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乐华娱乐
YUE HUA
ENTERTAINMENT

YH Entertainment Group
乐华娱乐集团

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2306)

CONTINUING CONNECTED TRANSACTION
BUSINESS COOPERATION FRAMEWORK AGREEMENT

The Board is pleased to announce that on May 8, 2024, Yuehua Limited (a wholly-owned subsidiary of the Company) and Shine Entertainment entered into the Business Cooperation Framework Agreement, pursuant to which Yuehua Limited (together with its subsidiaries) will cooperate with Shine Entertainment (together with its subsidiaries) in relation to the licensing of musical works owned by the Yuehua Limited and relevant engagements performed by managed artist(s) or artist group(s).

Shine Entertainment is a company established in the PRC with limited liability. It is principally engaged in the production of variety programs and events planning. Shine Entertainment is a fellow subsidiary of our substantial shareholder, CMC Sports Group Limited. CMC Sports Group Limited and its associates are connected persons of the Company. Accordingly, transactions under the Business Cooperation Framework Agreement with Shine Entertainment constituted connected transactions for the Company and are subject to the requirements under Chapter 14A of the Listing Rules.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (calculated with reference to Rule 14.07 of the Listing Rules) in respect of this transaction is expected to be, on an annual basis, more than 0.1% but less than 5%, such transaction will constitute continuing connected transaction of the Company and subject to the reporting, announcement and annual review requirements, but will be exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As none of the Directors was regarded as having a material interest in the Business Cooperation Framework Agreement and transactions thereunder, no Director shall be required to abstain from voting on the relevant Board resolutions.

BACKGROUND

The Board is pleased to announce that on May 8, 2024, Yuehua Limited (a wholly-owned subsidiary of the Company) entered into a Business Cooperation Framework Agreement with Shine Entertainment, pursuant to which (i) Yuehua Limited (for itself and on behalf of its subsidiaries) will license the music IP rights of musical works owned by Yuehua Limited for the commercial activities, including but not limited to the production of variety programs and commercial or non-commercial use; and (ii) Yuehua Limited shall procure managed artist(s) or artist group(s) to perform relevant engagements with Shine Entertainment, including but not limited to performing in variety programs, movies and drama series and participating in commercial or non-commercial activities.

BUSINESS COOPERATION FRAMEWORK AGREEMENT

A summary of the principal terms of the Business Cooperation Framework Agreement is set out below:

Date: May 8, 2024

Parties: Yuehua Limited (for itself and on behalf of its subsidiaries); and
Shine Entertainment (for itself and on behalf of its subsidiaries)

Term: May 8, 2024 to December 31, 2024

Separate underlying agreements will be entered into between the parties to set out the detailed terms, including details of engagements, promotion or licensing fee, milestone payment schedules and other rights and obligations of the parties, based on the principles and within the parameters provided under the Business Cooperation Framework Agreement. The definitive terms of each of such underlying agreements will be determined on a case-by-case basis and on fair and reasonable basis after arm's length negotiation between the parties.

The Business Cooperation Framework Agreement will commence from May 8, 2024 to December 31, 2024, and such term would be renewed for a term of no more than three years subject to the parties' negotiation and applicable laws and regulations.

Pricing Policy

The fees we charge Shine Entertainment shall be determined after arm's length negotiation between parties with reference to various related commercial factors, including (i) the forms of promotion activities and promotion period; (ii) the cost and expenses of the music IP production; (iii) the popularity of the managed artist who participated in the variety program or performed the designated song; (iv) the prevailing market rates of engagement fees for attending the same and similar functions by artists of the same ranking; (v) the quality and impacts of the relevant engagement; (vi) the prevailing market rates of engagement fees for licensing the same and similar music IPs; (vii) the popularity of the designated song; (viii) the forms in which the licensee would use the designated song; and (ix) the workload and duration of the relevant engagement. The aforesaid factors setting the consideration are no more favorable than those available to the Group's other customers which are Independent Third Parties.

Historical Figures

For the year ended December 31, 2022 and 2023, the total transaction amounts with Shine Entertainment were approximately RMB7.2 million and RMB7.6 million, respectively. For the period from January 1, 2024 to the date of this announcement, the total transaction amount with Shine Entertainment was approximately RMB56.6 thousand.

ANNUAL CAP AND BASIS OF DETERMINATION

The proposed annual cap for the related fees payable by Shine Entertainment to the Group pursuant to the Business Cooperation Framework Agreement for the period from May 8, 2024 to December 31, 2024 is RMB24 million.

The proposed annual cap above is determined with reference to:

- (i) the historical amounts incurred in 2023 in connection with our cooperation with Shine Entertainment;
- (ii) the historical rates of engagement fees for our managed artists and artist groups to attend the same and similar functions as those included in our cooperation with Shine Entertainment; and
- (iii) the expected cooperation with Shine Entertainment from the date of the Business Cooperation Framework Agreement to December 31, 2024.

With respect to the historical transactions with Shine Entertainment, please refer to the announcement published by the Company dated April 19, 2024 (the "**Announcement**"). Save as transactions disclosed in the Announcement, there is no other transaction between the Group and Shine Entertainment as of the date of this announcement.

INFORMATION OF THE PARTIES

Yuehua Limited, is a limited liability company established in the PRC on July 3, 2009 and is wholly-owned subsidiary of the Company. Yuehua Limited is principally engaged in artist management and copyrights management businesses.

The Company is an established artist management company in China and has grown into a culture and entertainment platform comprising three complementary businesses of artist management, music IP production and operation, and pan-entertainment business since its establishment in 2009.

Shine Entertainment is a company established in the PRC with limited liability. It is principally engaged in the production of variety programs and events planning. Shine Entertainment is a fellow subsidiary of our substantial shareholder, CMC Sports Group Limited. CMC Sports Group Limited and its associates are connected persons of the Company. Accordingly, transactions under the Business Cooperation Framework Agreement with Shine Entertainment constituted connected transactions for the Company and are subject to the requirements under Chapter 14A of the Listing Rules.

INTERNAL CONTROL MEASURES FOR THE TRANSACTIONS

As part of the Group's internal approval and monitoring procedures relating to the transactions with Shine Entertainment, the Group has implemented adequate internal control measures for monitoring all of its continuing connected transactions, including (without limitation) the regular reporting of transaction volume to the Group's finance department for monitoring the annual cap of the relevant transactions. Our connected transaction task force (consisting of key members from finance department, internal control department, investor relations department and legal department) will continually review and monitor transactions conducted under the Business Cooperation Framework Agreement on a regular basis, so as to strictly comply with the Listing Rules and the terms set out in the Business Cooperation Framework Agreement.

The Directors (including independent non-executive Directors of the Company) will review the transactions contemplated under the Business Cooperation Framework Agreement each year so as to confirm that the relevant terms are fair and reasonable, on normal commercial terms or better than those offered to the Independent Third Parties and in the interests of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF THE BUSINESS COOPERATION FRAMEWORK AGREEMENT

Given that Shine Entertainment has years of experience in the production of variety programs, filming and TV series in the PRC, the Group can leverage on the cooperation with Shine Entertainment to further enhance our managed artists and artist groups' public exposure through their participation across various variety programs. Furthermore, the cooperation will empower us with more opportunity to establish business relationships with our business partners such as business promotional activities.

Based on the aforesaid, the Directors (including the independent non-executive Directors) are of the view that the transactions under the Business Cooperation Framework Agreement are conducted by the Group on normal commercial terms and in its ordinary and usual course of business, are fair and reasonable and in the interests of the Company and its Shareholders as a whole, and the annual cap in respect of the continuing connected transactions under the Business Cooperation Framework Agreement is also fair and reasonable.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (calculated with reference to Rule 14.07 of the Listing Rules) in respect of this transaction is expected to be, on an annual basis, more than 0.1% but less than 5%, such transaction will constitute continuing connected transaction of the Company and subject to the reporting, announcement and annual review requirements, but will be exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As none of the Directors was regarded as having a material interest in the Business Cooperation Framework Agreement and transactions thereunder, no Director shall be required to abstain from voting on the relevant Board resolutions.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Board”	the board of Directors of the Company
“Business Cooperation Framework Agreement”	the framework agreement entered into between Shine Entertainment and Yuehua Limited, the material details of which are described in this announcement
“Chairlady”	the chairlady of the Board
“China” or the “PRC”	the People’s Republic of China, but for the purpose of this announcement and for geographical reference only, references herein to “China” and the “PRC” do not apply to Hong Kong, the Macau Special Administrative Region and Taiwan
“Company,” “our Company,” “the Company” or “YH Entertainment”	YH Entertainment Group (乐华娱乐集团), an exempted company incorporated in Cayman Islands with limited liability on June 10, 2021
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules

“Directors”	director(s) of the Company
“Group,” “our Group,” “the Group,” “we,” “us,” or “our”	our Company and our subsidiaries at the relevant time or, where the context so requires, in respect of the period before our Company became the holding company of present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	third parties independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented 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
“RMB”	the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of US\$0.0001 each
“Shareholder(s)”	shareholder(s) of the Shares
“Shine Entertainment”	Shenzhen Shine Entertainment Co., Ltd. (深圳日月星光傳媒有限公司), a limited liability company established in the PRC on January 13, 2015
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	having the meaning ascribed to it under the Listing Rules
“Yuehua Investment”	Tianjin Yuehua Investment Co., Ltd. (天津樂華投資有限公司), a limited liability company established in the PRC on September 24, 2021 and an indirect wholly-owned subsidiary of our Company in the PRC

“Yuehua Limited”

YueHua Entertainment Co., Ltd. (北京樂華圓娛文化傳播有限公司), a limited liability company established in the PRC on July 3, 2009 and a non-wholly owned subsidiary of Yuehua Investment

“%”

Percentage

In this announcement, the terms “affiliate,” “associate,” “controlling shareholder” and “subsidiary” shall have the meanings given to such terms in the Listing Rules unless the context otherwise requires.

By order of the Board
YH Entertainment Group
DU Hua
*Executive Director, Chairlady of the Board
and Chief Executive Officer*

Hong Kong, May 8, 2024

As of the date of this announcement, the Board comprises Ms. DU Hua, Mr. SUN Yiding and Mr. SUN Le as executive Directors, Mr. MENG Jun, as non-executive Director, and Mr. FAN Hui, Mr. LU Tao and Mr. HUANG Jiuling as independent non-executive Directors.