

CONNECTED TRANSACTIONS

CONNECTED PERSONS

The following sets forth our connected persons that will conduct continuing connected transactions with us upon or after the [REDACTED] and the details of their relationship with our Group:

Connected Persons	Relationships with our Group
Beijing Hongxiang Technology Services Co., Ltd. (北京鴻享技術服務有限公司) and its subsidiaries and associates (the “Qihoo Group”)	a company that is controlled by Mr. Zhou, our controlling shareholder, and principally engaged in technology promotion and application service
Qihoo 360, Huajiao No. 1 and Huajiao No. 2	each of them is controlled by Mr. Zhou, our controlling shareholder. Qihoo 360 is principally engaged in internet and security services, while Huajiao No. 1 and Huajiao No. 2 are principally engaged in investment holding
Songcheng Performance	our controlling shareholder and principally engaged in investment, development and operation of theme parks, tourism, and cultural performance

CONTINUING CONNECTED TRANSACTIONS

The following table sets forth the continuing connected transactions with our Group following the [REDACTED]:

Transaction	Applicable Listing Rules	Waiver sought	Proposed annual cap for the year ending December 31,		
			2022	2023	2024
<i>(RMB)</i>					
<i>Non-fully exempt continuing connected transactions (subject to reporting, annual review and announcement requirements)</i>					
Master Technical Services Framework Agreement	14A.35, 14A.53, 14A.76(2) and 14A.105	Requirements as to announcement under Chapter 14A of the Listing Rules	41,000,000	43,000,000	45,000,000

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Transaction	Applicable Listing Rules	Waiver sought	Proposed annual cap for the year ending December 31,		
			2022	2023	2024
<i>(RMB)</i>					
<i>Non-exempt continuing connected transactions (subject to reporting, annual review, announcement and independent Shareholders' approval requirements)</i>					
Contractual Arrangements	14A.34, 14A.35, 14A.36, 14A.46, 14A.49, 14A.52 to 14A.59, 14A.71 and 14A.105	Requirements as to announcement, independent Shareholders' approval, annual cap and three year term under Chapter 14A of the Listing Rules	–	–	–

Non-fully exempt continuing connected transactions (subject to reporting, annual review and announcement requirements)

We set out below a summary of the continuing connected transaction of our Group which are partially exempt from the circular and independent shareholders' approval requirements under Rule 14A.76(2) in Chapter 14A of the Listing Rules.

Master Technical Service Framework Agreement

Principal Terms

On November 22, 2022, Huafang Technology and Qihoo Group entered into a master technical service framework agreement (the “Master Technical Service Framework Agreement”), pursuant to which, Qihoo Group agrees to provide us with server lease and custody services, cloud services and other technical services for our video- and audio-based live streaming for a period starting from the date of the agreement and ending on December 31, 2024. Any member of our Group may enter into individual agreement for specific service required with any member of Qihoo Group under the Master Technical Service Framework Agreement.

Reason for the Transactions

Qihoo Group is a leading provider of internet value added service in the PRC, and offers a wide range of high-quality products and services. We have migrated the majority of our servers and computing infrastructure to *360 Cloud* operated by Qihoo Group. The Directors believe that the procurement of high-quality services from Qihoo Group, especially

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technological services, will provide us with the necessary technologies to further develop our business, and we can leverage on the wide spectrum of services offered by Qihoo Group to reduce unnecessary costs in reconciling and integrating the differences between different systems.

Historical Amount

During the years ended December 31, 2019, 2020, 2021 and the five months ended May 31, 2022, the service fees paid by our Group to Qihoo Group was approximately RMB40.2 million, RMB38.4 million, RMB34.6 million and RMB13.0 million, respectively.

Annual Cap and Basis for Annual Cap

Our Directors estimate that the service fees payable by our Group to Qihoo Group will not exceed RMB41.0 million, RMB43.0 million and RMB45.0 million for the year ending December 31, 2022, 2023 and 2024, respectively.

In determining such annual caps, our Directors have considered (i) historical transaction amount, (ii) prices offered from other service providers of comparable services, (iii) the potential fluctuations in the market price for comparable services in the future; and (iv) increase in our demand for related technical services in line with the expansion of our business operation. The annual cap for the year ending December 31, 2022 was determined with reference to the average historical amount for the three years ended December 31, 2021, i.e. RMB37.7 million, and the annual caps for the year ending December 31, 2023 and 2024 were calculated based on approximately 5% year-over-year increase, considering the anticipated growth and development of our business and operation.

The decrease in the service fees paid to Qihoo Group for the years ended December 31, 2019, 2020 and 2021 is due to the Group’s gradual switch to the engagement of other independent third party cloud service providers. However, having considered (i) the uncertainties in the quality of service provided by those independent third party cloud service providers, and (ii) the fluctuation of the quotation from those independent third party cloud service providers, the Group has decided to continue to purchase the technical services from Qihoo Group to a larger extent.

Pricing Policies

In respect of server lease and custody services, we shall pay Qihoo Group on the basis of the quality of servers, the number of servers leased or maintained and the service term. The service fees payable by us to Qihoo Group shall be based on arm’s length commercial negotiations subject to our internal control measures on connected transactions and be comparable to the service fees paid by us to Independent Third Party suppliers for similar services.

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In respect of cloud services, we shall pay Qihoo Group on the basis of amount of services provided taking into account number of devices, traffic volume and storage space volume involved. The service fees payable by us to Qihoo Group shall be based on arm's length commercial negotiations subject to our internal control measures on connected transactions and shall be comparable to the service fees paid by us to Independent Third Party suppliers for similar services.

In respect of the procedures for obtaining quotations, the management normally solicit at least two other contemporaneous transactions with unrelated third parties for comparable services to determine if the price and terms offered by Qihoo Group are fair and reasonable and comparable to those offered by unrelated third parties.

Listing Rule Implications

The Master Technical Service Framework Agreement and the transactions contemplated thereunder are in the ordinary and usual course of our business and on normal commercial terms or better and our Directors currently expect that one or more of the applicable percentage ratios (other than the profit ratio) under the Listing Rules in respect of such transactions will exceed 0.1% but will be lower than 5%. Pursuant to Rule 14A.76(2)(a) of the Listing Rules, the transactions will be exempt from circular and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, but will be subject to reporting, annual review and announcement requirements.

Waiver Application

Given the transactions under the Master Technical Service Framework Agreement will be carried out from time to time after the [REDACTED] and the related framework agreement is disclosed in this document, our Directors consider that strict compliance with the announcement requirement in respect thereof would be impractical and unduly burdensome, and would add unnecessary administrative cost to us. Accordingly, 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 requirement under Chapter 14A of the Listing Rules in respect of the Master Technical Service Framework Agreement. In case of any future amendment to the Listing Rules which is stricter than the requirements applicable to continuing connected transactions disclosed in this document, we will take appropriate measures to ensure the compliance by us of relevant requirements within a reasonable time period.

Directors' Views

Our Directors (including our independent non-executive Directors) consider that the non-exempt continuing connected transactions under the Master Technical Service Framework Agreement, including but not limited to terms and annual caps thereof, have been entered into and will be entered into, as applicable, (1) in the ordinary and usual course of our business; (2)

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on normal commercial terms or better; (3) are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (4) the proposed annual caps of the non-exempt continuing connected transactions are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Joint Sponsors’ Views

The Joint Sponsors have (1) reviewed the relevant documents and historical figures prepared and provided by the Company in relation to the above non-exempt continuing connected transactions; and (2) discussed with the Company with respect to the above non-exempt continuing connected transactions. Based on the above and the representations and confirmations from the Group, the Joint Sponsors are of the view that the proposed annual caps of the above non-exempt continuing connected transactions are fair and reasonable and in the interests of the Company and its Shareholders as a whole, and that such transactions have been and will be, as applicable, entered into in the ordinary and usual course of the Company’s business, on normal commercial terms or better, and are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Non-exempt continuing connected transactions (subject to reporting, annual review, announcement and independent Shareholders’ approval requirements)

Contractual Arrangements

Background

As disclosed in the section headed “Contractual Arrangements” in this document, due to regulatory restrictions on foreign ownership in the PRC, we conduct our business through Huafang Technology and its subsidiaries, being our Consolidated Affiliated Entities. We do not hold any equity interests in Huafang Technology, which is held by the Registered Shareholders. Instead, we effectively control Huafang Technology and are able to derive substantially all of its economic benefits through the Contractual Arrangements and expect to continue to do so. The Contractual Arrangements among WFOE, Huafang Technology and the Registered Shareholders enable us to, (1) receive substantially all of the economic benefits from Huafang Technology in consideration for the services provided by WFOE; (2) exercise effective control over Huafang Technology; and (3) hold an exclusive option to purchase all or part of the equity interests in Huafang Technology when and to the extent permitted by PRC laws. The Contractual Arrangements consist of various types of documents. For detailed terms of these documents, see “Contractual Arrangements.”

Listing Rules Implications

Huafang Technology is an entity owned as to more than 30% by Mr. Zhou and Songcheng Performance respectively, our controlling shareholders, and thus is a connected person of our Group pursuant to Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions

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of our Company under the Listing Rules upon the [REDACTED]. One or more of the applicable percentage ratios of transactions contemplated under the Contractual Arrangements are expected to be more than 5%. Therefore, the transactions will constitute non-exempt continuing connected transactions of our Group and will be subject to reporting, announcement, circular, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Reasons for the Waiver Application

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group’s legal structure and business operations, that such transactions have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms or better, which are fair and reasonable and in the interests of our Group 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 agreements to be entered into between our Consolidated Affiliated Entities and any member of our Group (“New Intergroup Agreements” and each of them, a “New Intergroup Agreement”) technically constitute 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 reporting, announcement, circular, independent shareholders’ approval requirements.

Application for Waiver

In view of the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with (1) the announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (2) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (3) the requirement of limiting the terms for the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are [REDACTED] 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 WFOE thereunder) will be made without the approval of the independent non-executive Directors.

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(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 approval of our Company's independent Shareholders. 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.

(c) Economic benefits flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities through: (1) our Group's option (if and when so allowed under the applicable PRC laws) to acquire, all or part of the entire equity interests in the Consolidated Affiliated Entities for consideration equivalent to the minimum purchase price permitted by applicable PRC laws and regulations; (2) the business structure under which the profit generated by the Consolidated Affiliated Entities (after deduction of any accumulated deficit in respect of the preceding financial years, operating costs, expenses, taxes and other statutory contributions) is retained by our Group, such that no annual cap shall be set on the amount of service fees payable to WFOE under the Exclusive Business Co-operation Agreement and the Exclusive Business Co-operation Supplemental Agreement; and (3) our Group's right to control the management and operation of, as well as, in substance, 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 its subsidiaries in which our Company has direct shareholding, on one hand, and our 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 company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executives or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch company) 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.

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(e) Ongoing reporting and approvals

- Our Group will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:
 - the Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report in accordance with relevant provisions of the Listing Rules;
 - our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report and accounts for the relevant year that (1) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (2) 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, and (3) any new contract entered into, renewed or reproduced between our Group and our Consolidated Affiliated Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to the Shareholders, so far as our Group is concerned and in the interests of our Shareholders as a whole;
 - our Company's auditors will carry out review procedures annually on the transactions carried out 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 and 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 wholly-owned subsidiaries, and the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of our Consolidated Affiliated Entities and their respective associates will be treated as connected persons of our Company (excluding for the 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; and

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- our Consolidated Affiliated Entities will undertake that, for so long as our Shares are [REDACTED] on the Stock Exchange, our Consolidated Affiliated Entities will provide our Group’s management and our Company’s auditors full access to its relevant records for the purpose of our Company’s auditors’ review of the continuing connected transactions.

In addition, we have also applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements of (1) the announcement, circular and independent shareholders’ approval in respect of the transactions contemplated under any New Intergroup Agreements (as defined above) pursuant to Rule 14A.105 of the Listing Rules, (2) setting an annual cap for the transactions contemplated under any New Intergroup Agreements under Rule 14A.53 of the Listing Rules, and (3) 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 [REDACTED] on the Stock Exchange. The waiver is subject to the conditions that the Contractual Arrangements subsist and that the Consolidated Affiliated Entities will continue to be treated as the Company’s subsidiary, and the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and their respective associates will be treated as connected persons of the Company (excluding for this purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and the Group (including for this purpose, the Consolidated Affiliated Entities), other than those under the New Intergroup Agreements, will be subject to requirements under Chapter 14A of the Listing Rules. The Company will comply with the applicable requirements under the Listing Rules, and will immediately inform the Stock Exchange if there are any changes to these continuing connected transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirement 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’ Views

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our legal structure and business operation, and have been entered into in the ordinary and usual course of business of our Group on normal commercial terms or better, which are fair and reasonable and in the interests of our Group and our Shareholders as a whole. With respect to the term of the relevant agreements underlying the Contractual Arrangements which is of a duration longer than three years, it is a justifiable and normal business practice to ensure that (1) the financial and operation of our Consolidated Affiliated Entities can be effectively controlled by WFOE, (2) WFOE can obtain the economic benefits derived from our Consolidated Affiliated Entities, and (3) any possible leakages of assets and values of our Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

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Joint Sponsors' Views

The Joint Sponsors have reviewed the relevant documents and information provided by our Group, have obtained necessary representations and confirmations from our Company and our Directors and have participated in the due diligence and discussions with our management and our PRC Legal Advisor. Based on the above, the Joint Sponsors are of the view that the Contractual Arrangements are fundamental to our legal structure and business operations and that the Contractual Arrangements have been entered into in our ordinary and usual course of business on normal commercial terms or better, which are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

The Joint Sponsors are also of the view that with respect to the term 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 to ensure that (1) the financial and operation of the Consolidated Affiliated Entities can be effectively controlled by WFOE; (2) WFOE can obtain the economic benefits derived from the Consolidated Affiliated Entities; and (3) any possible leakages of assets and values of the Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

INTERNAL CONTROL MEASURES

We will adopt the following internal control and corporate governance measures to closely monitor connected transactions and ensure future compliance with the Listing Rules:

- (1) we will adopt and implement a management system on connected transactions and our Board and various internal departments of our Company will be responsible for the control and daily management in respect of the continuing connected transactions;
- (2) our Board and various internal departments of our Company will be jointly responsible for evaluating the terms of the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps (if applicable) under each transaction;
- (3) our Board and the finance department of our Group will regularly monitor the connected transactions and our management will regularly review the pricing policies to ensure connected transactions to be performed in accordance with the relevant agreements;
- (4) we shall engage our auditors to, and our independent non-executive Directors will, conduct annual review on the connected transactions to ensure that the transactions contemplated thereunder have been conducted pursuant to the requirements of the Listing Rules and have fulfilled the relevant disclosure requirements; and
- (5) we will comply with the relevant requirements under Chapter 14A of the Listing Rules for the continuing connected transactions, and comply with the conditions prescribed under the waiver submitted to the Stock Exchange in connection with the continuing connected transactions in this regard.