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Maoyan Entertainment

貓眼娛樂

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1896)

SUPPLEMENTAL ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS REVISION OF ANNUAL CAPS

Reference is made to the announcement of Maoyan Entertainment (the “**Company**”) dated September 10, 2019 (the “**Announcement**”) in relation to the revision of the annual caps for (i) provision of products and services by the Group to the Enlight Media Group under the Enlight Business Collaboration and Services Framework Agreement, and (ii) provision of products and services by the Group to the Represented Tencent Group under the Tencent Business Collaboration and Services Framework Agreement. Unless otherwise indicated, capitalized terms used herein shall have the same meanings as those defined in the Announcement.

As disclosed in the Announcement, save for the revision of the annual caps, all other terms of the Enlight Business Collaboration and Services Framework Agreement and the Tencent Business Collaboration and Services Framework Agreement, as disclosed in the Prospectus, remain unchanged. The Board hereby wishes to inform the Shareholders of such terms of (i) the Enlight Business Collaboration and Services Framework Agreement, and (ii) the Tencent Business Collaboration and Services Framework Agreement.

CONTINUING CONNECTED TRANSACTIONS

Enlight Business Collaboration and Services Framework Agreement

Date

December 10, 2018

Parties

the Company; and

Enlight Media

Principal terms

The Company (for itself and on behalf of the Group) entered into the Enlight Business Collaboration and Services Framework Agreement with Enlight Media (for itself and on behalf of the Enlight Media Group) on December 10, 2018, in relation to, among other things, the provision of the following products and services by the Group to the Enlight Media Group from time to time.

- **Provision of prepaid card and voucher:** the Enlight Media Group will purchase prepaid card and voucher from the Group;
- **Provision of advertising services:** the Group will provide advertising services to the Enlight Media Group, and Enlight Media Group will pay service fees for such advertisement services;

The initial term of the Enlight Business Collaboration and Services Framework Agreement shall commence on February 4, 2019 and end on December 31, 2021, subject to renewal upon the mutual agreement of both parties.

Separate underlying agreements will be entered into which will set out the precise scope of service, details of products, service fees, purchase price, payment terms and method and other details of the product and service arrangements in the manner and within the scope and terms prescribed in the Enlight Business Collaboration and Services Framework Agreement. Typically, the payment shall be made within 90 days of the execution of the underlying agreements. The definitive terms of each of such agreements will be determined on a case-by-case basis and on fair and reasonable basis after arm's length negotiation between the parties.

Reasons for the transaction

The Group and the Enlight Media Group have a long-term stable relationship and the parties are mutually familiar with each other's business needs and requirements. Based on the Group's previous experience in business dealing with the Enlight Media Group, the Group believes the Group and the Enlight Media Group are capable of effectively satisfying each other's demands for the relevant products and services including the prepaid card and voucher and advertising services in a stable and reliable manner. Furthermore, as the sales of prepaid card and voucher and provision of advertising services by the Group to the Enlight Media Group will be conducted in the ordinary course of business and on a continuing basis, the provision of these products and services to the Enlight Media Group will also provide a stream of recurrent income and enhance the Group's financial performance.

Pricing policies

In line with the general pricing policy of fairness and reasonableness set out in the Enlight Business Collaboration and Services Framework Agreement, the pricing policies in respect of the provision of products and services by the Group to the Enlight Media Group are as follows:

- **Provision of prepaid card and voucher:** the purchase price to be paid to the Group by the Enlight Media Group will be determined with reference to the prevailing market prices, and shall not be lower than the prices of similar products which the Group sells to independent third parties.
- **Provision of advertising services:** the service fees will be determined by the unit prices of different online publicity resources which will be further determined with reference to the prevailing market rates, and shall not be lower than the prices of similar services which the Group provides to independent third parties.

Tencent Business Collaboration and Services Framework Agreement

Date

January 9, 2018

Parties

the Company; and

Shenzhen Tencent Computer Systems Company Limited (“**Tencent Computer**”)

Principal terms

The Company (for itself and on behalf of the Group) entered into the Tencent Business Collaboration and Services Framework Agreement with Tencent Computer (for itself and on behalf of the Represented Tencent Group) on January 9, 2019, in relation to, among other things, the provision of the following products and services by the Group to the Represented Tencent Group from time to time.

- **Provision of prepaid card and voucher:** the Represented Tencent Group will purchase prepaid card and voucher from the Group;
- **Licensing of broadcasting rights:** the Group will license the broadcasting rights of entertainment content, including movies, concerts, live shows and other entertainment events, to the Represented Tencent Group for a licensing fee;
- **Provision of advertising services:** the Group will provide advertising services to the Represented Tencent Group, and the Represented Tencent Group will pay service fees for such advertisement services;
- **Provision of online entertainment event ticketing services:** the Group will provide online ticketing services to the Represented Tencent Group for service fees;

The initial term of the Tencent Business Collaboration and Services Framework Agreement shall commence on the February 4, 2019 and end on December 31, 2021, subject to renewal upon the mutual agreement of both parties.

Separate underlying agreements will be entered into which will set out the precise scope of services, details of products, service fees, purchase price, payment terms and method and other details of the products and service arrangements in the manner and within the scope and terms prescribed in the Tencent Business Collaboration and Services Framework Agreement. Typically, the payment shall be made within 90 days of the execution of the underlying agreements. The definitive terms of each of such agreements will be determined on a case-by-case basis and on fair and reasonable basis after arm’s length negotiation between the parties.

Reasons for the transaction

The Group and the Represented Tencent Group have a long term, stable relationship and the parties are mutually familiar with each other’s business needs and requirements. Based on the Group’s previous experience in business dealing with the Represented Tencent Group, the Group believes the Group and the Represented Tencent Group are capable of effectively satisfying each other’s demands for the relevant products and services including the prepaid card and voucher, licensing of broadcasting rights, advertising services and online entertainment event ticketing services in a stable and reliable manner. Furthermore, as the provision of products and services by the Group to the Represented Tencent Group will be conducted in the ordinary course of business and on a continuing basis, the provision of these products and services to the Represented Tencent Group will also provide a stream of recurrent income and enhance the Group’s financial performance.

Pricing policies

In line with the general pricing policy of fairness and reasonableness set out in the Tencent Business Collaboration and Services Framework Agreement, the pricing policies in respect of the provision of products and services by the Group to the Represented Tencent Group are as follows:

- **Provision of prepaid card and voucher:** The purchase price to be paid to the Group by Represented Tencent Group will be determined after arm's length negotiation between the parties with reference to prevailing market rates, and shall not be lower than the prices of similar products which the Group sells to independent third parties.
- **Licensing of broadcasting rights:** the licensing fees to be paid to the Group by the Represented Tencent Group will be determined with reference to the costs of acquiring such entertainment content, the popularity and commercial potential of such content as well as the market prices of licensing similar content, and shall not be lower than the licensing fees of broadcasting rights of similar entertainment content on the similar platforms which the Group licenses to independent third parties.
- **Provision of advertising services:** the service fees will be determined by the unit prices of different online publicity resources which will be further determined with reference to the prevailing market rates, and shall not be lower than the prices of similar services which the Group provides to independent third parties.
- **Provision of online entertainment event ticketing services:** the service fees to be paid by the Represented Tencent Group to the Group will be calculated by the value of the ticket prices distributed through the Group multiplied by the commission rates, which will be further determined by both parties on a case-by-case basis with reference to the prevailing market rates, and shall not be lower than the prices of similar services which the Group provides to independent third parties.

Internal Control

In order to ensure that the terms under relevant framework agreements for the continuing connected transactions are fair and reasonable, or no less favorable than terms available to or from independent third parties, comply with the annual caps and pricing policies under relevant framework agreements, and are carried out under normal commercial terms, the Company has adopted the following internal control procedures:

- the Company has adopted and implemented a management system on connected transactions. Under such system, the audit committee under the Board is responsible for conducting reviews on compliance with relevant laws, regulations, the Company's policies and the Listing Rules in respect of the continuing connected transactions. In addition, the audit committee under the Board, the Board and various other internal departments of the Company (including but not limited to the finance department and compliance and legal department) are jointly responsible for evaluating the terms under framework agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each agreement. In addition, the reporting team (the "**Reporting Team**") within the finance department is responsible for monitoring the transaction amounts of the continuing connected transactions to ensure that the annual caps under the relevant framework agreements are complied with, and that any implementation agreement under the relevant framework agreements shall be entered into by the Company with the prior approval of the Reporting Team;

- the audit committee under the Board and the Board also monitor the fulfilment status and the transaction updates under the framework agreements annually. Various other internal departments of the Company monitor the fulfilment status and the transaction updates under the framework agreement as necessary from time to time. In addition, the management of the Company also reviews the pricing policies of the framework agreements annually;
- the independent non-executive Directors and auditors of the Company will conduct annual review of the continuing connected transactions under the framework agreements and provide annual confirmation to ensure that in accordance with Rules 14A.55 and 14A.56 the Listing Rules that the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the relevant pricing policies;
- when considering service fees for the services to be provided to the Group by the connected persons or the service fees for the services to be provided by the Group to the connected persons, the Group will constantly research into prevailing market conditions and practices and make reference to the pricing and terms between the Group and independent third parties for similar transactions, to make sure that the pricing and terms offered by the above connected persons from mutual commercial negotiations (as the case may be), are fair, reasonable and are no less favorable than those offered to independent third parties. In addition, the internal business department will ensure that the purchase prices or the service fees for the products or services the Group provides to the connected persons follow the same pricing mechanism for the independent third parties before the entering into of any agreement under the relevant framework agreements; and
- when considering any renewal or revisions to the framework agreements, the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at board meetings or shareholders' general meetings (as the case may be), and independent non-executive Directors and independent Shareholders have the right to consider if the terms of the continuing connected transactions (including the proposed annual caps) are fair and reasonable, and on normal commercial terms and in the interests of the Company and the Shareholders as a whole. If the independent non-executive Directors' or independent Shareholders' approvals cannot be obtained, the Group will not continue the transactions under the framework agreement(s) to the extent that they constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules.

By order of the Board
MAOYAN ENTERTAINMENT
Zheng Zhihao
Executive Director

Hong Kong, September 30, 2019

As of the date of this announcement, the Board comprises Mr. Zheng Zhihao as executive Director; Mr. Wang Changtian, Ms. Li Xiaoping, Ms. Wang Jian, Mr. Zhan Weibiao, Mr. Chen Shaohui and Mr. Lin Ning as non-executive Directors; Mr. Wang Hua, Mr. Chan Charles Sheung Wai, Mr. Ma Dong and Mr. Luo Zhenyu as independent non-executive Directors.