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阅文集团

CHINA LITERATURE LIMITED

阅文集团

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 772)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

On August 11, 2020, Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) agreed to renew the 2018 Virtual Services Purchase Agreement, the 2018 Novel Creation and Solicitation Cooperation Agreement, the 2018 Game Cooperation Agreement, the 2018 Joint Investment Agreement, the 2018 Literary, Audio and Comics Work Licensing Agreement, the 2018 Copyright Purchase Agreement, the 2018 Media Production Consignment Agreement and the 2018 Distribution Framework Agreement, by entering into (i) the 2021 Virtual Services Purchase Agreement in relation to, among other things, the purchase of virtual services by the Retained Tencent Group from the Group, (ii) the 2020 Novel Creation and Solicitation Cooperation Agreement in relation to, among other things, the cooperation on the novel creation and novel competition organization, (iii) the 2021 Game Cooperation Agreement, in relation to, among other things, the joint operation of the games by the Retained Tencent Group or/and the Group, (iv) the 2021 Joint Investment Agreement in relation to, among other things, the cooperation on the joint investment in the films, television series, games, animations, comics and other products, (v) the 2020 Copyright License Agreement in relation to, among other things, the purchase of the adaptation rights and transmission rights of various works from the Retained Tencent Group, (vi) the 2021 Media Production Consignment Agreement in relation to, among other things, the production and distribution of the films, television series and animations for the Retained Tencent Group, and (vii) the 2021 Distribution Framework Agreement in relation to, among other things, the distribution of the films, television series and animations for the Group.

On August 11, 2020, Shanghai Yueting (on behalf of the Group) and Sogou Technology (on behalf of the Sogou Group) agreed to renew the 2018 Comprehensive Cooperation Agreement by entering into the 2021 Comprehensive Cooperation Agreement in relation to, among other things, the cooperation on contents and games.

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 each of (i) the 2021 Virtual Services Purchase Agreement, (ii) the 2020 Novel Creation and Solicitation Cooperation Agreement, (iii) the 2021 Game Cooperation Agreement, (iv) the 2021 Joint Investment Agreement, (v) the 2020 Copyright License Agreement, (vi) the 2021 Media Production Consignment Agreement, and (vii) the 2021 Distribution Framework Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As of the date of this announcement, Tencent holds approximately 52.3% of total voting power of Sogou and Sogou Technology is an indirectly wholly-owned subsidiary of Sogou. Accordingly, Sogou Technology is a connected person of the Company, and the transactions contemplated under the 2021 Comprehensive Cooperation Agreement constitute continuing connected transaction 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 (i) the 2021 Virtual Services Purchase Agreement, (ii) the 2020 Novel Creation and Solicitation Cooperation Agreement, (iii) the 2021 Game Cooperation Agreement, (iv) the 2021 Joint Investment Agreement, (v) the 2020 Copyright License Agreement, (vi) the 2021 Media Production Consignment Agreement, and (vii) the 2021 Comprehensive Cooperation 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.

As the highest applicable percentage ratio in respect of the proposed annual caps for the 2021 Distribution Framework Agreement is more than 5%, the transactions contemplated thereunder are therefore subject to reporting, announcement, annual review and independent Shareholders' approval under Chapter 14A of the Listing Rules.

A circular containing, among other things, (i) details of the transactions contemplated under the 2021 Distribution Framework Agreement, (ii) a letter of recommendation from the Independent Board Committee to the independent Shareholders, and (iii) a letter of recommendation from the independent financial adviser to the Independent Board Committee and independent Shareholders, is expected to be dispatched to Shareholders by no later than November 13, 2020.

INTRODUCTION

The Board is pleased to announce that, on August 11, 2020, Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) agreed to renew the 2018 Virtual Services Purchase Agreement, the 2018 Novel Creation and Solicitation Cooperation Agreement, the 2018 Game Cooperation Agreement, the 2018 Joint Investment Agreement, 2018 Literary, Audio and Comics Work Licensing Agreement, the 2018 Copyright Purchase Agreement, the 2018 Media Production Consignment Agreement and 2018 Distribution Framework Agreement, by entering into (i) the 2021 Virtual Services Purchase Agreement in relation to, among other things, the purchase of virtual services by the Retained Tencent Group from the Group, (ii) the 2020 Novel Creation and Solicitation Cooperation Agreement in relation to, among other things, the cooperation on the novel creation and novel competition organization, (iii) the 2021 Game Cooperation Agreement, in relation to, among other things, the joint operation of the games by the Retained Tencent Group or/and the Group, (iv) the 2021 Joint Investment Agreement in relation to, among other things, the cooperation on the joint investment in the films, television series, games, animations, comics and other products, (v) the 2020 Copyright License Agreement in relation to, among other things, the purchase of the adaptation rights and transmission rights of various works from the Retained Tencent Group, (vi) the 2021 Media Production Consignment Agreement in relation to, among other things, the production and distribution of the films, television series and animations for the Retained Tencent Group, and (vii) the 2021 Distribution Framework Agreement in relation to, among other things, the distribution of the films, television series and animations for the Group.

The Board is also pleased to announce that, on August 11, 2020, Shanghai Yueting (on behalf of the Group) and Sogou Technology (on behalf of the Sogou Group) agreed to renew the 2018 Comprehensive Cooperation Agreement by entering into the 2021 Comprehensive Cooperation Agreement in relation to, among other things, the cooperation on contents and games.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated March 20, 2018 in relation to, among others, the 2018 Virtual Services Purchase Agreement, the 2018 Novel Creation and Solicitation Cooperation Agreement, the 2018 Game Cooperation Agreement, the 2018 Joint Investment Agreement and the 2018 Literary, Audio and Comics Work Licensing Agreement. Reference is made to the announcements of the Company dated March 20, 2018 and October 19, 2018, in relation to, among other things, the 2018 Comprehensive Cooperation Agreement. Reference is made to the announcement of the Company dated August 13, 2018 in relation to, among other things, the 2018 Copyright Purchase Agreement, the 2018 Media Production Consignment Agreement and the 2018 Distribution Framework Agreement. As disclosed in the announcements of the Company mentioned above, the Existing Cooperation Agreements and the 2018 Comprehensive Cooperation Agreement shall expire on December 31, 2020.

On August 11, 2020 Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) agreed to renew the Existing Cooperation Agreements, by entering into (i) the 2021 Virtual Services Purchase Agreement, (ii) the 2020 Novel Creation and Solicitation Cooperation Agreement, (iii) the 2021 Game Cooperation Agreement, (iv) the 2021 Joint Investment Agreement, (v) the 2020 Copyright License Agreement, (vi) the 2021 Media Production Consignment Agreement, and (vii) the 2021 Distribution Framework Agreement.

On August 11, 2020 Shanghai Yueting (on behalf of the Group) and Sogou Technology (on behalf of the Sogou Group) agreed to renew the 2018 Comprehensive Cooperation Agreement by entering into the 2021 Comprehensive Cooperation Agreement.

As the scope of the 2020 Novel Creation and Solicitation Cooperation Agreement has covered the cooperation under the 2018 Novel Creation and Solicitation Cooperation Agreement, the 2018 Novel Creation and Solicitation Cooperation Agreement will be terminated once the 2020 Novel Creation and Solicitation Cooperation Agreement takes effect. As the 2020 Copyright License Agreement has covered the cooperation under the 2018 Literary, Audio and Comics Work Licensing Agreement and the 2018 Copyright Purchase Agreement, the 2018 Literary, Audio and Comics Work Licensing Agreement and the 2018 Copyright Purchase Agreement will be terminated once the 2020 Copyright License Agreement takes effect.

1. 2021 Virtual Services Purchase Agreement

Principal terms of the 2021 Virtual Services Purchase Agreement are set out as follows:

Date	:	August 11, 2020
Parties	:	(1) Shanghai Yueting (on behalf of the Group), and (2) Tencent Computer (on behalf of the Retained Tencent Group)
Terms	:	From January 1, 2021 to December 31, 2023
Subject matter	:	The Retained Tencent Group shall purchase virtual services of the Group (including but not limited to book coupons, monthly subscription cards and VIP cards).
Fee arrangements	:	In return for the virtual services, the Retained Tencent Group shall pay services fees to the Group.
Payment and settlement terms	:	The scope of the services and payment and settlement terms under the 2021 Virtual Services Purchase Agreement shall be agreed separately between the relevant parties in implementation agreements, which will be entered into under the 2021 Virtual Services Purchase Agreement.

Pricing Policy

The services fees payable by the Retained Tencent Group to the Group in respect of the purchase of virtual services of the Group shall be determined after arm's length negotiation between the parties with reference to the prevailing market prices and the quantity and extent of services of the Group to be purchased by the Retained Tencent Group. The Group will only enter into a service agreement with the Retained Tencent Group when the agreement is in the best interests of the Company and the Shareholders as a whole.

Historical Amounts

The historical amounts of services fees paid by the Retained Tencent Group to the Group under the 2018 Virtual Services Purchase Agreement for the two years ended December 31, 2019 and the six months ended June 30, 2020 are set out as follows:

	For the year ended December 31,		For the six months ended
	2018	2019	June 30,
	(RMB'000)	(RMB'000)	2020
			(RMB'000)
			(unaudited)
Aggregate amounts of services fees paid by the Retained Tencent Group to the Group	10,102	2,744	1,177

Annual Caps and Basis of Determination

The proposed annual caps for the services fees payable by the Retained Tencent Group to the Group under the 2021 Virtual Services Purchase Agreement for the three years ending December 31, 2023 are set out as follows:

	For the year ending December 31,		
	2021	2022	2023
	(RMB'000)	(RMB'000)	(RMB'000)
Aggregate amounts of services fees payable by the Retained Tencent Group to the Group	50,000	60,000	70,000

The above annual caps for the three years ending December 31, 2023 were determined with reference to (i) the historical amounts of services fees paid by the Retained Tencent Group under the 2018 Virtual Services Purchase Agreement for the two years ended December 31, 2019 and the six months ended June 30, 2020, (ii) the potential growth of the procurement amount of virtual services for the three years ending December 31, 2023 as a result of the growth of the business and marketing requirements of the Retained Tencent Group, (iii) the Group's plan to expand the cooperation with the Retained Tencent Group to cover cooperation on the audio works which is estimated to broaden the scope of the services and in turn increase the purchase volume of the virtual services under the 2021 Virtual Services Purchase Agreement, and (iv) based on the current negotiations with the Retained Tencent Group, the plan to increase the offer of the virtual services of the Group on platforms of the Retained Tencent Group.

Reasons and Benefits for Entering into the 2021 Virtual Services Purchase Agreement

Leveraging Tencent's well established online social communication platforms and the vast user base, it is expected that the Retained Tencent Group's purchase of virtual services of the Group for consumption by their users on the Group's platforms for the Group's products and services will introduce more users to the Group's platforms and promote the popularity of its platforms, products and services.

2. 2020 Novel Creation and Solicitation Cooperation Agreement

Principal terms of the 2020 Novel Creation and Solicitation Cooperation Agreement are set out as follows:

Date	:	August 11, 2020
Parties	:	(1) Shanghai Yueting (on behalf of the Group), and (2) Tencent Computer (on behalf of the Retained Tencent Group)
Terms	:	From August 11, 2020 to December 31, 2022

- Subject matter** : The Retained Tencent Group shall cooperate with the Group on the following matters:
- (i) the Group shall create novels in accordance with the requirements provided by the Retained Tencent Group,
 - (ii) the Group shall organize novel writing competition with or on behalf of the Retained Tencent Group, or
 - (iii) other arrangements similar to the above cooperation.
- Fee arrangements** : In return for the novel creation or solicitation, the Retained Tencent Group shall pay commissions in one or more of the following manners, depending on the specific project and form of cooperation agreed between the relevant parties:
- (1) fixed fee,
 - (2) revenue/profit sharing, or
 - (3) a mix of the above fee arrangements.
- Payment and settlement terms** : The scope of the novel creation and solicitation cooperation and payment and settlement terms under the 2020 Novel Creation and Solicitation Cooperation Agreement shall be agreed separately between the relevant parties in implementation agreements, which will be entered into under the 2020 Novel Creation and Solicitation Cooperation Agreement.

Pricing Policy

The commissions payable or the revenue/profit to be shared by the Retained Tencent Group to the Group shall be determined after arm's length negotiation between the parties with reference to the prevailing market prices and considering various commercial factors, including the nature, popularity, quality and commercial potential of IP concepts. The Group will only enter into a cooperation agreement with the Retained Tencent Group when the agreement is in the best interests of the Company and the Shareholders as a whole.

Historical Amounts

The historical amounts of commissions paid by the Retained Tencent Group to the Group under the 2018 Novel Creation and Solicitation Cooperation Agreement for the two years ended December 31, 2019 and the six months ended June 30, 2020 are set out as follows:

	For the year ended December 31,		For the six months ended
	2018	2019	June 30,
	(RMB'000)	(RMB'000)	2020
			(RMB'000)
			(unaudited)
Aggregate amounts of commissions paid by the Retained Tencent Group to the Group	377	0	0

Annual Caps and Basis of Determination

The proposed annual caps for the commissions payable by the Retained Tencent Group to the Group under the 2020 Novel Creation and Solicitation Cooperation Agreement for the three years ending December 31, 2022 are set out as follows:

	For the year ending December 31,		
	2020	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)
Aggregate amounts of commissions payable by the Retained Tencent Group to the Group	60,000	80,000	90,000

The above annual caps for the three years ending December 31, 2022 were determined with reference to (i) based on the current negotiation with the Retained Tencent Group, the estimated scale of the novels the Retained Tencent Group intends to assign to the Group for novel creation and novel competitions for the year ending December 31, 2020, and (ii) the plan to increase the number of novel creation and novel competitions under the current IPs with reference to the potential growth in the Retained Tencent Group's business requirements for the two years ending December 31, 2022.

Reasons and Benefits for Entering into the 2020 Novel Creation and Solicitation Cooperation Agreement

Tencent owns numerous popular IP concepts and intends to monetize the IP concepts by way of novel creation, whilst the Group has the strong capability in literary works creation and editing, deep pool of writers and extensive reader reach. Through the cooperation on novel creation and writing competition, it is expected that the Group could leverage on the IP concepts of the Retained Tencent Group to bring high quality literary works to the Group's users and identify, nurture and promote promising writers, thereby strengthening the relationship with and increasing the popularity of the Group's writers and enhancing the potential of their literary works. The Group and the Retained Tencent Group have reviewed the impacts and benefits of the novel creation and writing competition in the past few years, and expect that such transactions would bring synergetic effect in support of the development of the Group's other businesses in the upcoming years.

3. 2021 Game Cooperation Agreement

Principal terms of the 2021 Game Cooperation Agreement are set out as follows:

Date	:	August 11, 2020
Parties	:	(1) Shanghai Yueting (on behalf of the Group), and (2) Tencent Computer (on behalf of the Retained Tencent Group)
Terms	:	From January 1, 2021 to December 31, 2023
Subject matter	:	The Retained Tencent Group shall cooperate with the Group on the following matters: (i) the Group shall license games, which are legally owned by or licensed to it, to the Retained Tencent Group for operations, and (ii) the Retained Tencent Group shall license games, which are legally owned by or licensed to it, to the Group for operations.
Fee arrangements	:	In return for the operation of the Group's or the Retained Tencent Group's games, the Retained Tencent Group or the Group shall pay fees in one or more of the following manners, depending on the specific project and form of cooperation agreed between the relevant parties: (1) fixed fee, (2) revenue/profit sharing, or (3) a mix of the above fee arrangements.

Payment and settlement terms : The scope of the game cooperation and payment and settlement terms under the 2021 Game Cooperation Agreement shall be agreed separately between the relevant parties in implementation agreements, which will be entered into under the 2021 Game Cooperation Agreement.

Pricing Policy

The distribution fees payable and/or revenue/profit to be shared by the Group to the Retained Tencent Group and the distribution fees payable and/or revenue/profit to be shared by the Retained Tencent Group to the Group shall be determined after arm's length negotiation between the parties with reference to the prevailing market prices and considering various commercial factors, including the nature, popularity, quality and commercial potential of the relevant games. The Group will only enter into a cooperation agreement with the Retained Tencent Group when the agreement is in the best interests of the Company and the Shareholders as a whole.

Historical Amounts

The historical amounts of the distribution fees paid by the Group to the Retained Tencent Group and that by the Retained Tencent Group to the Group respectively under the 2018 Game Cooperation Agreement are set out as follows for the two years ended December 31, 2019 and the six months ended June 30, 2020:

	For the year ended December 31,		For the six months ended June 30,
	2018	2019	2020
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
			<i>(unaudited)</i>
The distribution fees paid by the Group to the Retained Tencent Group	765	21,284	13,816
The distribution fees paid by the Retained Tencent Group to the Group	25	24	0

Annual Caps and Basis of Determination

The proposed annual caps for the distribution fees payable by the Group to the Retained Tencent Group and that by the Retained Tencent Group to the Group respectively under the 2021 Game Cooperation Agreement for the three years ending December 31, 2023 are set out as follows:

	For the year ending December 31,		
	2021	2022	2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
The distribution fees payable by the Group to the Retained Tencent Group	90,000	90,000	90,000
The distribution fees payable by the Retained Tencent Group to the Group	100	200	300

The above annual caps for the three years ending December 31, 2023 were determined with reference to (i) the historical amounts of distribution fees paid by the Retained Tencent Group or the Group (as the case may be) under the 2018 Game Cooperation Agreement for the two years ended December 31, 2019 and the six months ended June 30, 2020, (ii) the estimated scale of games the Group intends to be operated by the Retained Tencent Group for the three years ending December 31, 2023, (iii) the estimated scale of games the Group intends to operate for the Retained Tencent Group for the three years ending December 31, 2023, and (iv) the average cost of and revenue/profit from the operation of games by the Retained Tencent Group and the Group for each other, respectively.

Reasons and Benefits for Entering into the 2021 Game Cooperation Agreement

The Retained Tencent Group owns a large amount of top-rated game products and game platforms, and the Group has been dedicated to adapting its literary contents into games. It is expected that the Retained Tencent Group and the Group could leverage on each other's competitive advantage in their 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 further promote the monetization of the IP of its literary contents into games and extend the IP across non-book entertainment media formats to reach more users, thereby broadening and deepening the Group's revenue streams.

4. 2021 Joint Investment Agreement

Principal terms of the 2021 Joint Investment Agreement are set out as follows:

Date	:	August 11, 2020
Parties	:	(1) Shanghai Yueting (on behalf of the Group), and (2) Tencent Computer (on behalf of the Retained Tencent Group)
Terms	:	From January 1, 2021 to December 31, 2023

- Subject matter** : The Group shall cooperate with the Retained Tencent Group in the joint arrangements including but not limited to:
- (i) making joint investments in the production of the films and television series,
 - (ii) making joint investments in the research and development of games, animations, comics and other products, and
 - (iii) forming joint ventures or other joint arrangements (whether as a partnership, a company or in any other form) for the purpose of the above joint investments.
- Payment and settlement terms** : The specific commercial terms of the investment and payment and settlement terms under the 2021 Joint Investment Agreement shall be agreed separately between the relevant parties in implementation agreements, which will be entered into under the 2021 Joint Investment Agreement.

Pricing Policy

Both parties have agreed that specific commercial terms under the 2021 Joint Investment Agreement relating to the joint investment projects shall be determined after arm's length negotiation between the parties with reference to factors such as ownership of the copyrights, costs and expenses involved in the development, production and distribution of the relevant IP contents, revenue sharing or profit sharing arrangements, the equity interests of the parties in the joint arrangements, and settlement of tax.

The specific investment amount, investment proportion, and proportion of investment return shall be determined on a case-by-case basis. Generally, unless otherwise agreed by the parties, the Group's investment return (being the portion out of the total returns generated by the relevant joint investment projects) shall be determined with reference to the proportion of investment amount that the Group has invested in. The Group will only enter into an investment agreement with the Retained Tencent Group when the agreement is in the best interests of the Company and the Shareholders as a whole.

Historical Amounts

The historical amounts of the investment cost contributed by the Group in the joint arrangements with the Retained Tencent Group under the 2018 Joint Investment Agreement for the two years ended December 31, 2019 and the six months ended June 30, 2020 are set out as follows:

	For the year ended December 31,		For the six months ended June 30,
	2018	2019	2020
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
			<i>(unaudited)</i>
Aggregate amounts of the investment cost contributed by the Group in the joint arrangements with the Retained Tencent Group	93,059	3,000	0

Annual Caps and Basis of Determination

The proposed annual caps for the maximum investment cost to be contributed by the Group in the joint arrangements with the Retained Tencent Group under the 2021 Joint Investment Agreement for the three years ending December 31, 2023 are set out as follows:

	For the year ending December 31,		
	2021	2022	2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Aggregate amounts of the investment cost to be contributed by the Group in the joint arrangements with the Retained Tencent Group	700,000	800,000	950,000

The above annual caps for the three years ending December 31, 2023 were determined with reference to (i) the scale, nature, popularity and commercial potential of the literary contents of the Group, (ii) the rapid growth of the intellectual property adaptation market, (iii) the anticipated scale of projects in the production and distributions of the films and television series and the research and development of games, animations and other products that the Group may be involved, and (iv) the expected costs involved in the production and distribution of the films and television series and the research and development of games, animations and other products.

Reasons and Benefits for Entering into the 2021 Joint Investment Agreement

The joint investment between the Retained Tencent Group and the Group will be a mutually beneficial cooperation arrangement. The formation of joint venture and engagement in joint arrangements for the adaptation of popular intellectual properties into the television series, films and other forms of media will enable the Group to reach more potential users and attract viewers of the television series, films and other forms of media to read the original literary contents, thereby diversifying and expanding the reader base of the Group's literary works and enhancing the popularity and branding of the Group.

5. 2020 Copyright License Agreement

Principal terms of the 2020 Copyright License Agreement are set out as follows:

Date	:	August 11, 2020
Parties	:	(1) Shanghai Yueting (on behalf of the Group), and (2) Tencent Computer (on behalf of the Retained Tencent Group)
Terms	:	From August 11, 2020 to December 31, 2022
Subject matter	:	The Retained Tencent Group shall license the copyrights to the Group including but not limited to: (i) the adaptation rights of various works (including but not limited to games, literary works and comics) and the Group shall have the right to adapt such works to the comics, animations, films, television series and other products, and (ii) the transmission rights, including but not limited to (a) the information network transmission right of the literary works, audio works, comics, and (b) the information network transmission right, the projection right and the broadcast right of the animations, films and television series.

For the avoidance of doubt, such copyrights cooperation contemplated under the 2020 Copyright License Agreement shall exclude any transactions which involve the formation of a joint venture entity in any form of joint arrangement (whether as a partnership, a company or in any other form) in connection with or for the purpose of the adaptation of intellectual property rights of the Group's literary works.

- Fee arrangements** : In return for the licensing of the copyrights, the Group shall pay licensing fees in one or more of the following manners, depending on the specific project and form of cooperation agreed between the relevant parties:
- (1) fixed fee,
 - (2) revenue/profit sharing, or
 - (3) a mix of the above fee arrangements.
- Payment and settlement terms** : The scope of the copyrights cooperation and payment and settlement terms under the 2020 Copyright License Agreement shall be agreed separately between the relevant parties in implementation agreements, which will be entered into under the 2020 Copyright License Agreement.

Pricing Policy

The licensing fees payable and/or the percentage of the revenue/profit to be shared by the Group to the Retained Tencent Group shall be determined after arm's length negotiation between the parties with reference to the prevailing market price and considering various related commercial factors, including the nature, popularity, quantity, quality and commercial potential of certain IPs of the Retained Tencent Group. The Group will only enter into an implementation agreement with the Retained Tencent Group when the agreement is in the best interests of the Company and the Shareholders as a whole.

Historical Amounts

The aggregate historical amounts of the licensing fees paid by the Group to the Retained Tencent Group under the 2018 Literary, Audio and Comics Work Licensing Agreement and the 2018 Copyright Purchase Agreement for the two years ended December 31, 2019 and the six months ended June 30, 2020 are set out as follows:

	For the year ended December 31,		For the six months ended
	2018	2019	June 30,
	(RMB'000)	(RMB'000)	2020
			(RMB'000)
			(unaudited)
Aggregate amounts of the licensing fees paid by the Group to the Retained Tencent Group	7,160	6,354	2,209

Annual Caps and Basis of Determination

The proposed annual caps for the licensing fees payable by the Group to the Retained Tencent Group under the 2020 Copyright License Agreement for the three years ending December 31, 2022 are set out as follows:

	For the year ending December 31,		
	2020	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)
Aggregate amounts of licensing fees payable by the Group to the Retained Tencent Group	65,000	80,000	90,000

The above annual caps for the three years ending December 31, 2022 were determined with reference to (i) the historical amounts of licensing fees paid by the Group under the 2018 Literary, Audio and Comics Work Licensing Agreement for the two years ended December 31, 2019 and the six months ended June 30, 2020, (ii) the estimated scale of potential licensing copyrights (including but not limited to the adaptation right, the information network transmission right, the projection right and the broadcast right) of various works (including but not limited to the literary works, audio works, comics, animation, films and television series) that the Retained Tencent Group has intention to license to the Group for the three years ending December 31, 2022, (iii) the estimated annual growth of the cooperation on various works for the two years ending December 31, 2022 taking into account with reference to the intention of the Group to continually further develop its copyrights, and (iv) the average market prices for licensing copyrights of various works (including but not limited to the literary works, audio works, comics, animations, films and television series).

Reasons and Benefits for Entering into the 2020 Copyright License Agreement

Given that the Retained Tencent Group is a leading provider of internet value-added services in the PRC, Tencent owns numerous popular IP concepts and intends to monetize the concepts. Through the cooperation on copyrights, it is expected that the Group could leverage on the abundant pan-entertainment contents and IP concepts of the Retained Tencent Group to enhance the popularity of the Group's literary contents and fully unleash the monetization potential of the Group's intellectual property. It is also expected that the distribution of the adaptation works will broaden the user base of the Group, thereby enhancing the popularity of the Group's platforms, products and services.

6. 2021 Media Production Consignment Agreement

Principal terms of the 2021 Media Production Consignment Agreement are set out as follows:

- Date** : August 11, 2020
- Parties** : (1) Shanghai Yueting (on behalf of the Group), and
(2) Tencent Computer (on behalf of the Retained Tencent Group)
- Terms** : From January 1, 2021 to December 31, 2023
- Subject matter** : The Retained Tencent Group shall cooperate with the Group on the following matters:
- (i) **Production**: the Group shall film and produce the film and television contents, including but not limited to the films, television series, and animations for the Retained Tencent Group, and/or
 - (ii) **Distribution**: the Group shall distribute the film and television contents, including but not limited to the films, television series, and animations for the Retained Tencent Group.
- Fee arrangements** : In return for the production and distribution, the Retained Tencent Group shall pay production fees and distribution fees in one or more of the following manners, depending on the specific project and form of cooperation agreed between the relevant parties:
- (1) fixed fee,
 - (2) revenue/profit sharing, or
 - (3) a mix of the above fee arrangements.
- Payment and settlement terms** : The scope of the production and/or the distribution and payment and settlement terms under the 2021 Media Production Consignment Agreement shall be agreed separately between the relevant parties in implementation agreements, which will be entered into under the 2021 Media Production Consignment Agreement.

Pricing Policy

The production fees and/or distribution fees payable and/or the percentage of the revenue/profit to be shared by the Retained Tencent Group to the Group shall be determined after arm's length negotiation between the parties with reference to the prevailing market prices and considering various related commercial factors, including the nature, popularity, quantity, quality and commercial potential of the films, television series, and animations to be produced and distributed. The Group will only enter into a production consignment agreement with the Retained Tencent Group when the agreement is in the best interests of the Company and the Shareholders as a whole.

Historical Amounts

The historical amounts of the production fees paid by the Retained Tencent Group to the Group under the 2018 Media Production Consignment Agreement for the two years ended December 31, 2019 and the six months ended June 30, 2020 are set out as follows:

	For the year ended December 31,		For the six months ended
	2018	2019	June 30,
	(RMB'000)	(RMB'000)	2020
			(RMB'000)
			(unaudited)
Aggregate amounts of the production fees paid by the Retained Tencent Group to the Group	0	0	0

Annual Caps and Basis of Determination

The proposed annual caps for the production fees and distribution fees payable by the Retained Tencent Group to the Group under the 2021 Media Production Consignment Agreement for the three years ending December 31, 2023 are set out as follows:

	For the year ending December 31,		
	2021	2022	2023
	(RMB'000)	(RMB'000)	(RMB'000)
Aggregate amounts of the fees payable by the Retained Tencent Group to the Group	220,000	220,000	220,000

The above annual caps for the three years ending December 31, 2023 were determined with reference to (i) the estimated scale of potential films, television series and animations production projects that the Retained Tencent Group has intention to have the Group to produce and distribute in each year of the three years ending December 31, 2023, (ii) the potential growth of the production and distribution cooperation contemplated under the 2021 Media Production Consignment Agreement in line with the new business model of the Group to expand its copyright operation business, and (iii) the average market prices of the production and distribution of the films, television series and animations.

Reasons and Benefits for Entering into the 2021 Media Production Consignment Agreement

Tencent owns numerous popular IP concepts and intends to monetize the concepts. Through the cooperation on production and distribution, the Group could generate revenue from conducting the production and distribution of the films, television series and animations and further enhance the popularity of the Group's platform and copyrights. It is also expected that the production and distribution of the film and television contents will broaden the user base of the Group, thereby enhancing the popularity of the Group's platforms, products and services.

7. 2021 Distribution Framework Agreement

Principal terms of the 2021 Distribution Framework Agreement are set out as follows:

Date	:	August 11, 2020
Parties	:	(1) Shanghai Yueting (on behalf of the Group), and (2) Tencent Computer (on behalf of the Retained Tencent Group)
Terms	:	From January 1, 2021 to December 31, 2023
Subject matter	:	The Group shall license the transmission rights (including but not limited to the information network transmission right, the broadcast right and the projection right) and the derivative rights of the film and television contents (including but not limited to the films, television series, and animations) which are legally owned by it, to the Retained Tencent Group.

For the avoidance of doubt, in the event that the Group cooperates with the Retained Tencent Group in the licensing of the information network transmission right of works (including audio works and comics), such transactions will be conducted and carried out under the IP cooperation framework agreement entered into between Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) dated September 27, 2019. For further details of the IP cooperation framework agreement, please refer to the announcement of the Company dated September 27, 2019 and the circular of the Company dated October 23, 2019.

Fee arrangements : The Retained Tencent Group shall pay licensing fees in one or more of the following manners, depending on the specific project and form of cooperation agreed between the relevant parties:

- (1) fixed fee,
- (2) revenue/profit sharing, or
- (3) a mix of the above fee arrangements.

Payment and settlement terms : The scope of the licensing and payment and settlement terms under the 2021 Distribution Framework Agreement shall be agreed separately between the relevant parties in implementation agreements, which will be entered into under the 2021 Distribution Framework Agreement.

Pricing Policy

The licensing fees payable and/or the percentage of the revenue/profit to be shared by the Retained Tencent Group to the Group shall be determined after arm's length negotiation between the parties with reference to the prevailing market price and considering various related commercial factors, including the nature, popularity, quantity, quality and commercial potential of the films, television series, and animations. The Group will only enter into a distribution agreement with the Retained Tencent Group when the agreement is in the best interests of the Company and the Shareholders as a whole.

Historical Amounts

The historical amounts of the licensing fees paid by the Retained Tencent Group to the Group under the 2018 Distribution Framework Agreement for the two years ended December 31, 2019 and the six months ended June 30, 2020 are set out as follows:

	For the year ended December 31,		For the six months ended
	2018	2019	June 30,
	(RMB'000)	(RMB'000)	2020
			(RMB'000)
			(unaudited)
Aggregate amounts of the licensing fees paid by the Retained Tencent Group to the Group	0	1,008,408	12,047

Annual Caps and Basis of Determination

The proposed annual caps for the licensing fees payable by the Retained Tencent Group to the Group under the 2021 Distribution Framework Agreement for the three years ending December 31, 2023 are set out as follows:

	For the year ending December 31,		
	2021	2022	2023
	(RMB'000)	(RMB'000)	(RMB'000)
Aggregate amounts of licensing fees payable by the Retained Tencent Group to the Group	1,550,000	2,000,000	2,400,000

The above annual caps for the three years ending December 31, 2023 were determined with reference to (i) the historical amounts of the licensing fees paid by the Retained Tencent Group under the 2018 Distribution Framework Agreement for the year ended December 31, 2019, (ii) the expected resumption of the cooperation under the 2021 Distribution Framework Agreement for the year ending December 31, 2021 to the extent comparable to that for the year ended December 31, 2019, (iii) the estimated annual growth of the scale of the films, television series, and animations project pipelines invested by the Group for the three years ending December 31, 2023 as a result of the closer cooperation relationship between the Group and the Retained Tencent Group, (iv) the estimated costs of the films, television series, and animations project pipelines invested by the Group, (v) the limited number of players in the films, television series, and animations distribution industry, and (vi) the anticipated number of active users and estimated revenue in each of the Retained Tencent Group's platforms.

Reasons and Benefits for Entering into the 2021 Distribution Framework Agreement

Through entering into the 2021 Distribution Framework Agreement, the films, television series and animations produced by the Group could be widely distributed, thereby enhancing the popularity of the Group's contents, and fully unleashing the monetization potential of the Group's intellectual property. It is also expected that the cooperation will be complementary and mutually beneficial as the Group's adaptation works will broaden the user base of the Group and the Retained Tencent Group, thereby enhancing the popularity of the Group's platforms, products and services.

8. 2021 Comprehensive Cooperation Agreement

Principal terms of the 2021 Comprehensive Cooperation Agreement are set out as follows:

Date	:	August 11, 2020
Parties	:	(1) Shanghai Yueting (on behalf of the Group), and (2) Sogou Technology (on behalf of the Sogou Group)
Terms	:	From January 1, 2021 to December 31, 2023
Subject matter	:	The Sogou Group shall cooperate with the Group on the matters including but not limited to: (i) <i>Content cooperation:</i> the Group shall license the information network transmission rights of the works (including but not limited to the literary works and audio works) to the Sogou Group. (ii) <i>Game cooperation:</i> the Sogou Group shall license games to the Group for operations.
Fee arrangements	:	In return for the comprehensive cooperation, the Sogou Group shall pay licensing fees and/or distribution fees in one or more of the following manners, depending on the form of cooperation agreed between the relevant parties: (1) fixed fee, (2) revenue/profit sharing, or (3) a mix of the above fee arrangements.
Payment and settlement terms	:	The scope of the cooperation and payment and settlement terms under the 2021 Comprehensive Cooperation Agreement shall be agreed separately between the relevant parties in implementation agreements, which will be entered into under the 2021 Comprehensive Cooperation Agreement.

Pricing Policy

The licensing fees and/or distribution fees payable or the percentage of the revenue/profit to be shared by the Sogou Group to the Group shall be determined after arm's length negotiation between the parties with reference to the prevailing market prices and considering various commercial factors, including the nature, popularity, quality and commercial potential of the relevant games, literary and audio works. The Group will only enter into a cooperation agreement with the Sogou Group when the agreement is in the best interests of the Company and the Shareholders as a whole.

Historical Amounts

The historical amounts of the fees paid by the Sogou Group to the Group under the 2018 Comprehensive Cooperation Agreement for the two years ended December 31, 2019 and the six months ended June 30, 2020 are set out as follows:

	For the year ended December 31,		For the six months ended June 30,
	2018	2019	2020
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
			<i>(unaudited)</i>
The aggregate amounts of the fees paid by the Sogou Group to the Group	44,104	16,089	7,984

Annual Caps and Basis of Determination

The proposed annual caps for the comprehensive cooperation under the 2021 Comprehensive Cooperation Agreement for the three years ending December 31, 2023 are set out as follows:

	For the year ending December 31,		
	2021	2022	2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
The aggregate amounts of the fees payable by the Sogou Group to the Group	50,500	75,500	100,500

The above annual caps for the three years ending December 31, 2023 in respect of the cooperation were determined with reference to (i) the historical amounts of fees paid by the Sogou Group under the 2018 Comprehensive Cooperation Agreement for the two years ended December 31, 2019 and the six months ended June 30, 2020, (ii) the potential growth of the business cooperation on literary works and audio works between the Group and the Sogou Group for the three years ending December 31, 2023, (iii) the estimated scale of works (including but not limited to the literary works and audio works) and games that the Sogou Group expects to distribute in the three years ending December 31, 2023, and (iv) the average market prices for online literary works, audio works and games distribution.

Reasons and Benefits for Entering into the 2021 Comprehensive Cooperation Agreement

Through entering into the 2021 Comprehensive Cooperation Agreement, the contents including literary works and audio works provided by the Group could be widely distributed through online platforms operated by the Sogou Group (including but not limited to websites and other user platforms), thereby enhancing the popularity of the Group's literary contents, further promoting its development in online game publishing segment, fully unleashing the monetization potential of the Group's intellectual property. It is also expected that the distribution of games of the Sogou Group will broaden the user base of the Group, thereby enhancing the popularity of the Group's platforms, products and services.

INTERNAL CONTROL MEASURES

The Group's Business Development Team will seek to solicit cooperation with other independent third parties to the extent commercially practicable, and will compare the commercial terms offered by the independent third parties with those offered by the Retained Tencent Group and the Sogou Group in respect of all the continuing connected transactions of the Group respectively entered into with the Retained Tencent Group and Sogou Group.

In making the decision as to whether the Group will cooperate with the Retained Tencent Group or the Sogou Group, the Business Development Team will also consider other commercial factors, such as the potential of the intellectual properties, the prevailing market pricing, the prospects of the intellectual property cooperation, with a view to maximizing the commercial value of the relevant intellectual properties. The Business Development Team is required to comply with the pricing policies for the continuing connected transactions with the Retained Tencent Group and the Sogou Group as set out above, and the internal control team of the Company will regularly monitor the compliance of such pricing policies.

Furthermore, regardless of the party the Group may cooperate with (whether it is the Retained Tencent Group, the Sogou Group or any independent third party), the Company has established a standard procedure to examine cooperation and its underlying agreement by taking into account various commercial factors. Before entering into an agreement, legal affairs department and finance department of the Company will conduct feasibility study and separate review of the cooperation and consider the benefits and risks of such cooperation on a case-by-case basis.

OPINION FROM THE BOARD

The Directors (including the independent non-executive Directors) are of the view that the terms of the 2020 Novel Creation and Solicitation Cooperation Agreement and the 2020 Copyright License Agreement were determined after arm's length negotiation, and the transactions contemplated thereunder (including the proposed annual caps for the three years ending December 31, 2022) 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.

The Directors (including the independent non-executive Directors) are of the view that the terms of the 2021 Virtual Services Purchase Agreement, the 2021 Game Cooperation Agreement, the 2021 Joint Investment Agreement, the 2021 Media Production Consignment Agreement and the 2021 Comprehensive Cooperation Agreement were determined after arm's length negotiation, and the transactions contemplated thereunder (including the proposed annual caps for the three years ending December 31, 2023) 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.

The Directors (excluding the independent non-executive Directors whose view will be disclosed in the circular) are of the view that the terms of the 2021 Distribution Framework Agreement were determined after arm's length negotiation, and the transactions contemplated thereunder (including the proposed annual caps for the three years ending December 31, 2023) 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.

The independent non-executive Directors have formed the Independent Board Committee for the purposes of advising the independent Shareholders in respect of the 2021 Distribution Framework Agreement (including the proposed annual caps for the three years ending December 31, 2023) and their views and recommendation will be included in the circular to be dispatched by the Company.

Mr. James Gordon Mitchell, Mr. Cheng Yun Ming Matthew, Mr. Cheng Wu and Mr. Hou Xiaonan, all being Directors, are employees of Tencent and have therefore abstained from voting on the relevant Board resolutions approving each of (i) the 2021 Virtual Services Purchase Agreement, (ii) the 2020 Novel Creation and Solicitation Cooperation Agreement, (iii) the 2021 Game Cooperation Agreement, (iv) the 2021 Joint Investment Agreement, (v) the 2020 Copyright License Agreement, (vi) the 2021 Media Production Consignment Agreement, (vii) the 2021 Distribution Framework Agreement, and (viii) 2021 Comprehensive Cooperation Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the other Directors has a material interest in the transactions contemplated under each of (i) the 2021 Virtual Services Purchase Agreement, (ii) the 2020 Novel Creation and Solicitation Cooperation Agreement, (iii) the 2021 Game Cooperation Agreement, (iv) the 2021 Joint Investment Agreement, (v) the 2020 Copyright License Agreement, (vi) the 2021 Media Production Consignment Agreement, (vii) the 2021 Distribution Framework Agreement, and (viii) 2021 Comprehensive Cooperation Agreement.

INFORMATION ON THE PARTIES

The Group is principally engaged in online literature business, and is a pioneer of China's online literature market and operates the leading online literature platforms. 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 the marketing planning services.

Tencent and its subsidiaries are principally engaged in the provision of Internet value-added services including digital entertainment, FinTech, cloud services and online advertising. Tencent Computer is principally engaged in the provision of Internet value-added services and online advertising in the PRC.

Sogou Technology is an indirectly wholly-owned subsidiary of Sogou, and the Sogou Group is principally engaged in the business of providing online search and search-related advertising services.

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 each of (i) the 2021 Virtual Services Purchase Agreement, (ii) the 2020 Novel Creation and Solicitation Cooperation Agreement, (iii) the 2021 Game Cooperation Agreement, (iv) the 2021 Joint Investment Agreement, (v) the 2020 Copyright License Agreement, (vi) the 2021 Media Production Consignment Agreement, and (vii) the 2021 Distribution Framework Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As of the date of this announcement, Tencent holds approximately 52.3% of total voting power of Sogou and Sogou Technology is an indirectly wholly-owned subsidiary of Sogou. Accordingly, Sogou Technology is a connected person of the Company, and the transactions contemplated under the 2021 Comprehensive Cooperation Agreement constitute continuing connected transaction 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 (i) the 2021 Virtual Services Purchase Agreement, (ii) the 2020 Novel Creation and Solicitation Cooperation Agreement, (iii) the 2021 Game Cooperation Agreement, (iv) the 2021 Joint Investment Agreement, (v) the 2020 Copyright License Agreement, (vi) the 2021 Media Production Consignment Agreement, and (vii) the 2021 Comprehensive Cooperation 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.

As the highest applicable percentage ratio in respect of the proposed annual caps for the 2021 Distribution Framework Agreement is more than 5%, the transactions contemplated thereunder are therefore subject to reporting, announcement, annual review and independent Shareholders' approval under Chapter 14A of the Listing Rules.

A circular containing, among other things, (i) details of the transactions contemplated under the 2021 Distribution Framework Agreement, (ii) a letter of recommendation from the Independent Board Committee to the independent Shareholders, and (iii) a letter of recommendation from the independent financial adviser to the Independent Board Committee and independent Shareholders, is expected to be dispatched to Shareholders by no later than November 13, 2020.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Development Team”	designated business development team of the Company comprising certain personnel responsible for overseeing its intellectual property operations
“Company”	China Literature Limited, an exempted company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board (stock code: 772)
“Director(s)”	the director(s) of the Company
“Existing Cooperation Agreements”	the 2018 Virtual Services Purchase Agreement, the 2018 Novel Creation and Solicitation Cooperation Agreement, the 2018 Game Cooperation Agreement, the 2018 Joint Investment Agreement, the 2018 Literary, Audio and Comics Work Licensing Agreement, the 2018 Copyright Purchase Agreement, the 2018 Media Production Consignment Agreement and the 2018 Distribution Framework Agreement
“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
“IP(s)”	intellectual property(ies)
“Independent Board Committee”	the independent committee of the Board, comprising Ms. Yu Chor Woon Carol, Ms. Leung Sau Ting Miranda and Mr. Liu Junmin, being all the independent non-executive Directors, established for the purpose of, among other things, advising the independent Shareholders in respect of the 2021 Distribution Framework Agreement (including the proposed annual caps for the three years ending December 31, 2023)

“Independent Third Parties”	any entity or person who is not a connected person of our Company within the meaning ascribed there to under the Listing Rules
“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 Growth Enterprise Market of the Stock Exchange
“PRC” or “China”	the People’s Republic of China, and for the purposes of this announcement only, excluding Hong Kong, Macau and Taiwan
“Retained Tencent Group”	Tencent and its subsidiaries, excluding the Group
“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)
“Sogou”	Sogou Inc., a company incorporated in the Cayman Islands, whose American Depositary Shares are listed on the New York Stock Exchange under the symbol “SOGO”, and an associate of Tencent
“Sogou Group”	certain subsidiaries or variable interest entities of Sogou, including Sogou Technology, Beijing Sogou Information Service Co., Ltd. (北京搜狗信息服務有限公司), Beijing Sogou Network Technology Co., Ltd. (北京搜狗網絡技術有限公司), Tianjin Sogou Network Technology Co., Ltd. (天津搜狗網絡技術有限公司), Sogou (Hangzhou) Intelligent Technology Co., Ltd. (搜狗(杭州)智能科技有限公司), Chengdu Easypay Technology Co., Ltd. (成都吉易付科技有限公司), Beijing Shi Ji Si Su Technology Co., Ltd. (北京世紀思速科技有限公司) and Shenzhen Shi Ji Guang Su Information Technology Co., Ltd. (深圳市世紀光速信息技術有限公司) and other subsidiaries and variable interest entities of Sogou from time to time
“Sogou Technology”	Beijing Sogou Technology Development Co., Ltd. (北京搜狗科技發展有限公司), a company established in the PRC and an indirectly wholly-owned subsidiary of Sogou

“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 of the Company
“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
“2018 Comprehensive Cooperation Agreement”	an agreement entered into on March 20, 2018 between Shanghai Yueting (on behalf of the Group) and Sogou Technology (on behalf of the Sogou Group) in relation to, among other things, cooperation on game, literary and audio works
“2018 Copyright Purchase Agreement”	an agreement entered into on August 13, 2018, between Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) in relation to, among other things, cooperation on license of adaptation rights by the Retained Tencent Group to the Group
“2018 Distribution Framework Agreement”	an agreement entered into on August 13, 2018, between Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) in relation to, among other things, cooperation on distribution of television series, web series and films on the platforms of the Retained Tencent Group
“2018 Game Cooperation Agreement”	an agreement entered into on March 20, 2018 between Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) in relation to, among other things, cooperation on game distribution to each other’s platforms
“2018 Joint Investment Agreement”	an agreement entered into on March 20, 2018 between Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) in relation to, among other things, cooperation on joint investment
“2018 Literary, Audio and Comics Work Licensing Agreement”	an agreement entered into on March 20, 2018 between Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) in relation to, among other things, cooperation on literary, audio and comics work
“2018 Media Production Consignment Agreement”	an agreement entered into on August 13, 2018, between Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) in relation to, among other things, production of television series, web series and films by the Group for the Retained Tencent Group

“2018 Novel Creation and Solicitation Cooperation Agreement”	an agreement entered into on March 20, 2018 between Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) in relation to, among other things, cooperation on novel creation and solicitation
“2018 Virtual Services Purchase Agreement”	an agreement entered into on March 20, 2018 between Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) in relation to, among other things, purchase of virtual currency of the Group by the Retained Tencent Group
“2021 Comprehensive Cooperation Agreement”	an agreement entered into on August 11, 2020 between Shanghai Yueting (on behalf of the Group) and Sogou Technology (on behalf of the Sogou Group) in relation to, among other things, the cooperation on the distribution of contents and games
“2020 Copyright License Agreement”	an agreement entered into on August 11, 2020 between Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) in relation to, among other things, the purchase of the adaptation rights and transmission rights of various works from the Retained Tencent Group
“2021 Distribution Framework Agreement”	an agreement entered into on August 11, 2020 between Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) in relation to, among other things, the distribution of the films, television series and animations for the Group
“2021 Game Cooperation Agreement”	an agreement entered into on August 11, 2020 between Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) in relation to, among other things, the joint operation of the games by the Retained Tencent Group or/and the Group
“2021 Joint Investment Agreement”	an agreement entered into on August 11, 2020 between Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) in relation to, among other things, the cooperation on the joint investment in the films, television series, games, animations, comics and other products
“2021 Media Production Consignment Agreement”	an agreement entered into on August 11, 2020 between Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) in relation to, among other things, the production and distribution of the films, television series and animations for the Retained Tencent Group
“2020 Novel Creation and Solicitation Cooperation Agreement”	an agreement entered into on August 11, 2020 between Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) in relation to, among other things, the cooperation on the novel creation and novel competition organization

“2021 Virtual Services
Purchase Agreement”

an agreement entered into on August 11, 2020 between Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) in relation to, among other things, the purchase of virtual serviced by the Retained Tencent Group from the Group

**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, August 11, 2020

As at the date of this announcement, the Board comprises Mr. Cheng Wu and Mr. Hou Xiaonan as executive Directors; Mr. James Gordon Mitchell, Mr. Wu Wenhui, Mr. Cao Huayi and Mr. Cheng Yun Ming Matthew as non-executive Directors; Ms. Yu Chor Woon Carol, Ms. Leung Sau Ting Miranda and Mr. Liu Junmin as independent non-executive Directors.