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**CHINA LITERATURE LIMITED**

**阅文集团**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 772)**

**CONTINUING CONNECTED TRANSACTIONS**  
**(1) REVISION OF TERMS OF AND ANNUAL CAPS FOR**  
**2023 CLOUD SERVICES AND TECHNICAL**  
**SERVICES FRAMEWORK AGREEMENT**  
**AND**  
**(2) REVISION OF ANNUAL CAPS FOR 2023 PAYMENT**  
**SERVICES COOPERATION FRAMEWORK AGREEMENT**

Reference is made to the Announcement, containing among other things, the non-exempt connected transactions in relation to the 2023 Cloud Services and Technical Services Framework Agreement and the 2023 Payment Services Cooperation Framework Agreement, both with a term for three years from January 1, 2023 to December 31, 2025.

In view that the Group will require more diversified cloud services from the Retained Tencent Group, on December 11, 2023, Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) agreed to enter into the Revised Cloud Services and Technical Services Framework Agreement to revise the service scope and annual caps under the 2023 Cloud Services and Technical Services Framework Agreement.

On December 11, 2023, Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) further agreed to enter into the Revised Payment Services Cooperation Framework Agreement to revise the annual caps under the 2023 Payment Services Cooperation Framework Agreement.

## LISTING RULES IMPLICATIONS

As of the date of this announcement, Tencent is the controlling Shareholder, and Tencent Computer is a wholly-owned subsidiary of Tencent. Accordingly, Tencent Computer is a connected person of the Company and the transactions contemplated under transactions contemplated under the Revised Cloud Services and Technical Services Framework Agreement and the Revised Payment Services Cooperation Framework Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the annual caps for each of the Revised Cloud Services and Technical Services Framework Agreement and the Revised Payment Services Cooperation Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated thereunder are therefore subject to reporting, announcement and annual review requirements but are exempt from the requirement of independent Shareholders' approval under Chapter 14A of the Listing Rules.

## INTRODUCTION

Reference is made to the announcement (the “**Announcement**”) published by the Company on August 15, 2022, containing among other things, the non-exempt connected transactions in relation to the 2023 Cloud Services and Technical Services Framework Agreement and the 2023 Payment Services Cooperation Framework Agreement, both with a term for three years from January 1, 2023 to December 31, 2025.

The Board is pleased to announce that, on December 11, 2023,

- (1) Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) agreed to enter into the Revised Cloud Services and Technical Services Framework Agreement to revise the service scope and annual caps under the 2023 Cloud Services and Technical Services Framework Agreement; and
- (2) Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) further agreed to enter into the Revised Payment Services Cooperation Framework Agreement to revise the annual caps under the 2023 Payment Services Cooperation Framework Agreement.

As the Revised Cloud Services and Technical Services Framework Agreement covered the service scope of the 2023 Cloud Services and Technical Services Framework Agreement, after the Revised Cloud Services and Technical Services Framework Agreement takes effect, the 2023 Cloud Services and Technical Services Framework Agreement will be automatically terminated and no longer effective.

As the Revised Payment Services Cooperation Framework Agreement covered the service scope of the 2023 Payment Services Cooperation Framework Agreement, after the Revised Payment Services Cooperation Framework Agreement takes effect, the 2023 Payment Services Cooperation Framework Agreement will be automatically terminated and no longer effective.

## **1. REVISED CLOUD SERVICES AND TECHNICAL SERVICES FRAMEWORK AGREEMENT**

### ***Revised Service Scope***

In view that the Group will require more diversified cloud services from the Retained Tencent Group, on December 11, 2023, Shanghai Yueting and Tencent Computer entered into the Revised Cloud Services and Technical Services Framework Agreement to revise the service scope and annual caps under the 2023 Cloud Services and Technical Services Framework Agreement.

Pursuant to the Revised Cloud Services and Technical Services Framework Agreement, the service scope is extended to include AI technologies, large language model (“LLM”) and Cloud GPU Service.

### ***Revised Annual Caps and Basis for Determination***

The revision of annual caps for the services fees payable by the Group to the Retained Tencent Group under the Revised Cloud Services and Technical Services Framework Agreement for the three years ending December 31, 2025 are set out as follows:

	<b>For the year ending December 31,</b>					
	<b>2023</b>		<b>2024</b>		<b>2025</b>	
	<i>(RMB'000)</i>		<i>(RMB'000)</i>		<i>(RMB'000)</i>	
	<b>Original</b>	<b>Revised</b>	<b>Original</b>	<b>Revised</b>	<b>Original</b>	<b>Revised</b>
Aggregate amounts of services fees payable by the Group to the Retained Tencent Group	89,000	120,000	109,000	180,000	128,000	200,000

The above revised annual caps for the three years ending December 31, 2025 were determined with reference to (i) the historical amounts of services fees paid by the Group to the Retained Tencent Group for the two years ended December 31, 2022 and the nine months ended September 30, 2023, being RMB64 million, RMB75.1 million, and RMB67.7 million, respectively, (ii) (a) the existing cooperation in seven to eight cloud service and technology service projects for the nine months ended September 30, 2023 and the newly launched and potential cooperation in two to three projects in the fourth quarter ending December 31, 2023 based on the current negotiations between the Group and the Retained Tencent Group, with

the estimated services fees ranging from RMB10 million to RMB20 million per project, depending on the user scale and the scope of the cloud and technical services, and (b) the estimated compound annual growth rate of approximately 10% for the services fees in respect of the cooperation projects paid by the Group to the Retained Tencent Group for the year ending December 31, 2025, (iii) the potential cooperation in two to three cloud service and technology service projects for the year ending December 31, 2024 based on the current negotiations between the Group and the Retained Tencent Group, with the estimated services fees ranging from RMB20 million to RMB40 million per project, and (iv) the average market rates of cloud and technical services of the similar nature provided by the Retained Tencent Group.

Save for the revision of the original service scope and annual caps as set out above, the rest of the other material terms of the Revised Cloud Services and Technical Services Framework Agreement remain unchanged as compared to the 2023 Cloud Services and Technical Services Framework Agreement.

Principal terms of the Revised Cloud Services and Technical Services Framework Agreement are set out as follows:

- Date** : December 11, 2023
  
- Parties** : (1) Shanghai Yueting (on behalf of the Group), and  
(2) Tencent Computer (on behalf of the Retained Tencent Group)
  
- Terms** : From January 1, 2023 to December 31, 2025
  
- Subject matter** : The Retained Tencent Group shall provide cloud services and other technical services to the Group for services fees. Cloud services and other technical services shall include:
  - **Cloud services:** cloud services include, but not limited to, AI technologies and LLM, cloud system services (e.g. provision of Cloud GPU Service, cloud bandwidth, cloud storage, cloud database, cloud security, cloud monitoring, server leasing, server room co-location, etc.) and VIP domain name resolution services (i.e. provision of intelligent DNS domain name resolution services for the Group’s domain names).

- ***Technology and engineering group (“TEG”) services:*** TEG services include, but not limited to, (i) provision of servers and servers related intranet private line services, external access ports, related setup and server room on-site support, (ii) provision of customer services and other services related to the operations of the Group (for example, the pigeon services), (iii) provision of payment modules, and (iv) access to use of the Retained Tencent Group’s big data storage platform(s).
- ***Business group (“BG”) platform services:*** provision of platform services including, but not limited to, Ola Platform (歐拉平台), Datahub, Beacon, user graph middle platform, recommendation middle platform and client middle platform.

**Fee arrangements** : In return for the cloud services and other technical services, the Group shall pay services fees which will be determined after arm’s length negotiation between the parties on a “cost-plus” pricing basis and with reference to the market rates.

**Payment and settlement terms** : The precise scope of services, payment and settlement terms shall be agreed separately between the parties in implementation agreements, which will be entered into under the Revised Cloud Services and Technical Services Framework Agreement.

***Pricing Policy***

Before entering into any cloud services and technical services agreement pursuant to the Revised Cloud Services and Technical Services Framework Agreement, the Group will assess the needs and compare the services fee rates proposed by the Retained Tencent Group with the rates offered by other competent service providers. The Group will only enter into a services agreement with the Retained Tencent Group when the services fee rates are in line with or lower than the market rates and the agreement is in the best interests of the Company and the Shareholders as a whole.

## ***Annual Caps***

The annual caps for the services fees payable by the Group to the Retained Tencent Group under the Revised Cloud Services and Technical Services Framework Agreement for the three years ending December 31, 2025 are set out as follows:

	<b>For the year ending December 31,</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Aggregate amounts of services fees payable by the Group to the Retained Tencent Group	120,000	180,000	200,000

The basis of determination of the annual caps and the historical amounts under the Revised Cloud Services and Technical Services Framework Agreement are set out above.

## ***Reasons and Benefits for Entering into the Revised Cloud Services and Technical Services Framework Agreement***

As Tencent is a leading player in the Internet industry, and taking into account the wide spectrum of cloud services and technical services required for the Group's operation, the Group believes that obtaining such services from the integrated service provider, namely the Retained Tencent Group, is the Group's better available option and will be able to reduce unnecessary additional costs incurred in seeking such services from different service providers.

## **2. REVISED PAYMENT SERVICES COOPERATION FRAMEWORK AGREEMENT**

### ***Revised Annual Caps and Basis for Determination***

The revision of annual caps for the payment services commissions payable by the Group to the Retained Tencent Group under the Revised Payment Services Cooperation Framework Agreement for the three years ending December 31, 2025 are set out as follows:

	<b>For the year ending December 31,</b>					
	<b>2023</b>		<b>2024</b>		<b>2025</b>	
	<i>(RMB'000)</i>		<i>(RMB'000)</i>		<i>(RMB'000)</i>	
	<b>Original</b>	<b>Revised</b>	<b>Original</b>	<b>Revised</b>	<b>Original</b>	<b>Revised</b>
Aggregate amounts of payment services commissions payable by the Group to the Retained Tencent Group	28,000	40,000	31,000	160,000	33,000	200,000

The above revised annual caps for the three years ending December 31, 2025 were determined with reference to (i) the increase attributed to the growth in the channel fees charged by the Retained Tencent Group and expedition of existing mini drama projects catering to the increasing demand for mini dramas, in particular, (a) the existing cooperation in distribution of over 30 mini drama projects for the nine months ended September 30, 2023 and the newly launched and potential cooperation in distribution of approximately 10 mini drama projects between the Group and the Retained Tencent Group in the fourth quarter ending December 31, 2023, with the estimated payment services commissions ranging from RMB0.5 million to RMB3 million per project, depending on the scale and payment amounts of the projects, (b) the estimated annual growth of over 60 projects for the two years ending December 31, 2025, taking into account, the year-on-year growth rate of 267.65% in terms of the size of the mini drama market in 2023 according to iiMedia Research, a third party market research firm; and (c) the increase of the estimated payment service commission per project attributed to the enhancement in the quality and performance of the mini drama projects, (ii) the historical amounts of payment services commissions paid by the Group to the Retained Tencent Group for the two years ended December 31, 2022 and the nine months ended September 30, 2023, being RMB24.7 million, RMB21.8 million, and RMB18.7 million, respectively, (iii) the current negotiation between the Group and the Retained Tencent Group with respect to the Retained Tencent Group's provision of payment services for the Group's various products and services, and (iv) the estimated growth of the total amount paid by the Group's users via the channels of the Retained Tencent Group for the three years ending December 31, 2025 due to the potential new cooperation mode between the Group and Retained Tencent Group in relation to literary works.

Save for the revision of the original annual caps as set out above, the rest of the other material terms of the Revised Payment Services Cooperation Framework Agreement remain unchanged as compared to the 2023 Payment Services Cooperation Framework Agreement.

Principal terms of the Revised Payment Services Cooperation Framework Agreement are set out as follows:

- Date** : December 11, 2023
- Parties** : (1) Shanghai Yueting (on behalf of the Group), and  
(2) Tencent Computer (on behalf of the Retained Tencent Group)
- Terms** : From January 1, 2023 to December 31, 2025
- Subject matter** : The Retained Tencent Group shall provide the Group with payment services through its channels so as to enable the Group's users to conduct online transactions.
- Fee arrangements** : In return for the payment services, the Group shall pay certain payment services commissions. The payment services commissions will be determined after arm's length negotiation between the parties with reference to the market rates.
- Payment and settlement terms** : The precise scope of services, commission rates, cooperation platforms and settlement terms shall be agreed separately between the relevant parties in implementation agreements, which will be entered into under the Revised Payment Services Cooperation Framework Agreement.

### ***Pricing Policy***

Before entering into any payment services agreement pursuant to the Revised Payment Services Cooperation Framework Agreement, the Group will assess its business needs and compare the commission rates proposed by the Retained Tencent Group with the rates offered by other comparable payment service providers. The Group will only enter into a payment services agreement with the Retained Tencent Group when the payment services commission rates proposed by the Retained Tencent Group are in line with or lower than the market rates and the agreement is in the best interests of the Company and the Shareholders as a whole.



## ***Annual Caps***

The annual caps for the payment services commissions payable by the Group to the Retained Tencent Group under the Revised Payment Services Cooperation Framework Agreement for the three years ending December 31, 2025 are set out as follows:

	<b>For the year ending December 31,</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Aggregate amounts of payment services commissions payable by the Group to the Retained Tencent Group	40,000	160,000	200,000

The basis of determination of the annual caps and the historical amounts under the Revised Payment Services Cooperation Framework Agreement are set out above.

## ***Reasons and Benefits for Entering into the Revised Payment Services Cooperation Framework Agreement***

As Tencent is a leading player in the Internet industry and in particular the PRC online payment services industry, many of the Group's users use the Retained Tencent Group's online payment services. As such, the cooperation would enable the Group to provide the users of the Group with the better available payment methods and therefore enhance the Group's users' satisfaction with the services of the Group.

## **OPINION FROM THE BOARD**

The Directors (including the independent non-executive Directors) are of the view that the terms of the Revised Cloud Services and Technical Services Framework Agreement and the Revised Payment Services Cooperation Framework Agreement were determined after arm's length negotiation, and the transactions contemplated thereunder (including the revised annual caps for the three years ending December 31, 2025) are conducted in the ordinary and usual business of the Company and are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. James Gordon Mitchell, Mr. Hou Xiaonan and Mr. Xie Qinghua, all being Directors, have abstained from voting on the relevant Board resolutions approving the Revised Cloud Services and Technical Services Framework Agreement and the Revised Payment Services Cooperation Framework Agreement and the transactions contemplated thereunder, due to their relationship with Tencent. Save as disclosed above, none of the other Directors has a material interest in the transactions contemplated under the Revised Cloud Services and Technical Services Framework Agreement and the Revised Payment Services Cooperation Framework Agreement.

## **INFORMATION ON THE PARTIES**

The Group is principally engaged in online literature business, and is a pioneer of China's online literature market. Shanghai Yueting is an indirectly wholly-owned subsidiary of the Company which is principally engaged in the business of the development in computer hardware and software, the design and production of computer products, providing technical services and marketing planning services.

Tencent and its subsidiaries are principally engaged in the provision of communication, social networks, digital content, games, online advertising, fintech and business services primarily in the PRC. Tencent Computer is principally engaged in the provision of value-added services and online advertising in the PRC.

## **LISTING RULES IMPLICATIONS**

As of the date of this announcement, Tencent is the controlling Shareholder, and Tencent Computer is a wholly-owned subsidiary of Tencent. Accordingly, Tencent Computer is a connected person of the Company and the transactions contemplated under transactions contemplated under each of the Revised Cloud Services and Technical Services Framework Agreement and the Revised Payment Services Cooperation Framework Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the annual caps for each of the Revised Cloud Services and Technical Services Framework Agreement and the Revised Payment Services Cooperation Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated thereunder are therefore subject to reporting, announcement and annual review requirements but are exempt from the requirement of independent Shareholders' approval under Chapter 14A of the Listing Rules.

## **DEFINITIONS**

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

“Beacon”	a data processing platform comprising of datahub, datatalk and datainsight
“Board”	the board of Directors
“Cloud GPU Service”	an elastic computing service that provides GPU computing power with high-performance parallel computing capabilities through cloud servers

“Company”	China Literature Limited (阅文集团), an exempted company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board (stock code: 772)
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Datahub”	a data access and processing platform on Tencent Cloud which provides one-stop data access, processing and distribution services
“Director(s)”	the director(s) of the Company
“GPU”	graphic processing unit, a specialized electronic circuit designed to rapidly manipulate and alter memory to accelerate the creation of images
“Group”	the Company, its subsidiaries and its consolidated affiliated entities from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“Ola Platform”	a one-stop big data governance platform which is based on the concept of data operationalization and combined Tencent’s data governance methodology of UniData
“PRC” or “China”	the People’s Republic of China
“Retained Tencent Group”	Tencent and its subsidiaries, excluding the Group
“Revised Cloud Services and Technical Services Framework Agreement”	an agreement entered into between Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) on December 11, 2023, in relation to the provision of cloud services and other technical services by the Retained Tencent Group to the Group

“Revised Payment Services Cooperation Framework Agreement”	an agreement entered into between Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) on December 11, 2023, in relation to the provision of payment services by the Retained Tencent Group through its channels to the Group’s users for conducting online transactions
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Yueting”	Yueting Information Technology (Shanghai) Co., Ltd. (閱霆信息技術(上海)有限公司) (previously known as Shengting Information Technology (Shanghai) Co., Ltd.), a company established in the PRC on May 27, 2008, and our indirectly wholly-owned subsidiary
“Share(s)”	ordinary share(s) in the share capital of the Company with a par value of US\$0.0001 each
“Shareholder(s)”	holder(s) of our Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Tencent”	Tencent Holdings Limited, a limited liability company organised and existing under the laws of the Cayman Islands and the shares of which are listed on the Main Board (stock code: 700), and the controlling Shareholder
“Tencent Computer”	Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司), a company established in the PRC on November 11, 1998 and a wholly-owned subsidiary of Tencent
“2023 Cloud Services and Technical Services Framework Agreement”	an agreement entered into between Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) on August 15, 2022, in relation to the provision of cloud services and other technical services by the Retained Tencent Group to the Group
“2023 Payment Services Cooperation Framework Agreement”	an agreement entered into between Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) on August 15, 2022 in relation to the provision of payment services by the Retained Tencent Group through its channels to the Group’s users for conducting online transactions

*\*Note: For ease of reference, the names of the PRC established companies or entities have been included in this announcement in both Chinese and English languages, and in the event of any inconsistency, the Chinese version shall prevail.*

By order of the Board  
**CHINA LITERATURE LIMITED**  
**Mr. James Gordon Mitchell**

*Chairman of the Board and Non-executive Director*

Hong Kong, December 11, 2023

*As at the date of this announcement, the Board comprises Mr. Hou Xiaonan and Mr. Huang Yan as executive Directors; Mr. James Gordon Mitchell, Mr. Cao Huayi and Mr. Xie Qinghua as non-executive Directors; Ms. Yu Chor Woon Carol, Ms. Leung Sau Ting Miranda and Mr. Liu Junmin as independent non-executive Directors.*