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HENG TEN NETWORKS GROUP LIMITED

恒騰網絡集團有限公司

(Proposed to be renamed as China Ruyi Holdings Limited 中國儒意控股有限公司)

(a company incorporated in Bermuda with limited liability)

(Stock Code: 136)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE COOPERATION WITH TENCENT COMPUTER IN THE PROVISION OF GAME TECHNOLOGY AND CHANNEL PROMOTION SERVICES

Reference is made to the voluntary announcement of the Company dated 3 January 2022 in relation to, among other things, the entering into of the Cooperation Framework Agreement between Shenzhen Jingxiu and Tencent Computer, pursuant to which the parties agreed that Tencent Computer shall provide technical services and channel promotion services for the Group's game products in Mainland China and will enter into further agreement(s) in relation to such cooperation in the realm of game technology.

The Board is pleased to announce that Shenzhen Jingxiu entered into the CCT Agreement with Tencent Computer on 10 January 2022, pursuant to which the parties agreed that Tencent Computer shall provide technical services and channel promotion services for the Group's game products in Mainland China.

At present, the Company has been negotiating with Tencent Computer on the cooperation in respect of a number of game products, among which Chuanqi Tianxia* 《傳奇天下》 is the first game which both parties have reached cooperation.

The entering into of the CCT Agreement will enable the Group to broaden the scope of entertainment business of the Company, and concurrently enhance the monetization of the proprietary intellectual properties of the Company through the linkage between films and games, and in the long run, help to strengthen the Group's talent pool and consolidate its technological capability, which will in turn allow the Company to leap into a new stage of development.

BACKGROUND

Reference is made to the voluntary announcement of the Company dated 3 January 2022 in relation to, among other things, the entering into of the Cooperation Framework Agreement between Shenzhen Jingxiu and Tencent Computer, pursuant to which the parties agreed that Tencent Computer shall provide technical services and channel promotion services for the Group's game products in Mainland China and will enter into further agreement(s) in relation to such cooperation in the realm of game technology.

The Board is pleased to announce that, on 10 January 2022, Shenzhen Jingxiu entered into the CCT Agreement with Tencent Computer, pursuant to which the parties agreed that Tencent Computer shall provide, among other things, technical services and channel promotion services for the Group's game products in Mainland China.

The Group is currently negotiating the agency rights of a number of game products, in respect of which the Group will also cooperate with Tencent Computer under the CCT Agreement entered into in relation to game technology services and channel promotion services. Chuanqi Tianxia* 《傳奇天下》, which the Group has exclusive distribution rights, is the first game under cooperation with Tencent Computer. Chuanqi Tianxia* 《傳奇天下》 is a game developed using Unreal Engine 4 with an official license in 3D lock-view MMORPG. As a mobile game under the Chuanqi* 《傳奇》 series, Chuanqi Tianxia* 《傳奇天下》 continues the legacy gameplay and features of the Chuanqi* 《傳奇》 series, with substantial enrichment of the game content on the core gameplay and cross-generation upgrades to the graphics.

THE CCT AGREEMENT

The principal terms of the CCT Agreement are set out below:

- Date : 10 January 2022
- Parties : (1) Shenzhen Jingxiu, a subsidiary of the Company; and
(2) Tencent Computer, a subsidiary of Tencent Holdings and an associate of the connected person of the Company
- Effective Term : The cooperation period under the CCT Agreement is three years, ending on 10 January 2025.

Principal Terms

Provision of Technical Services and Channel Promotion Services

Pursuant to the CCT Agreement, Tencent Computer agreed to provide the following services to Shenzhen Jingxiu in exchange for the service fees payable by Shenzhen Jingxiu to Tencent Computer:

- (1) **Specific technical services:** including, among other things, the provision of Software Development Kit (SDK) or Application Programming Interface (API) services such as login, anti-addiction and anti-hacking mechanism, minor' protection, and the continuous provision of maintenance and update services for Cooperation Products; and the provision of the Software Development Kit which aims to assist Group in building the payment or settlement channels necessary for the operation and development of the Cooperation Products, and ultimately to enable end-users to top-up and/or make payments via their accounts in the Cooperation Products developed by the Group on different mobile systems; and
- (2) **Channel promotion services:** allowing the Cooperation Products to be launched on Tencent platforms (including but not limited to WeChat, mobile QQ and Tencent Apps Treasure (應用寶)).

Accordingly, Shenzhen Jingxiu shall pay, and Tencent Computer shall have the right to receive, a portion of the income in the manner as agreed between the parties based on the particular Cooperation Product. The payment and settlement terms under the CCT Agreement shall be separately agreed between the relevant parties in the implementation agreements to be entered into pursuant to the terms of the CCT Agreement.

Pricing Policies

Tencent Computer has a right to charge Shenzhen Jingxiu service fees which represent a certain percentage of (1) the income generated from the operation of the Cooperation Products (developed for iOS system) in the App Store; (2) the income derived from the operation of the Cooperation Products (developed for Android operating system) on Tencent platforms; and (3) the income derived from the operation of the Cooperation Products (developed for Android operating system) in channels other than Tencent. The service fees will be settled in RMB on monthly basis.

The portion of income payable by the Group to the Tencent Computer shall be determined after arm's length negotiations between the parties with reference to the prevailing market price and taking into account various commercial factors in respect of the relevant games. The Group will only enter into the cooperation agreement with the Tencent Group when the agreement is in the best interests of the Company and the Shareholders as a whole. In any event, all of the above fees payable to Tencent Computer by Shenzhen Jingxiu shall be not more favourable to Tencent Computer nor less favourable to Shenzhen Jingxiu than those paid or charged by any independent third party under the same or similar conditions. The Group will review such fees from time to time by comparing them against the fees for comparable cooperation receivable by the Group from any independent third party.

Annual Caps

Given that the cooperation between both parties in respect of technical services and channel promotion services for various games is currently under negotiation, from the date of the Cooperation Framework Agreement, if the highest applicable percentage ratios based on the aggregate transaction amount under the CCT Agreement exceeds 5%, the transaction(s) contemplated under the CCT Agreement shall be subject to the requirements under Chapter 14A of the Listing Rules (including but not limited to annual review, reporting, announcement and, where applicable, independent shareholders' approval). For illustrative purpose only, as at the date of this announcement, the highest applicable percentage ratios of the Company calculated in accordance with Rules 14.07 and 14A.78 of the Listing Rules is the revenue ratio, and the amount corresponding to its 5% threshold is approximately RMB11,505,000, which shall not be exceeded prior to the Company's compliance with the requirements under Chapter 14A of the Listing Rules (including but not limited to annual review, reporting, announcement and, where applicable, independent shareholders' approval).

Internal Control Procedures

In order to ensure that the Company complies with the pricing policies, the monitoring of the aggregate accumulated transaction amount and, if applicable, the approval of the Annual Caps under the CCT 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:

- (1) 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 CCT 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 CCT Agreement, and that the terms are fair and reasonable and are in the interests of the Company and its Shareholders as a whole;
- (2) 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 CCT Agreement, and that the terms are fair and reasonable and are in the interests of the Company and its Shareholders as a whole; and
- (3) the Company's external auditors will also conduct annual reviews of the pricing principles, total amount of accumulated transactions and, if applicable, Annual Caps of the CCT Agreement and make corresponding confirmations in the Company's annual report.

The Board believes that the above internal control procedures can ensure that the transactions under the CCT 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, SHENZHEN JINGXIU, TENCENT GROUP AND TENCENT COMPUTER

The Company

The Company is listed on the Stock Exchange (stock code: 136). The Company is an investment holding company. The Group is principally engaged in film and television programmes production, distribution and online streaming platform business, internet community services and related businesses, manufacture and sales of accessories for photographic and electrical products and investment and trading of securities.

Shenzhen Jingxiu

Shenzhen Jingxiu is a company established under the laws of the PRC and a subsidiary of the Company. It is principally engaged in the development and procurement of film and television copyrights.

The Tencent Group

The Tencent Group is principally engaged in value-added services, online advertising, fintech and business services.

Tencent Computer

Tencent Computer is a company established under the laws of the PRC and a subsidiary of Tencent Holdings. It is principally engaged in the development and provision of integrated internet services in the PRC.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CCT AGREEMENT

In view of the Tencent Group's extensive experience in the realm of game products operation and it being one of the integrated internet service providers in the PRC, the Group plans to commence cooperation in the game business with Tencent Holdings.

The entering into of the CCT Agreement will enable the Group to broaden the scope of entertainment business of the Company, and concurrently enhance the monetization of the proprietary intellectual properties of the Company through the linkage between films and games, and in the long run, help to strengthen the Group's talent pool and consolidate its technological capability, which will in turn allow the Company to leap into a new stage of development.

Having adhered to the strategy of providing high-quality contents, committed to the research, development and production of high-quality contents, the Group has accumulated an extended portfolio of proprietary intellectual properties. The Directors believe that the in-depth cooperation between the parties can serve to extend the Group's scope of business, enrich its business segments and achieve a multi-dimensional scale of content and user-experience, which will enhance user-immersion and thereby attribute to higher users' stickiness and attract more new users. Secondly, it can leverage on the advantages brought by the abundant reserve of high-quality contents of the Company so as to further capitalize on the copyrights value and enhance its monetization of contents so as to diversify and consolidate the Group's sources of income. Lastly, through the research, development and interaction established through the game business and the resulting in-depth communication between the technical teams of the parties, the Group can aim to strengthen its technological capability.

The Directors (other than the independent non-executive Directors whose opinion will be provided after reviewing the advice of the Independent Financial Adviser as and when appropriate) consider that the transactions contemplated under the CCT 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 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 Computer. Since Tencent Holdings is a shareholder indirectly holding more than 10% of the shares of the Company, Tencent Computer is considered a connected person of the Company. Accordingly, the CCT Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that the cooperation between both parties in respect of technical services and channel promotion services for various games is currently under negotiation, from the date of the Cooperation Framework Agreement, if the highest applicable percentage ratios based on the aggregate transaction amount under the CCT Agreement exceeds 5%, the transaction(s) contemplated under the CCT Agreement shall be subject to the requirements under Chapter 14A of the Listing Rules (including but not limited to annual review, reporting, announcement and, where applicable, independent shareholders' approval).

The Directors of the Company (other than the independent non-executive Directors whose opinion will be provided after reviewing the advice of the Independent Financial Adviser as and when appropriate) believe that, the terms of the CCT Agreement are fair and reasonable, on normal commercial terms and beneficial to the business development of the Group. In addition, the terms of the CCT Agreement are no less favourable than those offered to or by independent third parties. To the best of the knowledge and belief of the Directors, none of the Directors has any interest in the resolution(s) of the Board to consider and approve the transactions contemplated under the CCT Agreement or is otherwise required to abstain from voting on the relevant resolution(s) of the Board.

Where appropriate, the Company will convene the SGM as and when appropriate for the purpose of seeking approval from the Independent Shareholders on, among other things, the CCT Agreement and, if applicable, the Annual Caps. The Company expects that 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. As at the date of the announcement, the Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to the CCT Agreement and the transactions contemplated thereunder (including, if applicable, the Annual Caps) as and when appropriate.

The Company has appointed Maxa Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as and when appropriate. A circular containing, among other things: (i) further details of the CCT 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 as and when appropriate in accordance with the requirements of the Listing Rules.

DEFINITIONS

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

“Annual Caps”	if required, the expected maximum annual transaction amount receivable by Tencent Computer from Shenzhen Jingxiu for the three years ending 10 January 2025 in respect of the transactions contemplated under the CCT Agreement, each being the “Annual Cap” of the corresponding year
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Shenzhen Jingxiu”	Shenzhen Jingxiu Network Technology Co., Ltd.* (深圳市景秀網絡科技有限公司), a company established 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
“CCT Agreement”	the continuing connected transaction agreement dated 10 January 2022 entered into between Shenzhen Jingxiu and Tencent Computer, pursuant to which the parties agreed that Tencent Computer shall provide, among other things, technical services and channel promotion services for the Group’s game products in Mainland China

“Cooperation Framework Agreement”	the cooperation agreement dated 3 January 2022 entered into between Shenzhen Jingxiu and Tencent Computer
“Cooperation Products”	the mobile online games for which the Group has exclusive agency rights in the PRC and which shall be published and operated by the Group in the PRC and for which Tencent Computer provides technical support and channel promotion services under the continuing connected transactions
“Chuanqi Tianxia 《傳奇天下》”	the name of the first product that Shenzhen Jingxiu and Tencent Computer intend to enter into cooperation under the CCT Agreement
“Director(s)”	the director(s) of the Company
“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 CCT Agreement and the transactions contemplated thereunder (including, if applicable, the Annual Caps)
“Independent Financial Adviser”	Maxa Capital Limited, being appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the CCT Agreement and the transactions contemplated thereunder (including, if applicable, 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 and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“SGM”	the special general meeting of the Company to be convened, as and when appropriate, for the Independent Shareholders to consider, and vote on, the CCT Agreement and the transactions contemplated thereunder, and, if applicable, the Annual Caps
“Shareholders”	the holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Tencent Group”	Tencent Holdings and its subsidiaries
“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 controlling shareholder of Tencent Computer
“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 and a subsidiary of Tencent Holding
“%”	per cent

By order of the Board
HengTen Networks Group Limited
Ke Liming
Chairman

Hong Kong, 10 January 2022

As at the date of this announcement, the executive Directors of the Company are Mr. Ke Liming, Ms. Chen Xi, Mr. Wan Chao and Mr. Zhang Qiang; 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 purposes only.*