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HENG TEN NETWORKS GROUP LIMITED

恒騰網絡集團有限公司

(a company incorporated in Bermuda with limited liability)

(Stock Code: 136)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE COOPERATION WITH TENCENT TECHNOLOGY IN THE PROVISION OF BROADCASTING SERVICES

THE COOPERATION AGREEMENT

The Board is pleased to announce that, on 19 April 2021, Beijing Xiaoming, a subsidiary of the Company (being also the operating entity of Pumpkin Films), has entered into the Cooperation Agreement with Tencent Technology on in-depth cooperation between Pumpkin Films and Tencent Video, allowing subscribers of Pumpkin Films to gain access to an extensive number of Dramas and Movies under the exclusive copyright of Tencent Video.

The entering into of the Cooperation Agreement will enable the Group to fully leverage and integrate platform resources. In the future, the Group shall give a full play to the empowerment from the shareholders of the Company, leverage on the unique advantages and capabilities of the Company across the whole industry supply chain, ecosystem as well as the strength in data-related business, to further elevate and complete the upstream and downstream businesses as well as the online and offline channels, with a view of building a world-leading streaming media platform empowered by digital technologies. In addition, the Cooperation Agreement enables the Group to serve a larger variety of premium-quality Dramas and Movies to the Pumpkin Films subscribers, thereby enhancing the popularity of Pumpkin Films and in turn the market influence of the Group in the film and television broadcasting industry.

LISTING RULES IMPLICATIONS

Tencent Holdings is the controlling shareholder of Tencent Technology, holding the entire equity interest of Tencent Technology. Since Tencent Holdings indirectly holds more than 10% of the Company's issued share capital, Tencent Technology is considered an associate of the connected person of the Company. Accordingly, the Cooperation Agreement and the transactions contemplated thereunder (including the Annual Caps) constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio as defined in the Listing Rules in respect of the Annual Cap on the fees payable to Tencent Technology by Beijing Xiaoming for the three financial years ending 31 December 2023 exceeds 5%, the Cooperation Agreement and the transactions contemplated thereunder are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Company will convene the SGM for the purpose of seeking approval from the Independent Shareholders on, among other things, the Cooperation Agreement, the transactions contemplated thereunder and the Annual Caps. Voting at the SGM will be conducted by poll and Water Lily Investment Limited and its associate(s) will abstain from voting at the SGM. The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to the Cooperation Agreement and the transactions contemplated thereunder (including the Annual Caps). The Company has appointed Maxa Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders.

A circular containing, among other things: (i) further details of the Cooperation Agreement and the transactions contemplated thereunder; (ii) the recommendations of the Independent Board Committee; (iii) the advice of the Independent Financial Adviser; and (iv) notice of the SGM, will be despatched to the Shareholders on or before 11 May 2021 in accordance with the requirements of the Listing Rules.

Pursuant to Rule 14A.52 of the Listing Rules, as the term of the Cooperation Agreement exceeds three years, the Company has appointed the Independent Financial Adviser to justify such longer term and to confirm that it is the normal commercial practice for agreements of this type to be of such duration.

THE COOPERATION AGREEMENT

Date

19 April 2021

Parties

- (1) Tencent Technology, a subsidiary of Tencent Holdings and an associate of a connected person of the Company; and
- (2) Beijing Xiaoming, a subsidiary of the Company

Effective Term

The Cooperation Agreement shall be effective for a term of five years ending on 9 December 2025.

Principal terms

Provision of Target Dramas and Movies broadcasting services

Tencent Technology will provide Target Dramas and Movies for Beijing Xiaoming to broadcast to the subscribers of Pumpkin Films through the Pumpkin Films platform. Beijing Xiaoming’s right to use the authorized content shall be limited to the PRC (excluding Hong Kong, Macau and Taiwan). Beijing Xiaoming has the non-exclusive and non-transferrable right of information network dissemination of the copyrighted content authorized by Tencent Technology within the term of authorization as specified under the Cooperation Agreement.

Accordingly, Tencent Technology shall have the right to receive a portion of the subscription income of Pumpkin Films from Beijing Xiaoming, which is calculated as follows:

$$\begin{array}{l}
 \text{Portion of} \\
 \text{subscription income}
 \end{array}
 =
 \begin{array}{l}
 \text{Total confirmed} \\
 \text{subscription income of} \\
 \text{Beijing Xiaoming of the} \\
 \text{relevant month}
 \end{array}
 \times
 \begin{array}{l}
 \text{(Total runtime of videos} \\
 \text{supplied by Tencent} \\
 \text{Technology/} \\
 \text{Total runtime across the} \\
 \text{platform of} \\
 \text{Beijing Xiaoming)}
 \end{array}$$

In any event, the above fees payable to Tencent Technology by Beijing Xiaoming shall be no more favourable to Tencent Technology, nor shall they be less favourable to Beijing Xiaoming, compared with those available to or from any independent third

party under identical or similar conditions. The Group will from time to time review such fees by comparing them against the fees for comparable cooperation receivable by the Group from any independent third party.

ANNUAL CAPS AND BASIS OF DETERMINATION OF ANNUAL CAPS

The expected annual maximum transaction amounts for the continuing connected transactions under the Cooperation Agreement for the three financial years ended 31 December 2023 amount to RMB41,000,000, RMB99,500,000 and RMB169,500,000, respectively.

The above Annual Caps for the three financial years ended 31 December 2023 have been determined by the Directors with reference to the following major factor: the annual business plan for the broadcasting of Dramas and Movies on the Pumpkin Films platform of the Group. The Directors have also considered:

- (a) the market demand for and development trend of streaming media content;
- (b) the development and production cycle, budget control, production crew and quality of Dramas and Movies; and
- (c) the market influence of different types of Dramas and Movies.

From the date of the Cooperation Agreement up until the date of approval by Independent Shareholders of the Annual Caps for the three financial years ended 31 December 2023 under the Cooperation Agreement of the SGM, the highest applicable percentage ratio in relation to the annual maximum transaction amount under the Cooperation Agreement shall remain below 5%.

For the continuing connected transactions contemplated under the Cooperation Agreement, the Company will first determine the Annual Caps for the three financial years ended 31 December 2023, but not for the two financial years ended 31 December 2024 and 2025 for the following reasons:

- (a) it is impractical to estimate the transaction amounts to be incurred in the two financial years ended 31 December 2024 and 2025 because such transaction amounts ultimately depend on factors such as the current and future levels of acceptance and popularity of Dramas and Movies and the user traffic of the Pumpkin Films platform of the Group, which are beyond the control of the Group and Tencent Technology as at the date of this announcement;
- (b) due to the introduction of new business models and channels by the Group, the entry of new competitors into the industry and the constant changes in the internet users' behavior, the industry environment has been rapidly changing in the past few years. The Company reasonably expects that the broadcasting industry of

Dramas and Movies will experience changes in the foreseeable future. As the Company's Dramas and Movies development, production, publicity, and streaming video platform businesses are still in the early stages of industry development and facing unpredictabilities, the Company will continue to adjust and optimize strategies to cope with the technological challenges and the ever-changing users, platform users and portfolios in the rapidly developing internet industry in the PRC;

- (c) in view of the unpredictabilities surrounding the industry's business dynamics, in addition to the fact that it is impractical to accurately estimate the transaction amount that may be incurred in the continuing connected transactions contemplated under the Cooperation Agreement after three years, there is no necessary correlation between the future business trend and the historical transaction amount. Therefore, it is not appropriate to establish an Annual Cap for the continuing connected transactions contemplated under the Cooperation Agreement for the two financial years ended 31 December 2025.

Prior to the commencement of the continuing connected transactions under the Cooperation Agreement for the two financial years ended 31 December 2024 and 2025, the Company will ensure that the requirements under Chapter 14A of the Listing Rules (including, where necessary, the annual review, reporting, announcement and independent shareholders' approval requirements) are complied with.

INTERNAL CONTROL POLICIES

In order to ensure that the Company complies with the pricing principles and the approval of the Annual Caps under the Cooperation Agreement, the Company has adopted a series of internal control policies in its daily operations. These internal control policies are implemented and monitored by the Company's internal audit and internal control department, independent non-executive Directors and external auditors:

- (i) the Company's internal audit and internal control department conducts regular monitoring of connected transactions, the results of which together with the external auditor's report are then submitted to the audit committee and independent non-executive Directors for review. The Company's internal audit and internal control department supervises connected transactions and ensures that these transactions are carried out in the following ways: (a) in accordance with the pricing principles of the Cooperation Agreement; (b) in the ordinary and usual course of business of the Group; (c) on normal or better commercial terms; and (d) in accordance with the Cooperation Agreement, and that the terms are fair and reasonable and are in the interests of the Company and its Shareholders as a whole;

- (ii) the independent non-executive Directors have reviewed and will continue to review the continuing connected transactions and confirm in the annual report whether: these transactions are concluded on normal or better commercial terms; in accordance with the Cooperation Agreement, and that the terms are fair and reasonable and are in the interests of the Company and its Shareholders as a whole; and
- (iii) the Company's external auditors will also conduct annual reviews of the pricing principles and Annual Caps of the Cooperation Agreement and confirm them in the Company's annual report.

The Board believes that the above internal control policies can ensure that the transactions contemplated under the Cooperation Agreement will be implemented on normal or better commercial terms and will not harm the interests of the Company and its Shareholders.

INFORMATION ON THE COMPANY, BEIJING XIAOMING AND TENCENT TECHNOLOGY

The Company

The Company is listed on the Stock Exchange (stock code: 136). The Company is an investment holding company. The Group principally engages in the internet community services and related businesses, drama and movie development, production and public relations and video streaming platforms, and manufacturing and sales of accessories.

Beijing Xiaomi

Beijing Xiaomi is a company established under the laws of the PRC and a subsidiary of the Company. It principally engages in the procurement of copyright contents for online broadcasting.

Tencent Technology

Tencent Technology is a company established under the laws of the PRC and a wholly-owned subsidiary of Tencent Holdings. It principally engages in the development and sale of softwares and provision of information technology services in the PRC.

REASONS FOR AND BENEFITS OF ENTERING INTO THE COOPERATION AGREEMENT

The entering into of the Cooperation Agreement will enable the Group to fully leverage and integrate platform resources. In the future, the Group shall give a full play to the empowerment from the shareholders of the Company, leverage on the unique advantages and capabilities of the Company across the whole industry supply

chain, ecosystem as well as the strength in data-related business, to further elevate and complete the upstream and downstream businesses as well as the online and offline channels, with a view of building a world-leading streaming media platform empowered by digital technologies. In addition, the Cooperation Agreement enables the Group to serve a larger variety of premium-quality Dramas and Movies to the Pumpkin Films subscribers, thereby enhancing the popularity of Pumpkin Films and the market influence of the Group in the film and television broadcasting industry.

The Directors (other than the independent non-executive Directors whose opinion will be provided after reviewing the advice of the Independent Financial Adviser) consider that the transactions contemplated under the Cooperation Agreement are entered into in the ordinary and usual course of business of the Company and its subsidiaries, on normal commercial terms after arm's length negotiations between the parties, and the terms of those transactions together with the Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Tencent Holdings is the controlling shareholder of Tencent Technology, holding the entire equity interest of Tencent Technology. Since Tencent Holdings indirectly holds more than 10% of the Company's issued share capital, Tencent Technology is considered an associate of the connected person of the Company. Accordingly, the Cooperation Agreement and the transactions contemplated thereunder (including the Annual Caps) constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio as defined in the Listing Rules in respect of the highest Annual Cap on the fees chargeable by Tencent Technology to Beijing Xiaoming for the three financial years ending as at 31 December 2023 exceeds 5%, the Cooperation Agreement and the transactions contemplated thereunder are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.52 of the Listing Rules, as the term of the Cooperation Agreement exceeds three years, the Company has appointed the Independent Financial Adviser to explain why the Cooperation Agreement requires a longer period and to confirm that it is normal business practice for this type of agreement to be of such duration. When reviewing the reasons for the term of the Cooperation Agreement being more than three years, the Independent Financial Adviser has discussed with the Company's management and considered the following factors:

1. as informed by the management of the Company, it is not uncommon for the Group to enter into an agreement for the broadcasting rights of Dramas and Movies for more than three years. Also, the Group has entered into similar content authorization or broadcasting rights agreements with some independent third parties which have a term of more than three years; and
2. as informed by the management of the Company, the Cooperation Agreement allows the Group to provide the subscribers of Pumpkin Films with a larger variety of premium-quality Dramas and Movies, which will serve to increase the popularity and competitiveness of Pumpkin Films. Entering into the Cooperation Agreement with a longer term can also ensure the sustainability of the content distributed by Pumpkin Films, which supports the future growth of the subscribers of Pumpkin Films.

In considering whether it is normal business practice for agreements of similar nature with the Cooperation Agreement to be of such a duration, the Independent Financial Adviser has conducted a search on similar agreements entered into and announced by the companies listed on the Stock Exchange, Shenzhen Stock Exchange and Shanghai Stock Exchange during the period of 24 months before the date of the Cooperation Agreement, with a duration of more than 3 years. On a best effort basis, the Independent Financial Adviser has identified comparable transactions and the terms of these comparable transactions with duration of 5 years, which is consistent with the term of the Cooperation Agreement.

Taking in account of the above, the Independent Financial Adviser is of the view that the duration of the Cooperation Agreement, which is longer than 3 years, is required and it is normal business practice for the Cooperation Agreement to be of such duration.

GENERAL

The Company will convene the SGM for the purpose of seeking approval from the Independent Shareholders on, among other things, the Cooperation Agreement, the transactions contemplated thereunder and the Annual Caps. Voting at the SGM will be conducted by poll and Water Lily Investment Limited and its associate(s) will abstain from voting at the SGM. The Independent Board Committee comprising all the

independent non-executive Directors has been established to advise the Independent Shareholders as to the Cooperation Agreement and the transactions contemplated thereunder (including the Annual Caps). The Company has appointed Maxa Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders.

A circular containing, among other things: (i) further details of the Cooperation Agreement and the transactions contemplated thereunder; (ii) the recommendations of the Independent Board Committee; (iii) the advice of the Independent Financial Adviser; and (iv) notice of the SGM, will be despatched to the Shareholders on or before 11 May 2021 in accordance with the requirements of the Listing Rules.

DEFINITIONS

Unless otherwise stated, the following expressions have the following meanings in this announcement:

“affiliate”	with respect to any designated entity, any other entity that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such entity. For the purpose of this announcement, Tencent Technology together with its affiliates and the Company together with its affiliates will not be deemed as the affiliates of the counterpart
“Annual Caps”	Tencent Technology’s expected maximum annual transaction amount receivable from Beijing Xiaoming for each of the five financial years ending 31 December 2025 in respect of the transactions contemplated under the Cooperation Agreement is the the “annual cap” of the corresponding year
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beijing Xiaoming”	Beijing Xiaoming Zhu Meng Data Service Co., Ltd.* (北京曉明築夢數據服務有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company
“Board”	the board of directors of the Company

“Company”	HengTen Networks Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 136)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Cooperation Agreement”	the cooperation agreement dated 19 April 2021 entered into between Beijing Xiaoming and Tencent Technology pursuant to which Beijing Xiaoming and Tencent Technology agreed to enter into in-depth cooperation between Pumpkin Films and Tencent Video, allowing subscribers of Pumpkin Films to gain access to exclusive copyright over an extensive number of Dramas and Movies works of Tencent
“Copyrights”	the copyrights, including rights of publication, authorship, alteration, integrity, reproduction, distribution, rental, exhibition, performance, release, broadcasting, online dissemination, shooting and production, adaption, translation, compiling and other rights to which the copyright owner is entitled to
“Director(s)”	the director(s) of the Company
“Dramas and Movies”	collectively, the movies, TV dramas and online dramas
“Effective Term”	the term of the Cooperation Agreement which is set out in the section headed “THE COOPERATION AGREEMENT — Effective Term” in this announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising Mr. Chau Shing Yim, David, Mr. Nie Zhixin, Mr. Chen Haiquan and Professor Shi Zhuomin, being the independent non-executive Directors, formed to advise the Independent Shareholders on the Cooperation Agreement and the transactions contemplated thereunder (including the Annual Caps)

“Independent Financial Adviser”	Maxa Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), being appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Cooperation Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Independent Shareholders”	Shareholders, other than Water Lily Investment Limited and its respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Pumpkin Films”	a vertical online video and streaming service platform operated by Beijing Xiaoming’s affiliate
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	the special general meeting of the Company to be convened for the Independent Shareholders to consider, and vote on, the Cooperation Agreement and the transactions contemplated thereunder and the Annual Caps
“Shareholders”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Target Dramas and Movies”	the movies, TV dramas and online dramas (whose copyrights are owned by Tencent Technology) provided by Tencent Technology to Beijing Xiaoming for streaming

“Tencent Holdings”	Tencent Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 700) and the 100% controlling shareholder of Tencent Technology.
“Tencent Technology”	Tencent Technology (Beijing) Company Limited* (騰訊科技(北京)有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Tencent Holdings
“Tencent Video”	an integrated online video and streaming service platform operated by Tencent Technology’s affiliate
“%”	per cent

On behalf of the Board
HengTen Networks Group Limited
Xu Wen
Chairman

Hong Kong, 20 April 2021

As at the date of this announcement, the executive directors of the Company are Mr. Xu Wen, Mr. Huang Xiangui, Mr. Wan Chao and Mr. Chen Cong; and the independent non-executive directors of the Company are Mr. Chau Shing Yim, David, Mr. Nie Zhixin, Mr. Chen Haiquan and Professor Shi Zhuomin.

* *for identification purpose only*