that (i) the financial and operational policies of the Consolidated Affiliated Entities can be effectively controlled by Beijing Dajia; (ii) Beijing Dajia can obtain the economic benefits derived from the Consolidated Affiliated Entities, and (iii) any possible leakages of assets and values of the Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.