CHINA LITERATURE LIMITED
阅 文 集 团
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 772)

PROPOSED RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND PROPOSED ENTERING INTO 2026 ADVERTISEMENT COOPERATION FRAMEWORK AGREEMENT

PROPOSED RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated August 10, 2023 and the circular of the Company dated November 20, 2023, in relation to, among other things, entering into the 2024 IP Cooperation Framework Agreement, which has a term of three years commencing from January 1, 2024 to December 31, 2026.

As the Group intends to continue carrying out the transactions under the 2024 IP Cooperation Framework Agreement in the ordinary and usual course of business of the Group, on March 17, 2026, Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) agreed to renew the 2024 IP Cooperation Framework Agreement by entering into the 2027 IP Cooperation Framework Agreement for a term of three years commencing from January 1, 2027 to December 31, 2029, subject to the independent Shareholders' approval.

PROPOSED ENTERING INTO THE 2026 ADVERTISEMENT COOPERATION FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated March 19, 2024 and the circular of the Company dated May 8, 2024, in relation to, among others, the entering into of the 2025 Advertisement Cooperation Framework Agreement, which will expire on December 31, 2027.

In view of the anticipated increase in cooperation regarding the placement of advertisements solicited by the Retained Tencent Group on the Platforms of the Group, the Board expects that the Existing Annual Caps under the 2025 Advertisement Cooperation Framework Agreement will be insufficient to meet the Group's business development needs. On March 17, 2026, Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) agreed to enter into the 2026 Advertisement Cooperation Framework Agreement, pursuant to which the parties agreed, among other things, to set the annual caps for the three years ending December 31, 2028, subject to the independent Shareholders' approval. Upon the 2026 Advertisement Cooperation Framework Agreement taking effect, the 2025 Advertisement Cooperation Framework Agreement will be automatically terminated and shall no longer be effective.

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 2027 IP Cooperation Framework Agreement; and (ii) the 2026 Advertisement Cooperation Framework Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of each of (i) the proposed annual caps for the 2027 IP Cooperation Framework Agreement; and (ii) the proposed annual caps for the 2026 Advertisement Cooperation Framework Agreement exceeds 5%, the transactions contemplated thereunder are therefore subject to reporting, announcement, annual review and independent Shareholders' approval under Chapter 14A of the Listing Rules.

Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders in respect of the 2027 IP Cooperation Framework Agreement, and the 2026 Advertisement Cooperation Framework Agreement, and the transactions comtemplated thereunder.

A circular containing, among other things, (i) details of the transactions contemplated under the 2027 IP Cooperation Framework Agreement (including the proposed annual caps for the three years ending December 31, 2029), and the 2026 Advertisement Cooperation Framework Agreement (including the proposed annual caps for the three years ending December 31, 2028); (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 will be published and dispatched to Shareholders who have already provided instructions indicating their preference to receive hard copies. As the Company requires additional time to prepare and finalize certain information for inclusion in the circular, it will publish and dispatch the circular to Shareholders on or before May 11, 2026.

INTRODUCTION

Reference is made to the announcement of the Company dated August 10, 2023 and the circular of the Company dated November 20, 2023, in relation to, among other things, entering into the 2024 IP Cooperation Framework Agreement, which has a term of three years commencing from January 1, 2024 to December 31, 2026.

As the Group intends to continue carrying out the transactions under the 2024 IP Cooperation Framework Agreement in the ordinary and usual course of business of the Group, on March 17, 2026, Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) agreed to renew the 2024 IP Cooperation Framework Agreement by entering into the 2027 IP Cooperation Framework Agreement for a term of three years commencing from January 1, 2027 to December 31, 2029, subject to the independent Shareholders' approval.

Reference is made to the announcement of the Company dated March 19, 2024 and the circular of the Company dated May 8, 2024, in relation to, among others, the entering into of the 2025 Advertisement Cooperation Framework Agreement, which will expire on December 31, 2027.

In view of the anticipated increase in cooperation regarding the placement of advertisements solicited by the Retained Tencent Group on the Platforms of the Group, the Board expects that the Existing Annual Caps under the 2025 Advertisement Cooperation Framework Agreement will be insufficient to meet the Group's business development needs. On March 17, 2026, Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) agreed to enter into the 2026 Advertisement Cooperation Framework Agreement, pursuant to which the parties agreed, among other things, to set the annual caps for the three years ending December 31, 2028, subject to the independent Shareholders' approval. Upon the 2026 Advertisement Cooperation Framework Agreement taking effect, the 2025 Advertisement Cooperation Framework Agreement will be automatically terminated and shall no longer be effective.

1. 2027 IP Cooperation Framework Agreement

The principal terms of the 2027 IP Cooperation Framework Agreement are set out as follows:

Date:	March 17, 2026
Parties:	(1) Shanghai Yueting (on behalf of the Group), and
	(2) Tencent Computer (on behalf of the Retained Tencent Group)

Term: From January 1, 2027 to December 31, 2029

Subject matter: The Group agreed to the cooperation in the content adaptation of the Company's literary works and comic works, distribution of the works (including but not limited to literary works, audio works, comics, live-action films and television series, animations and live-action and animated short dramas) and/or licensing of the elements of these works (including but not limited to artistic elements, musical elements, textual elements and audio-visual elements).

For the avoidance of doubt, such IP Cooperation CCTs shall exclude any transactions which involve the formation of a joint venture entity in any form or other form of joint arrangement in connection with or for the purpose of the adaptation of intellectual property rights to the Group's literary works.

Forms of cooperation: The parties shall cooperate on the following terms in respect of the IP Cooperation CCTs:

(1) licensing by the Group of the adaptation rights, adapting literary works and comics into live-action films and television series, games, audio works, comics, animations or live-action and animated short dramas;

(2) licensing by the Group of the information network transmission rights, broadcasting rights, projection rights, performance rights and distribution rights of works (including but not limited to literary works, audio works, comics, live-action films and television series, animations and live-action and animated short dramas);

(3) licensing by the Group of the rights to use the elements of literary works, audio works, live-action films and television series, games, comics, animations and live-action and animated short dramas (including but not limited to artistic elements, musical elements, textual elements and audio-visual elements) to the Retained Tencent Group.

Fee arrangements:	The parties shall cooperate on the following terms for the fee in respect of the IP Cooperation CCTs: (1) fixed fee, (2) revenue/profit sharing, or (3) a mix of the above fee arrangements.
Payment and settlement terms:	Payment and settlement terms under the 2027 IP Cooperation Framework Agreement shall be specified in each of the implementation agreements to be entered into under the 2027 IP Cooperation Framework Agreement.

Pricing Policy

To determine the fee arrangements of the IP Cooperation CCTs, the Board takes into account (i) the potential commercial value and the popularity of the relevant IP, (ii) forms of cooperation, and (iii) length and form of the adaptations. Having considered the above factors, the fee arrangements for the IP Cooperation CCTs are determined on an arm's length basis with reference to the specific circumstances of each cooperation and generally adopt (a) a fixed fee arrangement, (b) a revenue/profit sharing arrangement or (c) a mix of the above fee arrangements.

Revenue or profit sharing arrangements are generally adopted for certain adaptation projects, such as games and audio works, where the commercial value and long-term performance of the relevant IPs are closely linked to market reception and platform distribution capabilities. Fixed fee arrangements are generally adopted in accordance with the industry norm, usually for projects where production and distribution costs are relatively more predictable or market pricing benchmarks are available, such as the films, television series and animations distributed on the platforms not operated by the Group.

(1) In respect of the adaptation of the Group's literary works and/or comics into audio works, games, films, television series, comics, animations and/or live-action and animated short dramas,

    (i) various commercial factors such as the nature, popularity and commercial potential of the subject IPs, market practice for similar IPs and the prevailing market price and average revenue/profit sharing percentage in the industry;

    (ii) whether the IP Cooperation CCTs may involve other third parties (such as downstream production and distribution partners and writers), which depends on the subject of the content adaptation and the value that the counterparties are able to bring to the cooperation; and

(iii) the range of ancillary rights to be agreed, such as co-investment rights and/or co-development rights in relation to products to be adapted from the literary works and/or comics among all or certain cooperating business partners.

(2) In respect of the licensing of the Scripts IPs,

(iv) the estimated commercial value of the Scripts IP-based and pertinent television series and films, which in turn depends on (a) various commercial factors such as advertising revenue, audiences, expected rating, popularity, distribution cycle, price per episode and market comparables, (b) maturity, completeness of the Scripts IPs and their end user market, (c) financial resources and capabilities of online video platforms, and (d) mode and potential of subsequent adaptation (including the range of ancillary rights to be adapted, distribution channels, involvement of third parties (such as downstream production and distribution partners) and potential cooperation between the Group and the Retained Tencent Group thereof).

(3) In respect of literary works, audio works and comics distributed on the platforms not operated by the Group,

(v) the prevailing market price and average revenue/profit sharing percentage in the industry, which generally ranges from 40% (the Group): 60% (the Retained Tencent Group) to 80% (the Group): 20% (the Retained Tencent Group), and various commercial factors, including the nature, popularity and commercial potential of the relevant literary works, audio works and comics, and the quantity and quality of the Retained Tencent Group's distribution platforms. The fixed licensing fees shall equal to or be more than the proportion of revenue/profit to be shared to the Group calculated by the above method.

(4) In respect of films, television series and animations distributed on the platforms not operated by the Group,

(vi) the fixed production fees and/or distribution fees with reference to the prevailing market prices in the industry, and various 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 IP Cooperation CCTs when, from the Business Development Team's perspective, the commercial value of the subject IPs can be maximized and the relevant IP Cooperation CCTs are in the best interests of the Company and the Shareholders as a whole.

In respect of the licensing of Scripts IPs specifically, it is not directly comparable with those between the Group and other online video platforms as each Scripts IP is unique on its own. The Group will consider the historical commercial value of comparable television series and films sold by the Group to third parties under the traditional production model and compare against the licensing fees of the Scripts IPs, taking into account factors including but not limited to the theme, price per episode, popularity and targeted end users.

In respect of literary works, audio works and comics distributed on the platforms not operated by the Group specifically, although the Group does not have the power in determining the final price of literary works, audio works and comics distributed on the platforms not operated by the Group, the Group will adopt comparative pricing proposals conducted by the Business Development Team as to the pricing of such works when negotiating agreements for specific literary works, audio works and comics with the Retained Tencent Group, and such agreements will specify the price that the Retained Tencent Group will charge the end users for the literary works, audio works and comics. If the price charged by the Retained Tencent Group to its end users in such agreements is substantially lower than the price proposed by the Group, the Group has the discretion not to enter into such agreements with the Retained Tencent Group to ensure that the arrangement will not be detrimental to the interests of the Group.

The Business Development Team shall seek to solicit cooperation with at least two other Independent Third Parties to the extent practicable. If no comparable Independent Third Party is available, the Business Development Team is required to explain the reasonableness and necessity of cooperation with related parties and why it is in the interests of the Group as a whole, in terms of the background of the cooperation, cooperation considerations and reasonableness of pricing. The pricing terms under the 2027 IP Cooperation Framework Agreement will be no less favorable to the Company than in terms of cooperation available to Independent Third Parties (if applicable), and the fees shall be in line with or higher than market rates and in the best interests of the Company and the Shareholders as a whole.

Historical Amounts

The historical amounts of the revenue of the Company derived from the IP Cooperation CCTs for the three years ended December 31, 2025 are set out as follows:

	For the year ended December 31,		
	2023	**2024**	**2025**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Total fees paid by the Retained Tencent Group to the Group in respect of the IP Cooperation CCTs	1,394,994	1,490,128	1,347,885

Proposed Annual Caps and Basis of Determination

The proposed annual cap for the revenue of the Company derived from the IP Cooperation CCTs under the 2027 IP Cooperation Framework Agreement for the three years ending December 31, 2029 are set out as follows:

	For the year ending December 31,		
	2027	**2028**	**2029**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Total fees payable by the Retained Tencent Group to the Group in respect of the IP Cooperation CCTs	2,230,000	2,300,000	2,450,000

The above annual caps for the three years ending December 31, 2029 were determined taking into account the following factors.

(1) *Licensing of Scripts IPs:* New Classics Media licenses its Scripts IPs to online video platforms, based on which the online video platforms select production houses to produce the pertinent films and television series. Such business model enables New Classics Media to fully unlock its core competency in content planning and production, and to secure the buyers for the Scripts IPs and return generated from the licensing of the Scripts IPs at an earlier time compared with the traditional production model. This business model is also welcomed by online video platforms because, from the perspective of online video platforms, it aligns with their strategy for high-quality content by enabling them to secure high quality IPs and content in advance while maintaining production flexibility. With reference to the historical revenue generated under such business model and based on the current negotiations with various online video platforms, including the Retained Tencent Group, the potential licensing fees generated from such a business model and the annual increase are estimated, taking into account factors including, but not limited to, the historical and the estimated popularity and commercial value of the Scripts, length and form of the adaptations, estimated revenue to be generated from the adaptations of Scripts IPs and investment and production costs required for subsequent adaptation and monetization of the Scripts IPs.

(2) *Business strategy of cooperation with the Retained Tencent Group:* The Group cooperates with different departments of the Retained Tencent Group on the adaptation of the Group's literary works and comic works into games, films, television series, comics and/or animations. The Group intends to expand its IP operation capability, of which the Group licenses its IPs to industry-leading developers, including the Retained Tencent Group, for content adaptation. To facilitate IP licensing, the Group launched the "Copyright Assistant(版權助手)", which deep mines China Literature's library of millions of works and accurately matches titles to meet downstream adaptation needs, significantly accelerating the sourcing, screening, and development of high-quality IP assets. The Group is dedicated to building a deep and immersive IP universe. Apart from third-party partners across the industry, the Retained Tencent Group plays a significant role in adapting and distributing the Group's IP to maximize the commercial value of its content. The collaboration covers different segments, including comics, films, drama series, games and animations. In terms of films and television series, New Classics Media and the Retained Tencent Group have established a partnership on serial development of premium IP franchises. Based on the current negotiation, the parties expect to cooperate on two to four film projects and two to six television series projects per year during 2027, 2028 and 2029, with the estimated fees determined on an arm's length basis by reference to the nature and commercial potential of the relevant projects, and having regard to differences in scale and commercial arrangements among individual projects. In terms of games, based on the current negotiations, the Group and the Retained Tencent Group intend to cooperate in (a) one to five potential long-term continuous projects for the three years ending December 31, 2029, with the estimated fees ranging from RMB10 million to RMB100 million per project per year, and (b) five to twenty short-term collaboration projects per year during 2027, 2028 and 2029, with the estimated fees for each project ranging from RMB0.5 million to RMB20 million, depending on the nature, popularity and commercial potential of the games. In terms of the animations, based on the current negotiations, the Group and the Retained Tencent Group intend to cooperate in (a) ten to twenty distribution projects per year for the three years ending December 31, 2029, with the estimated fees ranging from RMB1 million to RMB150 million per project per season, and (b) five to eight potential new adaptation projects per year for the three years ending December 31, 2029, with the estimated fees ranging from RMB3 million to RMB15 million per project per season. Moreover, the parties may develop sequels or related products based on copyrights licensed in previous years, subject to the popularity and commercial potential of such copyrights. Leveraging the synergy of such cooperation, the Company expects a corresponding increase in revenue generated from IP Cooperation CCTs.

(3) the Board has estimated the revenue to be derived from the IP Cooperation CCTs for the year ending December 31, 2027, 2028 and 2029 taking into account (i) the projected number of IP Cooperation CCTs for each of the three years ending December 31, 2027, 2028 and 2029 in light of the current negotiation with the Retained Tencent Group, (ii) the historical data of the revenue derived from the IP Cooperation CCTs for the three years ended December 31, 2025; and (iii) the Group's extensive and diversified portfolio of IP resources, which provides a stable pipeline of IPs with development and adaptation potential for future cooperation.

Reasons and Benefits for Entering into the 2027 IP Cooperation Framework Agreement

The Group generated revenues by monetizing the Group's vast literary content in various manners through its own platforms as well as other channels, including the Retained Tencent Group Channels, among others, copyright licensing for adaptation of the Group's literary works and comics into films, television series and web series, games, animations and live-action and animated short dramas. The Retained Tencent Group is a technology company headquartered in the PRC and is primarily engaged in communication, social, digital content, games, advertising, fintech and cloud services in the PRC with a vast user base. The Group's cooperation with the Retained Tencent Group will continue to maximize the commercial value of the works of the Group and further enhance the business growth of the Group. Notably, the Retained Tencent Group is also among the top operators of online video platforms in the PRC, and the cooperation with the Retained Tencent Group on the licensing of Scripts IPs would allow the Company to leverage the resources of the Retained Tencent Group to unleash the competency of the Group in content planning and production.

2. 2026 Advertisement Cooperation Framework Agreement

2.1 Background

On March 18, 2024, Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) entered into the 2025 Advertisement Cooperation Framework Agreement.

In view of the anticipated increase in cooperation regarding the placement of advertisements solicited by the Retained Tencent Group on the Group's Platforms, the Board expects that the Existing Annual Caps under the 2025 Advertisement Cooperation Framework Agreement will be insufficient to meet the Group's business development needs.

On March 17, 2026, Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) agreed to enter into the 2026 Advertisement Cooperation Framework Agreement, pursuant to which the parties agreed, among other things, to set the annual caps for the three years ending December 31, 2028, subject to the independent Shareholders' approval. Upon the 2026 Advertisement Cooperation Framework Agreement taking effect, the 2025 Advertisement Cooperation Framework Agreement will be automatically terminated and shall no longer be effective.

Existing Annual Caps

As disclosed in the announcement of the Company dated March 19, 2024 in relation to, among others, the entering into of the 2025 Advertisement Cooperation Framework Agreement, the existing annual caps in respect of the transactions contemplated under the 2025 Advertisement Cooperation Framework Agreement for the three years ending 31 December 2027 are as follows:

	For the year ended December 31,	For the year ending December 31,	
	2025	**2026**	**2027**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Aggregate amounts of commissions payable by the Retained Tencent Group to the Group	400,000	470,000	550,000

Historical Transaction Amounts

The historical amounts for the aggregate amounts of commissions paid by the Retained Tencent Group to the Group under the Advertisement Cooperation CCTs for the three years ended December 31, 2025 are set out as follows:

	For the year ended December 31,		
	2023	**2024**	**2025**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Aggregate amounts of commissions paid by the Retained Tencent Group to the Group	334,213	246,549	381,274

2.2 Principal Terms of the 2026 Advertisement Cooperation Framework Agreement

The principal terms of the 2026 Advertisement Cooperation Framework Agreement are set out as follows:

Date: March 17, 2026

Parties:

(1) Shanghai Yueting (on behalf of the Group), and

(2) Tencent Computer (on behalf of the Retained Tencent Group)

Term: From the date of the independent Shareholders' approval to December 31, 2028

Subject matter:	The Group agreed to place advertisements which are solicited by the Retained Tencent Group on the Platforms of the Group.
Fee arrangements:	The parties shall determine the fee arrangement under the 2026 Advertisement Cooperation Framework Agreement based on one of the following methods: (1) fixed fee, (2) revenue/profit sharing, or (3) a mix of the above fee arrangements.
Payment and settlement terms:	Payment and settlement terms under the 2026 Advertisement Cooperation Framework Agreement shall be specified in each of the implementation agreements to be entered into under the 2026 Advertisement Cooperation Framework Agreement.

Pricing Policy

In relation to the pricing mechanism under the 2026 Advertisement Cooperation Framework Agreement, the fee arrangements may take the form of: (i) fixed fee; (ii) revenue/profit sharing, or (iii) a mix of the above fee arrangements. Primarily, it is expected that revenue/profit sharing arrangements will be adopted as the principal pricing mechanism under the 2026 Advertisement Cooperation Framework Agreement. The commission fee payable and/or revenue/profit to be shared by the Retained Tencent Group to the Group, and/or a mixture of the above fee arrangements shall be determined after arm's length negotiation between the parties taking into account various commercial factors. The prescribed percentage for the revenue generated from the advertisement solicited by the Retained Tencent Group and placed on the Platforms of the Group shared by the Group will vary from platform to platform and shall be determined between the relevant parties on an arm's length basis from time to time. Generally, when determining the prescribed percentage for specific advertisement cooperation, the Group will take into account factors such as the coverage of advertisements solicited by the Retained Tencent Group, other services that may be required by the Group or the Retained Tencent Group, the total number of advertisements viewed by the users of the Platforms of the Group, which is estimated with reference to the scale and reading habits of the users of the Platforms of the Group in recent years and the overall assumed advertising fee rate for the advertisements to be placed on the Platforms of the Group, having regard to the prevailing business and revenue generation model in relation to free-to-read business. Fixed fee arrangements may also be adopted, where applicable, with reference to similar fee models adopted by other market participants, which are expected to provide greater flexibility for the Group's cooperation over the next three years. The fixed fees shall be applied and determined taking into account several factors, including among others, type of advertisement, the quotation of the advertisement provided by Independent Third Parties to the Group which is a fixed fee, and other relevant commercial considerations.

The Business Development Team shall seek to solicit cooperation with at least two other Independent Third Parties to the extent practicable. If no comparable Independent Third Party is available, the Business Development Team is required to explain the reasonableness and necessity of cooperation with related parties and why it is in the interests of the Group as a whole, in terms of the background of the cooperation, cooperation considerations and reasonableness of pricing. The pricing terms under the 2026 Advertisement Cooperation Framework Agreement will be no less favorable to the Company than terms of cooperation available to Independent Third Parties (if applicable), and the fees shall be in line with or higher than market rates and in the best interests of the Company and the Shareholders as a whole.

Proposed Annual Caps and Basis for Determination

The proposed annual caps for the aggregate amounts of commissions payable by the Retained Tencent Group to the Group under the Advertisement Cooperation CCTs for the three years ending December 31, 2028 are set out as follows:

	For the year ending December 31,		
	2026	**2027**	**2028**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Aggregate amounts of commissions payable by the Retained Tencent Group to the Group	850,000	1,010,000	1,080,000

The above proposed annual caps have been determined taking into account the following factors:

(a) Revenue sharing arrangement with the Retained Tencent Group

The revenue arising out of the cooperation under the 2026 Advertisement Cooperation Framework Agreement shall be split between the relevant parties and shall be determined in accordance with the following formula:

Net Proceeds of the Advertisement × prescribed revenue sharing percentage.

Net proceeds of the advertisement (the "**Net Proceeds of the Advertisement**") shall refer to the aggregate net amount of deposits generated from the advertisements which are solicited by the Retained Tencent Group being placed on the Platforms of the Group after deduction of the reasonable expenses (if any) incurred by the Retained Tencent Group. Generally, the amount to be shared by the Group for each of the underlying cooperation under the 2026 Advertisement Cooperation Framework Agreement shall not be less than the Net Proceeds of the Advertisement received pursuant to the relevant cooperation in the placing of advertisements which are solicited by the Retained Tencent Group on the channels × 70%.

(b) Advertising fee rate charged

The advertising fee rate for the advertisement placed on the Platforms of the Group has been determined with reference to the advertising fee rate charged by the existing industry players operating the business model of monetization of free works through advertisement, and will be charged on one or more of the following methods depending on the means of cooperation and the Platforms of the Group where the advertisements are placed:

- Cost-Per-Download: charged on the basis of actual download volumes of the products or services offered by the advertisers;

- Cost-Per-Mille: charged on the basis of the number of impressions (expressed in thousands) generated by online users; and/or

- Other fee arrangements agreed by the parties.

(c) Online traffic generated by the Platforms of the Group

The Company estimated the online traffic generated by the Platforms of the Group based on the page views by the online users on the Platforms of the Group, which are in turn estimated by the Company taking into account factors such as user portfolio of the Platforms of the Group, the reading habits of the users on the Platforms of the Group, the number of advertisements to be placed on each works offered on the Platforms of the Group.

In determining the annual caps under the 2026 Advertisement Cooperation Framework Agreement, the Company has further taken into account (i) the historical amounts of commissions paid by the Retained Tencent Group to the Group for the year ended December 31, 2025, being RMB381.3 million; (ii) the total number of advertisements viewed by the users of the Platforms of the Group, estimated with reference to the scale and reading habits of the users of the Platforms of the Group in recent years; (iii) the estimated growth of the overall advertising income for the advertisement to be placed on the Platforms of the Group, having regard to the expansion in existing and continuous cooperation (i.e. offering works and earning revenue through advertisements) under the prevailing revenue generation model, which now encompasses a greater number of platforms and extended types of works (expanding from literature only to literature, comics, live-action and animated short dramas), and the potential new cooperation under current negotiation to further expand the cooperation channels and types of works, which is expected to attract more advertisement cooperation; (iv) the business plan under current negotiation to optimize the marketing strategy (including but not limited to the optimization of traffic exposure allocation) and plan to provide the estimated additional traffic exposure to the Retained Tencent Group, aiming to increase the user scale for free reading and therefore increase the total revenue to be generated from advertisement; and (v) the ability of the Group to leverage on the large existing user base on the Platforms of the Group to reach a large audience and to expand the user base by promoting the free-to-read business.

Reasons for and Benefits of Entering into the 2026 Advertisement Cooperation Framework Agreement

In recent years, the free-to-read business model is a useful addition to the content ecosystem and can earn revenue through advertisements. The Company considers it imperative to enter such a market segment to capture the growth potential of the market. As the Retained Tencent Group is one of the leading integrated service providers for online advertisement, the Group intends to cooperate with the Retained Tencent Group on the advertisement and explore such business model. In light of the expansion of the cooperation between the Group and the Retained Tencent Group, the scope of cooperation is expected to be broadened to include additional cooperation projects and new types of advertising arrangements. Accordingly, the Group intends to enter into the 2026 Advertisement Cooperation Framework Agreement with the Retained Tencent Group, pursuant to which the Retained Tencent Group shall solicit online advertisements and place them on the Platforms of the Group and the Retained Tencent Group shall share its advertising revenue with the Group.

INTERNAL CONTROL MEASURES

The Company has established and will continue to follow the internal control measures to closely monitor continuing connected transactions and ensure compliance with the Listing Rules.

The Business Development Team will seek to solicit cooperation from at least two other Independent Third Parties to the extent practicable to ensure that the prices and terms with the connected persons are fair and reasonable and no less favorable than those with the Independent Third Parties. If no comparable Independent Third Party is available, the Business Development Team is required to explain the reasonableness and necessity of cooperation with related parties and why it is in the interests of the Group as a whole, in terms of the background of the cooperation, cooperation considerations and reasonableness of pricing. In making the decision as to whether the Group will cooperate with the Retained Tencent Group, the Business Development Team will consider commercial factors, such as the potential of cooperation, the prevailing market price, and the prospects of the cooperation. The Business Development Team is required to comply with the pricing policies for the continuing connected transactions with the Retained Tencent Group as set out above, and the internal control team of the Company will regularly monitor compliance of such pricing policies.

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, the legal department of the Company (the "**Legal Department**") and the finance department of the Company (the "**Finance Department**") will conduct the feasibility study and separate review of the cooperation and consider the benefits and risks of such cooperation on a case-by-case basis. No common director, senior management, or staff of the Group and the Retained Tencent Group will be involved in the above internal approval process.

The Legal Department and the Finance Department monitor compliance with pricing policies and annual caps of the continuing connected transactions of the Company on a regular basis, in particular:

(i) entering into specific implementation agreements shall be subject to the appropriate approval of the general manager of the Business Development Team, the Finance Department, the Legal Department and management of our Group to ensure that the contracts are in line with the pricing policy and principal terms of connected transaction framework agreement;

(ii) the Finance Department keeps monitoring the amount of each transaction on an aggregate basis to see if it exceeds relevant annual caps. In addition, the Finance Department logs, computes and checks connected transaction amount in its account on a monthly basis, and keeps communicating with the Business Development Team and provides immediate warnings to the Business Development Team and the Legal Department when the aggregate transaction amount attains or exceeds 80% of the prescribed annual caps; and

(iii) the Company also gives reports to the independent non-executive Directors on a quarterly basis to provide them with the essential information on the latest connected transactions, including how the compliance of the pricing policies and annual caps is monitored as well as the utilisation of the prescribed annual caps specifically.

The Company's external auditor will perform procedures regarding the continuing connected transactions annually to confirm, among other things, whether the pricing policies have been adhered to and whether each of the annual caps has been complied with; and the independent non-executive Directors will perform an annual review and confirm in the annual report of the Company that the transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

OPINION FROM THE BOARD

The Directors (excluding the independent non-executive Directors whose view will be disclosed in the circular) are of the view that (i) the terms of the 2027 IP Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps for the three years ending December 31, 2029); and (ii) the terms of the 2026 Advertisement Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps for the three years ending December 31, 2028) 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 purpose of advising the independent Shareholders in respect of the 2027 IP Cooperation Framework Agreement (including the proposed annual caps for the three years ending December 31, 2029) and the 2026 Advertisement Cooperation Framework Agreement (including the proposed annual caps for the three years ending December 31, 2028) and their views and recommendation will be included in the circular to be dispatched by the Company.

Mr. Pu Hai Tao, Mr. Hou Xiaonan and Mr. Xie Qinghua, all being Directors, have abstained from voting on the relevant Board resolutions approving each of (i) the 2027 IP Cooperation Framework Agreement, and (ii) the 2026 Advertisement Cooperation Framework Agreement, and the transactions contemplated thereunder, due to their relationship with Tencent. Save as disclosed above, none of the other Directors has a material interest in the transactions contemplated under each of (i) the 2027 IP Cooperation Framework Agreement, and (ii) the 2026 Advertisement Cooperation Framework Agreement.

Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders in respect of the 2027 IP Cooperation Framework Agreement, and the 2026 Advertisement Cooperation Framework Agreement, and the transactions comtemplated thereunder.

INFORMATION ON THE PARTIES

The Group is principally engaged in online literature business and intellectual property operation business. It incubates original IPs from its online literature platform, which are subsequently adapted into a variety of entertainment formats, including comics, animation, film, TV series, web series, short dramas, animated dramas, games and IP-related merchandise. Shanghai Yueting, an indirectly wholly-owned subsidiary of the Company, is principally engaged in the business of the development in computer hardware and software, the design and production of computer products, providing technical services and marketing planning services.

Tencent is principally engaged in the provision of communication, social, digital content, games, marketing, fintech and cloud services in the PRC. Tencent Computer is principally engaged in the provision of value-added services and marketing services in the PRC.

LISTING RULES IMPLICATIONS

As of the date of this announcement, Tencent is the controlling Shareholder, and Tencent Computer is a wholly-owned subsidiary of Tencent. Accordingly, Tencent Computer is a connected person of the Company and the transactions contemplated under each of (i) the 2027 IP Cooperation Framework Agreement; and (ii) the 2026 Advertisement Cooperation Framework Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of each of (i) the proposed annual caps for the 2027 IP Cooperation Framework Agreement; and (ii) the proposed annual caps for the 2026 Advertisement Cooperation Framework Agreement exceeds 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 2027 IP Cooperation Framework Agreement (including the proposed annual caps for the three years ending December 31, 2029), and the 2026 Advertisement Cooperation Framework Agreement (including the proposed annual caps for the three years ending December 31, 2028); (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 will be published and dispatched to Shareholders who have already provided instructions indicating their preference to receive hard copies. As the Company requires additional time to prepare and finalize certain information for inclusion in the circular, it will publish and dispatch the circular to Shareholders on or before May 11, 2026.

DEFINITIONS

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

"2024 IP Cooperation Framework Agreement"	an agreement entered into on August 10, 2023 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 in the content adaptation of the Group's literary works, distribution of the works (including but not limited to literary works, audio works, comics, films, television series and animations) and/or licensing of the elements of these works
"2025 Advertisement Cooperation Framework Agreement"	an agreement entered into between Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) on March 18, 2024 in relation to the cooperation in placing advertisements which are solicited by the Retained Tencent Group on the Platforms of the Group

"2026 Advertisement Cooperation Framework Agreement"	an agreement entered into between Shanghai Yueting (on behalf of the Group) and Tencent Computer (on behalf of the Retained Tencent Group) on March 17, 2026 in relation to the cooperation in placing advertisements which are solicited by the Retained Tencent Group on the Platforms of the Group
"2027 IP Cooperation Framework Agreement"	an agreement entered into on March 17, 2026 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 in the content adaptation of the Group's literary works and comics, distribution of the works (including but not limited to literary works, audio works, comics, films, television series, animations and live-action and animated short dramas) and/or licensing of the elements of these works
"Advertisement Cooperation CCTs"	the cooperation in placing advertisements which are solicited by the Retained Tencent Group on the Platforms of the Group
"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)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Existing Annual Cap(s)"	the existing annual caps for the years ending December 31, 2026 and 2027 for the transactions contemplated under the 2025 Advertisement Cooperation 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
"Independent Board Committee"	means 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 2027 IP Cooperation Framework Agreement (including the proposed annual caps for the three years ending December 31, 2029), and the 2026 Advertisement Cooperation Framework Agreement (including the proposed annual caps for three years ending December 31, 2028), and the transactions contemplated thereunder
"Independent Financial Adviser" or "Somerley"	Somerley Capital Limited, a licensed corporation to carry out Type 1(dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), which has been appointed as the independent financial adviser to the Independent Board Committee and the independent Shareholders in respect of the 2027 IP Cooperation Framework Agreement (including the proposed annual caps for the three years ending December 31,2029), and the 2026 Advertisement Cooperation Framework Agreement (including the proposed annual caps for the three years ending December 31, 2028), and the transactions contemplated thereunder
"Independent Third Party(ies)"	any entity or person who is not a connected person of our Company within the meaning ascribed thereto under the Listing Rules
"IP(s)"	intellectual property(ies)
"IP Cooperation CCTs"	the cooperation in the content adaptation of the Company's literary works and comics, distribution of the works (including but not limited to literary works, audio works, comics, live-action films and television series, animations and live-action and animated short dramas) and/or licensing of the elements of these works (including but not limited to artistic elements, musical elements, textual elements and audio-visual elements)
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"PRC" or "China"	the People's Republic of China
"Platforms of the Group"	the self-owned platforms and self-operated channels on Tencent products
"Retained Tencent Group"	Tencent and its subsidiaries, excluding the Group
"RMB"	Renminbi, the lawful currency of the PRC
"Scripts IP(s)"	scripts and related IP adaptation rights
"Shanghai Yueting"	Yueting Information Technology (Shanghai) Co., Ltd.（閱霆信息技術（上海）有限公司）a company established in the PRC on May 27, 2008, and the indirectly wholly-owned subsidiary of the Company
"Share(s)"	ordinary share(s) in the share capital of the Company with a par value of US$0.0001 each
"Shareholder(s)"	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
"Tencent"	Tencent Holdings Limited, a limited liability company organized 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
"%"	percent

**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. Pu Hai Tao
Chairman of the Board and Non-executive Director

Hong Kong, March 17, 2026

As at the date of this announcement, the Board comprises Mr. Hou Xiaonan and Mr. Huang Yan as Executive Directors; Mr. Pu Hai Tao, Mr. Cao Huayi and Mr. Xie Qinghua as Non-executive Directors; Ms. Yu Chor Woon Carol, Ms. Leung Sau Ting Miranda and Mr. Liu Junmin as Independent Non-executive Directors.