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柠萌影视

Linmon Media Limited

檸萌影視傳媒有限公司

(An exempted company incorporated in the Cayman Islands with limited liability)

(Stock Code: 9857)

CONTINUING CONNECTED TRANSACTIONS COPYRIGHT PURCHASE FRAMEWORK AGREEMENT

COPYRIGHT PURCHASE FRAMEWORK AGREEMENT

The Board hereby announces that the Company entered into the Copyright Purchase Framework Agreement with China Literature on 9 August 2023, pursuant to which, China Literature and/or China Literature Members agreed to licence all or part of the adaptation rights of their specific literature works and comic works to the Group for the production, promotion and distribution of the Adapted Works (as defined below), and the Group agreed to pay copyright licensing fees to China Literature and/or China Literature Members.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Tencent Mobility, a wholly-owned subsidiary of Tencent, is a substantial Shareholder of the Company holding approximately 18.95% interest in the Company. As Tencent is the controlling Shareholder of China Literature, China Literature constitutes an associate of Tencent and a connected person of the Company under Rules 14A.07 and 14A.13 of the Listing Rules. As such, the transactions contemplated under the Copyright Purchase Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

In respect of the transactions contemplated under the Copyright Purchase Framework Agreement, as the applicable percentage ratios calculated pursuant to Chapter 14A of the Listing Rules in respect of the highest annual cap for the copyright licensing fees payable by the Group to China Literature and/or China Literature Members exceed 0.1% but are less than 5%, such transactions are subject to the reporting, announcement and annual review requirements but are exempt from the circular and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

COPYRIGHT PURCHASE FRAMEWORK AGREEMENT

Date

9 August 2023

Parties

The Company (on behalf of the Company and/or the members of the Group); and
China Literature (on behalf of China Literature and/or its members of the Group)

Subject Matters

The Group agreed to purchase the copyright of certain literature works and comic works from China Literature and/or China Literature Members, who agreed to, as the copyright owner or legal right owner of the literature works and comic works, grant to the Group all or part of the adaptation rights of such literature works and comic works (including the adaptation rights of live-action drama series, animation adaptation rights, comic adaptation rights and game adaptation rights) for the production, promotion and distribution of drama series (including but not limited to movies and TV series) and other commercial works (including but not limited to animations and games) (collectively, the “**Adapted Works**”). Both parties may cooperate in the development of physical and commercial peripheral derivatives for the drama series and Adapted Works produced. The Group will pay copyright licensing fees to China Literature and/or China Literature Members for the development and production of drama series and other commercial works with respect to the licensed literature works and comic works.

Term

For the period from 9 August 2023 to 31 December 2025.

Specific Agreements

The parties may from time to time enter into specific agreements in accordance with the terms of the Copyright Purchase Framework Agreement for the copyright of certain literature works and comic works, which set out the detailed terms of the transactions contemplated under the Copyright Purchase Framework Agreement (including the specific scope of licensing, details of services and payment requirements). The terms of the specific agreements will be negotiated between the parties on an arm’s length basis.

Pricing Policy

The parties agree that the copyright licensing fees under the Copyright Purchase Framework Agreement will be determined based on the specific circumstances of each literature work and comic work copyright purchase and the principles of fairness and reasonableness. In particular, the copyright licensing fees will be determined after arm's length negotiations between the parties with reference to the market price and various commercial factors, including the validity period and limitations of the copyrights, popularity and commercial potential of the literature works and comic works and their authors. Given the uniqueness of each literature work and comic work, the above commercial factors may not be applicable to all types of literature works and comic works, and there is no quantitative formula to determine the purchase price of the copyrights of the literature works and comic works due to the diversity and uniqueness of each literature work and comic work, which shall be determined after arm's length negotiations between the parties taking into account the applicable commercial factors.

INTERNAL CONTROL MEASURES

In order to ensure that the terms of the Copyright Purchase Framework Agreement are fair and reasonable, or on terms no less favourable to the Group than those available from independent third parties, and that the continuing connected transactions are conducted on normal commercial terms, the Group has adopted the following internal control procedures:

- (i) the Group has adopted and implemented a set of management system on connected transactions. Under such system, the audit committee of the Board is responsible for reviewing the 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 of the Board, the Board and various other internal departments of the Company (including but not limited to the finance department and the compliance and legal department) are jointly responsible for evaluating the fairness of the terms, the pricing policy and the annual caps under the Copyright Purchase Framework Agreement;
- (ii) the audit committee of the Board, the Board and various other internal departments of the Company will also regularly monitor the performance and transaction progress of the Copyright Purchase Framework Agreement. In addition, the management of the Company also regularly reviews the pricing policy of the Copyright Purchase Framework Agreement;
- (iii) the independent non-executive Directors and the auditors will conduct annual review of the continuing connected transactions under the Copyright Purchase Framework Agreement and provide annual confirmations to ensure that the transactions are conducted in accordance with the terms of the agreement, on normal commercial terms and in accordance with the relevant pricing policies, in compliance with the requirements under Rules 14A.55 and 14A.56 of the Listing Rules;

- (iv) when considering the licensing fees for the services provided by the connected persons to the Company, the Company will continue to study the prevailing market conditions and practices and make reference to the prices and terms of similar transactions between the Company and independent third parties to ensure that the prices and terms offered by the above connected persons through mutual commercial negotiations (as the case may be) are fair and reasonable and no less favourable to the Group than those offered by independent third parties; and
- (v) in considering any subsequent renewal or amendment to the Copyright Purchase Framework Agreement, the interested Directors and Shareholders shall abstain from voting on the resolutions approving such transactions at the Board meetings or the Shareholders' meetings (as the case may be), and the independent non-executive Directors and the independent Shareholders have the right to consider whether the terms of the non-exempt continuing connected transactions (including the proposed annual caps) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. If the approval of the independent non-executive Directors or the independent Shareholders is not obtained, the Group will not proceed with the transactions under the Copyright Purchase Framework Agreement unless such transactions constitute exempted continuing connected transactions under Rule 14A.73 of the Listing Rules.

ANNUAL CAPS AND BASIS FOR DETERMINING THE ANNUAL CAPS

The annual caps for the transactions contemplated under the Copyright Purchase Framework Agreement for the periods indicated below are set out as follows:

	For the period from 9 August 2023 to 31 December 2023 (RMB'000)	For the year from 1 January 2024 to 31 December 2024 (RMB'000)	For the year from 1 January 2025 to 31 December 2025 (RMB'000)
Copyright licensing fees payable by the Group to China Literature and/or China Literature Members	30,000	20,000	30,000

From 10 August 2022, being the listing date of the Company on the Stock Exchange, to the date of this announcement, the Company and China Literature and China Literature Members did not incur any historical transaction amount for the purchase of literature work or comic work copyright.

The above annual caps have been determined after taking into account the following factors, including: (1) the expected number and price of cooperation copyrights between the Group and China Literature; (2) the validity period of the copyrights, popularity and commercial potential of the literature works and comic works and their authors; and (3) the increase in the price of premium IP resources brought by the recent broadcasting of popular drama series with similar genre.

REASONS FOR AND BENEFITS OF ENTERING INTO THE COPYRIGHT PURCHASE FRAMEWORK AGREEMENT

The Company believes that certain premium IP resources of China Literature have great commercial potential. The cooperation with China Literature will help the Company obtain and utilise premium IP resources to develop more premium drama series and other commercial works, thereby further enhancing the Company's revenue and Shareholders' interests.

OPINIONS OF THE BOARD

Having considered the above factors, the Directors (including the independent non-executive Directors) are of the view that the entering into of the Copyright Purchase Framework Agreement and the transactions contemplated thereunder are in the interests of the Company and its Shareholders as a whole. The terms of the Copyright Purchase Framework Agreement and the annual caps thereunder are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Company.

As Mr. Sun Zhonghuai, a non-executive Director, is considered to have a material interest in the transactions contemplated under the Copyright Purchase Framework Agreement by virtue of his senior management position in Tencent, he abstained from voting on the relevant Board resolution approving the Copyright Purchase Framework Agreement. Save as disclosed above, none of the other Directors has a material interest in the transactions contemplated under the Copyright Purchase Framework Agreement and none of the other Directors is required to abstain from voting on the relevant Board resolution.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Tencent Mobility, a wholly-owned subsidiary of Tencent, is a substantial Shareholder of the Company holding approximately 18.95% interest in the Company. As Tencent is the controlling Shareholder of China Literature, China Literature constitutes an associate of Tencent and a connected person of the Company under Rules 14A.07 and 14A.13 of the Listing Rules. As such, the transactions contemplated under the Copyright Purchase Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

In respect of the transactions contemplated under the Copyright Purchase Framework Agreement, as the applicable percentage ratios calculated pursuant to Chapter 14A of the Listing Rules in respect of the highest annual cap for the copyright licensing fees payable by the Group to China Literature and/or China Literature Members exceed 0.1% but are less than 5%, such transactions are subject to the reporting, announcement and annual review requirements but are exempt from the circular and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

INFORMATION ON THE PARTIES

The Group

The Group is a PRC drama series company with an abundant reserve of original IPs focusing on creating high-ratings drama series. The Group is committed to the full value chain operation of drama series, including investment, production, distribution, promotion and derivatives licensing.

China Literature

China Literature is principally engaged in online literature and IP incubation businesses, and is a pioneer of China's online literature market.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“China Literature”	China Literature Limited (阅文集团), an exempted company incorporated in the Cayman Islands with limited liability on 22 April 2013, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 772), and a subsidiary of Tencent
“China Literature Members”	the subsidiaries and consolidated affiliated entities of China Literature
“Company”	Linmon Media Limited (檸萌影視傳媒有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 10 June 2021, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 9857)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Copyright Purchase Framework Agreement”	the framework agreement dated 9 August 2023 entered into between the Company and China Literature in relation to the purchase of certain copyrights of literature works and comic works

“Director(s)”	the director(s) of the Company
“Group”	the Company, its subsidiaries and the consolidated affiliated entities or, where the context so requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries, such companies as if they were subsidiaries of the Company at the relevant time
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Tencent”	Tencent Holdings Limited, a limited liability company organized and existing under the laws of the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (stock code:700)
“Tencent Mobility”	Tencent Mobility Limited, a private company limited by shares incorporated in Hong Kong, which holds approximately 18.95% interest in the Company and is a subsidiary of Tencent

“%”

per cent

On behalf of the Board
Linmon Media Limited
Su Xiao
Chairman

Beijing, PRC
9 August 2023

As at the date of this announcement, the executive Directors are Mr. Su Xiao, Ms. Chen Fei, Ms. Xu Xiao'ou and Mr. Zhou Yuan; the non-executive Directors are Mr. Sun Zhonghuai and Mr. Zhang Rong; and the independent non-executive Directors are Ms. Long Yu, Mr. Jiang Changjian and Ms. Tang Songlian.