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Kuaishou Technology

快手科技

(A company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability)

(Stock Code: 1024)

**CONTINUING CONNECTED TRANSACTIONS
UNDER THE 2022 GAME COOPERATION FRAMEWORK
AGREEMENT AND THE OTHER MARKETING AND PROMOTION
SERVICES FRAMEWORK AGREEMENT**

The Board wishes to announce that on May 24, 2022, Beijing Dajia (on behalf of the Group) and Tencent Computer (on behalf of the Represented Tencent Group) entered into (i) the 2022 Game Cooperation Framework Agreement, pursuant to which the parties agreed to conduct various cooperation on games; and (ii) the Other Marketing and Promotion Services Framework Agreement, pursuant to which the parties agreed to provide certain new types of marketing and promotion services to each other.

IMPLICATIONS OF THE LISTING RULES

Beijing Dajia is an indirect wholly-owned subsidiary of the Company. Tencent Computer is a wholly-owned subsidiary of Tencent, which is one of the Company's substantial shareholders, and is therefore a connected person of the Company. As such, the transactions under each of the 2022 Game Cooperation Framework Agreement and the Other Marketing and Promotion Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios in respect of the annual caps under each of the 2022 Game Cooperation Framework Agreement and the Other Marketing and Promotion Services Framework Agreement is more than 0.1% but less than 5%, each of the above transactions is subject to the reporting, announcement and annual review requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board wishes to announce that on May 24, 2022, Beijing Dajia (on behalf of the Group) and Tencent Computer (on behalf of the Represented Tencent Group) entered into (i) the 2022 Game Cooperation Framework Agreement, pursuant to which the parties agreed to conduct various cooperation on games; and (ii) the Other Marketing and Promotion Services Framework Agreement, pursuant to which the parties agreed to provide certain new types of marketing and promotion services to each other.

CONTINUING CONNECTED TRANSACTION UNDER THE 2022 GAME COOPERATION FRAMEWORK AGREEMENT

Principal Terms of the 2022 Game Cooperation Framework Agreement

Date

May 24, 2022

Parties

- (a) Beijing Dajia (for itself and on behalf of other members of the Group)
- (b) Tencent Computer (for itself and on behalf of other members of the Represented Tencent Group)

Subject matter

Pursuant to the 2022 Game Cooperation Framework Agreement:

- (a) the Represented Tencent Group will license to the Group (or any third party sub-licensed by the Group) the right to publish, operate, distribute and/or promote the games developed, operated and copyrighted by, or legally licensed to, the Represented Tencent Group (the “**Tencent Games**”). In this connection, the Group will pay the Represented Tencent Group fees such as agency fees and/or licensing fees, and charge the Represented Tencent Group service fees for the publication, distribution and/or promotion services provided by the Group. The Represented Tencent Group may pay bonus to the Group if the performance of the Tencent Games achieves the agreed financial or operational targets;

- (b) the Represented Tencent Group will license its intellectual property rights to the Group for the development of games, and in return, the Group will pay the Represented Tencent Group licensing fees. The Represented Tencent Group may pay bonus to the Group if the performance of the games achieves the agreed financial or operational targets;
- (c) the Group will license to the Represented Tencent Group (or any third party sub-licensed by the Represented Tencent Group) the right to publish, operate, distribute and/or promote the games developed, operated and copyrighted by, or legally licensed to, the Group (the “**Kuaishou Games**”). In this connection, the Represented Tencent Group will pay the Group fees such as agency fees and/or licensing fees, and charge the Group service fees for the publication, operation, distribution and/or promotion services provided by the Represented Tencent Group. The Group may pay bonus to the Represented Tencent Group if the performance of the Kuaishou Games achieves the agreed financial or operational targets; and
- (d) the Group will, as a member of the eSports league of the Represented Tencent Group, operate its eSports club(s), set up and adjust its team(s), and participate in the eSports events of the Represented Tencent Group. The Represented Tencent Group will pay prize money and/or league members’ sharing to the Group based on the performance of the Group’s eSports team(s) and in accordance with the operating rules of the eSports league and the eSports events formulated by the Represented Tencent Group, and the Group will pay a percentage of certain revenue of its eSports club(s) to the Represented Tencent Group. Each party will also receive transfer fees from the other party for the transfer of its players to the other party’s eSports club(s).

Separate underlying agreements will be entered into which will set out the specific scope of the license granted and/or services provided, fees calculation, method of payment and other details of the arrangements in the manner provided in the 2022 Game Cooperation Framework Agreement.

For the avoidance of doubt, the transactions between the Group and the Represented Tencent Group contemplated under each of (i) the 2021 Marketing and Promotion Services Framework Agreement, (ii) the Other Marketing and Promotion Services Framework Agreement (as described below), (iii) the game co-operation framework agreement dated January 18, 2021, and (iv) the game events copyrights licensing framework agreement dated August 25, 2021, do not fall within the scope of the 2022 Game Cooperation Framework Agreement.

Fee arrangements

The parties shall cooperate on the following terms for the fees in respect of the transactions under the 2022 Game Cooperation Framework Agreement:

- (a) fees in respect of the license by the Represented Tencent Group or the Group for the publication, operation, distribution and/or promotion of the Tencent Games or the Kuaishou Games (as the case may be) shall be paid in one or more of the following manners, depending on the specific form of cooperation and scope of service agreed between the relevant parties:
- fixed fees;
 - revenue/profit sharing between the parties;
 - bonus; and/or
 - other fee arrangements agreed by the parties.
- (b) fees in respect of the license of intellectual property rights by the Represented Tencent Group to the Group for the development of games shall be paid in one or more of the following manners, depending on the specific form of cooperation and scope of service agreed between the relevant parties:
- fixed fees;
 - revenue/profit sharing between the parties;
 - bonus; and/or
 - other fee arrangements agreed by the parties.
- (c) fees in respect of the Group's operation of its eSports club(s), set-up and adjustment of its team(s) as a member of the eSports league of the Represented Tencent Group and its participation in the eSports events of the Represented Tencent Group shall be paid in one or more of the following manners, depending on the specific form of cooperation and scope of service agreed between the relevant parties:
- fixed fees;
 - revenue/profit sharing between the parties; and/or
 - other fee arrangements agreed by the parties.

Pricing policies

- (a) The fees or bonus payable and/or revenue/profit to be shared by the Group to the Represented Tencent Group or by the Represented Tencent Group to the Group in respect of (i) the publication, operation, distribution and/or promotion of the Tencent Games or the Kuaishou Games (as the case may be), and (ii) the license of intellectual property rights by the Represented Tencent Group to the Group for the development of games, shall be determined after arm's length negotiation between the parties with reference to the prevailing market price in the industry and considering various commercial factors, including the nature, popularity, quality and commercial potential of the relevant games, as well as the range of ancillary rights to be agreed upon.
- (b) The fees payable and/or revenue/profit to be shared by the Group to the Represented Tencent Group or by the Represented Tencent Group to the Group in respect of the Group's operation of its eSports club(s), set-up and adjustment of its team(s) as a member of the eSports league of the Represented Tencent Group and its participation in the eSports events of the Represented Tencent Group shall be determined in accordance with the operating rules of the eSports league and the eSports events formulated by the Represented Tencent Group, which is equally applicable to all league members of the same league.

The Group will only enter into a specific 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 entered into by the Group with independent third parties for similar transactions, and (ii) it is in the best interests of the Company and its shareholders as a whole.

Term

The term of the 2022 Game Cooperation Framework Agreement will commence on May 24, 2022 and end on December 31, 2023, subject to renewal upon the mutual agreement of both parties and in compliance with the Listing Rules.

Annual Caps

Historical transaction amounts

The historical amounts paid by the Group to the Represented Tencent Group and those by the Represented Tencent Group to the Group in relation to their cooperation on games for the year ended December 31, 2021 and the three months ended March 31, 2022 were as follows:

	For the year ended December 31, 2021	For the three months ended March 31, 2022
	<i>(RMB in millions)</i>	
Amounts paid by the Group to the Represented Tencent Group	14.0	3.4
Amounts paid by the Represented Tencent Group to the Group	12.6	0.0

Annual caps

The annual caps for (i) the amounts payable by the Group (including fees and bonus payable and revenue/profit to be shared by the Group to the Represented Tencent Group) and (ii) the amounts payable by the Represented Tencent Group (including fees and bonus payable and revenue/profit to be shared by the Represented Tencent Group to the Group) under the 2022 Game Cooperation Framework Agreement for the years ending December 31, 2022 and 2023 will be as follows:

	For the year ending December 31,	
	2022	2023
	<i>(RMB in millions)</i>	
Amounts payable by the Group to the Represented Tencent Group	150.8	198.1
Amounts payable by the Represented Tencent Group to the Group	385.0	323.1

Basis of annual caps

In determining the above annual caps, the Directors have mainly taken into account: (i) the historical amounts of fees paid by the Group or the Represented Tencent Group (as the case may be) in relation to the game cooperation between the parties, (ii) the game cooperation agreements which have been entered into or are under negotiation between the Group and the Represented Tencent Group, (iii) the estimated number and scale of the Tencent Games and the Kuaishou Games to be licensed by the Represented Tencent Group or the Group (as the case may be) and the expected lifecycles of such games, (iv) the estimated number of games to be developed through cooperation between the parties during the term of the 2022 Game Cooperation Framework Agreement, (v) the fee level under the operating rules of the eSports league and the eSports events formulated by the Represented Tencent Group, and (vi) the prospective growth of the eSports industry.

Reasons for the Continuing Connected Transactions under the 2022 Game Cooperation Framework Agreement

The Represented Tencent Group owns a large number of top-rated game products and game platforms, and the Group has self-operated games. The Group intends to further expand its business in the field of game development, licensing, distribution and operation, as well as to explore the eSports industry which is under rapid development. It is expected that the Represented Tencent Group and the Group could leverage on each other's competitive advantage in products and platforms to improve the popularity of games owned by each other and increase the number of platform users. The Group expects that such two-way cooperation could enable it to better reach potential users and expand its user base, which will further enhance its business growth, thereby broadening and deepening the Group's revenue streams.

CONTINUING CONNECTED TRANSACTION UNDER THE OTHER MARKETING AND PROMOTION SERVICES FRAMEWORK AGREEMENT

Principal Terms of the Other Marketing and Promotion Services Framework Agreement

Date

May 24, 2022

Parties

- (a) Beijing Dajia (for itself and on behalf of other members of the Group)
- (b) Tencent Computer (for itself and on behalf of other members of the Represented Tencent Group)

Subject matter

Pursuant to the Other Marketing and Promotion Services Framework Agreement:

- (a) in addition to the online advertising services under the 2021 Marketing and Promotion Services Framework Agreement, the Represented Tencent Group will provide certain new types of marketing and promotion services to the Group, including but not limited to, inviting talents from the Represented Tencent Group to market and promote products and services of the Group on the platforms of the Represented Tencent Group or the Group, providing offline marketing and promotion services to the Group, and providing marketing and promotion services through its content cooperation with the Group; and
- (b) in addition to the online advertising services under the 2021 Marketing and Promotion Services Framework Agreement, the Group will provide certain new types of marketing and promotion services to the Represented Tencent Group, including but not limited to, inviting talents from the Group to market and promote products and services of the Represented Tencent Group on the platforms of the Represented Tencent Group or the Group, providing offline marketing and promotion services to the Represented Tencent Group, and providing marketing and promotion services through its content cooperation with the Represented Tencent Group.

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

For the avoidance of doubt, the transactions between the Group and the Represented Tencent Group contemplated under the 2021 Marketing and Promotion Services Framework Agreement do not fall within the scope of the Other Marketing and Promotion Services Framework Agreement.

Fee arrangements

Fees in respect of the marketing and promotion services provided by the Represented Tencent Group or the Group (as the case may be) under the Other Marketing and Promotion Services Framework Agreement shall be paid in one or more of the following manners, depending on the specific form of cooperation and scope of service agreed between the relevant parties:

- fixed fees;
- fees charged on the basis of the number of videos;
- fees charged on the basis of the number of live streaming sessions;
- marketing and promotion revenue/profit sharing; and/or
- other fee arrangements agreed by the parties.

Pricing policies

The fees payable and/or revenue/profit to be shared by the Group to the Represented Tencent Group or by the Represented Tencent Group to the Group in respect of the provision of marketing and promotion services to each other shall be determined after arm's length negotiation between the parties with reference to (i) the effectiveness of the marketing and promotion services provided by different service providers; (ii) the breadth of user base of various marketing and promotion platforms; (iii) the cost of resources devoted in the marketing and promotion activities; and (iv) the prevailing market rates in the industry.

The Group will only enter into a specific 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 entered into by the Group with independent third parties for similar transactions, and (ii) it is in the best interests of the Company and its shareholders as a whole.

Term

The term of the Other Marketing and Promotion Services Framework Agreement will commence on May 24, 2022 and end on December 31, 2023, subject to renewal upon the mutual agreement of both parties and in compliance with the Listing Rules.

Annual Caps

Historical transaction amounts

The historical amounts paid by the Group to the Represented Tencent Group and those by the Represented Tencent Group to the Group in relation to their mutual provision of marketing and promotion services (other than the services provided under the 2021 Marketing and Promotion Services Framework Agreement) for the year ended December 31, 2021 and the three months ended March 31, 2022 were as follows:

	For the year ended December 31, 2021	For the three months ended March 31, 2022
	<i>(RMB in millions)</i>	
Amounts paid by the Group to the Represented Tencent Group	14.3	3.5
Amounts paid by the Represented Tencent Group to the Group	4.1	14.5

Annual caps

The annual caps for (i) the service fees payable by the Group and (ii) the service fees payable by the Represented Tencent Group under the Other Marketing and Promotion Services Framework Agreement for the years ending December 31, 2022 and 2023 will be as follows:

	For the year ending December 31,	
	2022	2023
	<i>(RMB in millions)</i>	
Service fees payable by the Group to the Represented Tencent Group	40.0	40.0
Service fees payable by the Represented Tencent Group to the Group	105.1	108.1

Basis of annual caps

In determining the above annual caps, the Directors have mainly taken into account: (i) the historical amounts of the service fees paid by the Group or the Represented Tencent Group (as the case may be) in relation to the marketing and promotion services, (ii) the agreements for the new types of marketing and promotion services which have been entered into or are under negotiation between the Group and the Represented Tencent Group, (iii) the expected growth of the business development and the investments in selling and marketing efforts of the Group, and (iv) the expected increase in demand of the Represented Tencent Group for the new types of services given the long term and stable relationship between the Group and the Represented Tencent Group and the massive user base of the Group.

Reasons for the Continuing Connected Transactions under the Other Marketing and Promotion Services Framework Agreement

Given that the Represented Tencent Group is a leading player in China's internet, social networks, media, games and entertainment industries with a large user base, the use of marketing and promotion services on its platforms would enable the Group to gain more popularity and reach more potential users, hence further enhancing business growth of the Group. The Group believes that the marketing and promotion services provided by the Represented Tencent Group can help the Group continue growing its user base and increase the awareness of and familiarity with products and services of the Group. Furthermore, leveraging the large and engaged user community of the Group, and a deep and diverse pool of content, the Group can develop additional monetization opportunities by providing marketing and promotion services to the Represented Tencent Group.

As the marketing and promotion services under the 2021 Marketing and Promotion Services Framework Agreement mainly relate to online advertising services and may not cover other types of marketing and promotion services with different pricing mechanisms, Beijing Dajia (on behalf of the Group) and Tencent Computer (on behalf of the Represented Tencent Group) entered into the Other Marketing and Promotion Services Framework Agreement to cater for the parties' rapid business development and innovation and to allow for greater flexibility in pricing the marketing and promotion services.

OPINION OF DIRECTORS

The Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions under each of the 2022 Game Cooperation Framework Agreement and the Other Marketing and Promotion Services Framework Agreement have been conducted on normal commercial terms, were entered into in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and its shareholders as a whole, and that the annual caps under each of the 2022 Game Cooperation Framework Agreement and the Other Marketing and Promotion Services Framework Agreement are fair and reasonable.

Mr. LI Zhaohui, a non-executive Director of the Company, holds positions in Tencent and has therefore abstained from voting on the relevant Board resolutions approving the 2022 Game Cooperation Framework Agreement and the Other Marketing and Promotion Services Framework Agreement and the transactions contemplated thereunder.

INTERNAL CONTROL MEASURES

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

- the Group has 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, the 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 the 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 and closely monitors the actual transaction amounts relating to the continuing connected transactions; and

- when considering the fees chargeable or payable by the Group under the framework agreements, 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 connected persons (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.

IMPLICATIONS OF THE LISTING RULES

Beijing Dajia is an indirect wholly-owned subsidiary of the Company. Tencent Computer is a wholly-owned subsidiary of Tencent, which is one of the Company's substantial shareholders, and is therefore a connected person of the Company. As such, the transactions under each of the 2022 Game Cooperation Framework Agreement and the Other Marketing and Promotion Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios in respect of the annual caps under each of the 2022 Game Cooperation Framework Agreement and the Other Marketing and Promotion Services Framework Agreement is more than 0.1% but less than 5%, each of the above transactions is subject to the reporting, announcement and annual review requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INFORMATION ON THE PARTIES

THE GROUP

The Group is a leading content community and social platform. It provides live streaming services, online marketing services and other services to its customers.

TENCENT

Tencent (together with its group members) is a leading provider of Internet value-added services in China, including communication and social, online games, digital content, advertising, FinTech and cloud services. Its shares are listed on the Stock Exchange (stock code: 700).

Tencent Computer is a wholly-owned subsidiary of Tencent and is mainly engaged in the business of provision of value-added services and Internet advertisement services in the PRC.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“2021 Marketing and Promotion Services Framework Agreement”	the marketing and promotion services framework agreement entered into between Beijing Dajia (for itself and on behalf of other members of the Group) and Tencent Computer (for itself and on behalf of other members of the Represented Tencent Group) on January 18, 2021 and amended by the parties on August 25, 2021
“2022 Game Cooperation Framework Agreement”	the game cooperation framework agreement entered into between Beijing Dajia (for itself and on behalf of other members of the Group) and Tencent Computer (for itself and on behalf of other members of the Represented Tencent Group) on May 24, 2022
“Audit Committee”	the audit committee of the Board
“Beijing Dajia”	Beijing Dajia Internet Information Technology Co., Ltd. (北京達佳互聯信息技術有限公司), a company incorporated in the PRC with limited liability on July 2, 2014, and an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors of the Company
“Company”	Kuaishou Technology (快手科技), a company incorporated in the Cayman Islands with limited liability on February 11, 2014, the class B ordinary shares of which are listed on the Stock Exchange (stock code: 1024)
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“Group”	the Company, its subsidiaries and consolidated affiliated entities
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Other Marketing and Promotion Services Framework Agreement”	the marketing and promotion services framework agreement entered into between Beijing Dajia (for itself and on behalf of other members of the Group) and Tencent Computer (for itself and on behalf of other members of the Represented Tencent Group) on May 24, 2022 for the provision of additional types of marketing and promotion services beyond the scope under the 2021 Marketing and Promotion Services Framework Agreement
“Represented Tencent Group”	Tencent, its subsidiaries and consolidated affiliated entities, but excluding China Literature Limited (a company listed on the Stock Exchange with stock code: 772) and Tencent Music Entertainment Group (a company listed on the New York Stock Exchange with stock symbol: TME) and their respective subsidiaries and consolidated affiliated entities
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tencent”	Tencent Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 700)

“Tencent Computer”

Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司), a company incorporated in the PRC with limited liability on November 11, 1998, and a wholly-owned subsidiary of Tencent

“%”

percent

By order of the Board
Kuaishou Technology
Mr. SU Hua
Chairman

Hong Kong, May 24, 2022

As at the date of this announcement, the Board of Directors comprises Mr. SU Hua and Mr. CHENG Yixiao as executive Directors; Mr. LI Zhaohui, Mr. ZHANG Fei, Dr. SHEN Dou and Mr. LIN Frank as non-executive Directors; Mr. WANG Huiwen, Mr. HUANG Sidney Xuande and Mr. MA Yin as independent non-executive Directors.