

## CONNECTED TRANSACTIONS

We have entered into certain agreements with our connected persons, details of which are set out below. Upon the [REDACTED] the transactions contemplated under such agreements will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

### OUR CONNECTED PERSONS

The table below sets forth certain parties who will become our connected persons upon the [REDACTED] and the nature of their relationship with our Group.

Connected person	Connected relationship
Nice Future . . . . .	Nice Future is a company owned as to 9.5% by the Group and 57.0% by Mr. Du Jiang, the brother of Ms. Du. Therefore, Nice Future is an associate of Ms. Du.
Youku Information Technology (Beijing) Co., Ltd. (優酷信息技術(北京)有限公司) (“ <b>Youku Information Technology</b> ”) . . . . .	Youku Information Technology is an consolidated affiliated entity of Beijing Youku Technology Co., Ltd. (北京優酷科技有限公司), a company wholly owned by Alibaba Investment Limited, which is in turn wholly owned by Alibaba Group Holding Limited. Interform Construction Supplies Limited is an indirect wholly-owned subsidiary of Alibaba Pictures Group Limited. Accordingly, Youku Information Technology and Interform Construction Supplies Limited are fellow subsidiaries of Alibaba Group Holding Limited. Therefore, Youku Information Technology is an associate of Interform Construction Supplies Limited, one of our substantial shareholders.

### SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

<u>Continuing connected transactions</u>	<u>Applicable Listing Rules</u>	<u>Waiver sought</u>	<u>Proposed annual cap for the years ending December 31, (RMB in thousands)</u>	
			<u>2023</u>	<u>2024</u>
<b>Fully-exempt Continuing Connected Transactions</b>				
(1) License and Cooperation Agreement	14A.76(1)(a)	N/A	N/A	N/A
<u>Continuing connected transactions</u>	<u>Applicable Listing Rules</u>	<u>Waiver sought</u>	<u>2023</u>	
<b>Partially-exempt Continuing Connected Transactions</b>				
(2) Business Cooperation Framework Agreement	14A.76(2)(a)	Announcement	40,000	

### FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

#### (1) License and Cooperation Agreement

On February 28, 2022, Yuehua Limited (for itself and on behalf of its subsidiaries) and Nice Future entered into a license and cooperation agreement (the “**License and Cooperation Agreement**”)

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for licensing music IPs to be used for Quantum Youth (量子少年), a virtual artist group developed and owned by Nice Future.

Pursuant to the License and Cooperation Agreement, Yuehua Limited shall license music IPs it produced for Quantum Youth to Nice Future on non-exclusive and royalty-free basis, solely for the purpose of being used in the live broadcasting of such virtual artist group. For other commercial activities attended by Quantum Youth, the usage of the relevant music IPs requires prior consent from Yuehua Limited, and Yuehua Limited shall be entitled to benefits generated therefrom.

The creation of music IPs for Quantum Youth would enable the Company to expand and diversify its music IP library. More importantly, the Group considers Quantum Youth’s live broadcasting as an important channel for promoting our music products, through which our music products could have more public exposure. With our music products gaining more popularity, our Group would be able to enjoy the benefits generated from the usage of our music products in other commercial activities (other than live broadcasting) attended by Quantum Youth, and may also license such music IPs to other third parties to enjoy the benefits generated therefrom. As confirmed by Frost & Sullivan, it is not uncommon for IP owners to license music IPs to business partners on a royalty-free basis so as to increase public exposure of music products. The Company also has similar royalty-free music IP licensing arrangements with other independent third parties, the cooperation with which mainly aims to promote its music products. Therefore, the cooperation under the License and Cooperation Agreement is mutually beneficial and our Group believes that the License and Cooperation Agreement is entered into in the ordinary and usual course of our business and is on normal commercial terms.

As the highest applicable percentage ratios under the Listing Rules in respect of the transactions contemplated under the License and Cooperation Agreement above is expected to be, on an annual basis, less than 0.1% and the transactions are on normal commercial terms or better, these transactions will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1) of the Listing Rules.

## PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

### (2) Business Cooperation Framework Agreement

#### *Principal terms*

On August 16, 2022, Yuehua Limited (for itself and on behalf of its subsidiaries) and Youku Information Technology entered into a business cooperation framework agreement (the “**Business Cooperation Framework Agreement**”), pursuant to which Yuehua Limited shall procure suitable managed artists to perform relevant engagements with Youku Information Technology, including but not limited to entering into endorsement deals for the promotion of Youku membership, performing in variety programs, movies and drama series and other commercial activities.

Separate underlying agreements will be entered into between the parties to set out the detailed terms, including details of engagements, promotion fee, milestone payment schedules and other rights and obligations of the parties, based on the principles and within the parameters provided under the Business Cooperation Framework Agreement. The definitive terms of each of such underlying

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agreements will be determined on a case-by-case basis and on fair and reasonable basis after arm’s length negotiation between the parties.

The initial term of the Business Cooperation Framework Agreement will commence on the [REDACTED] and expire on December 31, 2023, and such term would be renewed for a term of no more than three years subject to the parties’ negotiation and applicable laws and regulations.

### *Reasons for and benefits of the transactions*

Youku is one of the leading online video platforms in China and has great demand for engaging our artists. Our managed artists could in turn benefit from platform-based resources of Youku and gain more public exposure. Through market-oriented cooperation with various business units of Youku Information Technology, we can further enhance the reputation and social influence of our artists, which would bring greater value to our Group. In addition, the terms offered by our Group to Youku Information Technology under the existing underlying agreements are no more favorable than those offered to our other customers which are Independent Third Parties, and we will charge Youku Information Technology service fees with reference to the prevailing market price that is no less than those offered to our other independent customers, hence our services provided to Youku Information Technology are profitable and are in the interests of our Group and the Shareholders as a whole. As such, our services provided to Youku Information Technology under the Business Cooperation Framework Agreement are in the ordinary and usual course of our business and on normal commercial terms.

### *Pricing policy*

The fees we charge Youku Information Technology shall be determined after arm’s length negotiation between the parties with reference to various related commercial factors, including (i) the forms of promotion activities and promotion period; (ii) the popularity of artists; (iii) the prevailing market rates of engagement fees for attending the same and similar functions by artists of the same ranking; (iv) the quality and impacts of the relevant engagements; and (v) the workload and duration of the relevant engagements. The aforesaid pricing policies are no more favorable than those available to our other customers which are Independent Third Parties.

### *Historical transaction amounts*

For the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2022, the aggregate fees paid by Youku Information Technology to us for cooperation with us were approximately RMB11.8 million, RMB45.4 million, RMB62.3 million and RMB27.1 million, respectively. The historical amounts increased significantly from 2019 to 2020, mainly due to the increase of our managed artists starred in the variety programs produced by Youku or participated in other activities organized by Youku.

### *Annual cap*

The proposed annual cap for the service fees payable by Youku Information Technology to our Group pursuant to the Business Cooperation Framework Agreement for the year ending December 31, 2023 is RMB40.0 million.

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The proposed annual cap above for the year ending December 31, 2023 is determined with reference to:

- (i) the historical amounts incurred and the accrued amount in 2022 in connection with our cooperation with Youku Information Technology;
- (ii) the historical rates of engagement fees for our managed artists to attend the same and similar functions as those included in our cooperation with Youku Information Technology; and
- (iii) the expected cooperation with Youku Information Technology in 2023.

### *Listing Rules implications*

As the highest applicable percentage ratio (other than the profit ratio) under the Listing Rules in respect of this transaction is expected to be, on an annual basis, more than 0.1% but less than 5%, such transaction will, upon [REDACTED], constitute continuing connected transaction of the Company subject to the reporting, annual review and announcement requirements, but will be exempt from the circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

## WAIVER APPLICATIONS FOR CONTINUING CONNECTED TRANSACTIONS

### **Transactions with Youku Information Technology**

In respect of the Business Cooperation Framework Agreement, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the transactions contemplated thereunder pursuant to Rule 14A.105 of the Listing Rules.

See “Waivers from Strict Compliance with the Listing Rules—Connected Transactions” for further details.

## CONFIRMATION FROM OUR DIRECTORS

Our Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions as set out above have been and will continue to be carried out in the ordinary and usual course of our business on normal commercial terms or better that are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps for these transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

## CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors have (i) reviewed the relevant documents and information provided by the Company in relation to the above continuing connected transactions; (ii) obtained necessary representations and confirmations from the Company and the Directors, and (iii) participated in the due diligence and discussions with the management of our Group.

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Based on the above, the Joint Sponsors are of the view that the aforesaid continuing connected transactions, for which a waiver has been sought, have been entered into in the ordinary and usual course of our business on normal or better commercial terms that are fair and reasonable and in the interest of our Company and our Shareholders as a whole, and that the proposed annual caps in respect of the continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.