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Maoyan Entertainment

貓眼娛樂

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1896)

**CONTINUING CONNECTED TRANSACTION
ENTERING INTO THE SUPPLEMENTAL AGREEMENT TO
TENCENT MOVIE AND TV SERIES PROMOTION AND DISTRIBUTION
FRAMEWORK AGREEMENT**

On March 24, 2020, the Board resolved to revise the scope of service under the Tencent Movie and TV Series Promotion and Distribution Framework Agreement with Tencent Computer (for itself and on behalf of the Represented Tencent Group) by entering into the Supplemental Agreement. Pursuant to the Supplemental Agreement, the Represented Tencent Group will provide movie and TV series promotion and distribution services to the Company, and service fees will be payable by the Company to the Represented Tencent Group for such service.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Tencent held more than 10% of the total issued share capital of the Company and is one of the substantial Shareholders, and thus Tencent and its associates (including members of the Represented Tencent Group) are connected persons of the Company. Therefore, the transactions contemplated under the Tencent Movie and TV Series Promotion and Distribution Framework Agreement and the Supplemental Agreement constitute a connected transaction of the Company.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Tencent Movie and TV Series Promotion and Distribution Framework Agreement and the Supplemental Agreement is more than 0.1%, but below 5%, the transactions contemplated thereunder are therefore subject to annual reporting and announcement requirements, but exempt from circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the Prospectus in relation to, among others, the Tencent Movie and TV Series Promotion and Distribution Framework Agreement, pursuant to which the Group will provide movie and TV series promotion and distribution services to the Represented Tencent Group, and service fees will be paid to the Group for such services.

On March 24, 2020, the Board resolved to revise the scope of service under the Tencent Movie and TV Series Promotion and Distribution Framework Agreement entered into between the Company and Tencent Computer dated January 9, 2019 by entering into the Supplemental Agreement.

PRINCIPAL TERMS OF THE SUPPLEMENTAL AGREEMENT

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

Date	March 24, 2020
Parties	(i) Company (on behalf of the Group) (ii) Tencent Computer (for itself and on behalf of the Represented Tencent Group)
Term	March 24, 2020 to December 31, 2021
Subject matter	The Represented Tencent Group will provide movie and TV series promotion and distribution services to the Company, and service fees will be payable by the Company for such services (“ New Cooperation ”).

The scope of services under the New Cooperation includes, but not limited to, the following:

- (i) **Movies and TV series promotion services:** the Represented Tencent Group will carry out various online and offline marketing and promotional activities, including but not limited to organizing fans gatherings and road shows, to promote movies and TV series; and
- (ii) **Movies and TV series distribution services:** the Represented Tencent Group will coordinate the distribution of marketing materials to cinemas and TV stations, fine-tune marketing strategies and release plans, monitor box office performance and market feedback of movies and TV series.

Separate underlying agreements will be entered into which will set out the precise scope of services, service fees, payment method and other details of the service arrangement in the manner provided in Tencent Movie and TV Series Promotion and Distribution Framework Agreement.

Fee arrangements	Please refer to the section below headed “Pricing Policies for the New Cooperation”.
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Save as disclosed in this announcement, there are no other changes to the Tencent Movie and TV Series Promotion and Distribution Framework Agreement. Please refer to the Prospectus for further details on the other principal terms of the Tencent Movie and TV Series Promotion and Distribution Framework Agreement.

PRICING POLICIES FOR THE NEW COOPERATION

The fees payable by the Group for services contemplated under the Supplemental Agreement will be negotiated on an arm's length basis and determined on a case-by-case basis. In particular:

- **Movie and TV series promotion services:** the service fees for movie and TV series promotion services will be determined with reference to many factors including the types of resources deployed, estimated cost of the resources, the prevailing market price for the resources, the total budget of movie and TV series for promotion services, etc.
- **Movie and TV series distribution services:** the service fees for movie and TV series distribution service will either be:
 - (1) a predetermined fixed amount with reference to the expected box office or sales revenue agreed by both parties; or
 - (2) service fees calculated based on the box office of movies or sales revenue of TV series in accordance with the following formula:

Movies: Distribution service fees = revenue-sharing box office * distribution service fees rate

TV series: Distribution service fees = sales revenue * distribution service fees rate

Note: The revenue-sharing box office refers to the box office of the movie distributed after deduction of value-added tax, National Film Development Fund Contribution and the revenue distribution to cinemas. The value-added tax and National Film Development Fund Contribution represent a fixed percentage of the box office, while the revenue distribution to cinemas shall represent an agreed proportion of net box office, which equals to the box office after deduction of value-added tax and National Film Development Fund Contribution, to be paid to cinemas. Sales revenue shall refer to the total purchase price of the TV series paid. The distribution service fees rate will be determined with reference to prevailing market rates.

Prior to entering into any definitive agreement, we will assess and compare the fee structure and pricing terms (if applicable) proposed by members of the Represented Tencent Group with the prevailing market rates. We will only enter into definitive agreements in respect of movie and TV series promotion and distribution services with such members of the Represented Tencent Group when the fee structure and pricing terms, as a whole, is in line or better than the prevailing market rates and the definitive agreement is in the best interest of our Company and our Shareholders as a whole.

As the Company provides, as well as engages other service providers to provide, promotion and distribution services for movies and TV series, the Company is able to obtain the prevailing market rate and estimate the costs for various types of resources, which will be used to compare with the price offered by the Represented Tencent Group for similar services.

HISTORICAL AMOUNT

The historical amounts for the movie and TV series promotion and distribution services provided by the Represented Tencent Group to the Group for the years ended December 31, 2017, 2018 and 2019 are set out as follows:

	For the year ended December 31, 2017	For the year ended December 31, 2018	For the year ended December 31, 2019
Services fee paid by the Company to the Represented Tencent Group for movie and TV series promotion and distribution services	RMB350,000		– RMB1,613,274

ANNUAL CAPS AND BASIS OF DETERMINATION

The annual caps for the transactions contemplated under the Supplemental Agreement for periods indicated below are as follows:

	For the year ending December 31, 2020	For the year ending December 31, 2021
Services fee payable by the Company to the Represented Tencent Group for movie and TV series promotion and distribution services	RMB50 million	RMB65 million

Given the formation of Tencent-Maoyan Alliance (騰貓聯盟) in 2019, the Company intends to establish an even closer cooperation with Tencent in various fields including promotion and distribution of movies and TV series. In particular, the annual caps for the transaction contemplated under the Supplemental Agreement were determined by the Board taking into account the Company's budget for promotion and distribution and the movies and TV series to be distributed through the Represented Tencent Group.

Based on the preliminary discussion of the Company with members of the Represented Tencent Group, the Board anticipated that, for the year ending December 31, 2020, the Group would engage the Represented Tencent Group to promote and distribute a total of four to six movies or TV series in the pipeline, among which (i) one movie is expected to cost service fee between RMB10 million to RMB20 million, and (ii) three to five movies or TV series are expected to cost service fee ranging from RMB5 million to RMB10 million.

In determining the annual cap for the year ending December 31, 2021, the Board took into account the number of potential products that require promotion and distribution services from the Represented Tencent Group and their respective costs, and anticipated that there would be an annual increase of one to two movies or TV series of service fee ranging from RMB5 million to RMB10 million.

REASONS AND BENEFITS FOR ENTERING INTO THE SUPPLEMENTAL AGREEMENT

Members of the Represented Tencent Group were historically engaged in providing promotion and distribution services for movies and TV series in the year 2017 and 2019, though the transaction amounts are not significant. Due to the formation of Tencent-Maoyan Alliance (騰貓聯盟) in 2019, the Company intends to build an even closer cooperation with Tencent in many fields including promotion and distribution of movies and TV series. As the Represented Tencent Group has abundant platform and media resources, the Company wishes to leverage such resources in promotion and distribution of movie and TV series. In addition, some of the Represented Tencent Group's resources are quite unique and can be supplemental to the traditional resources the Company uses in hand. Therefore, the Company enters into the Supplemental Agreement to include the New Cooperation and set annual caps to accommodate potential transactions with the Represented Tencent Group.

OPINION OF THE BOARD

Taking into account the factors mentioned above, the Directors (including the independent non-executive Directors) consider that it is in the best interests of the Company and its shareholders as a whole to enter into the Supplemental Agreement (and the transactions contemplated thereunder) and the terms of the Supplemental Agreement and the annual caps thereunder are fair and reasonable and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Company.

As Mr. Zhan Weibiao, our Director, holds senior management positions in the Represented Tencent Group, Mr. Zhan has therefore abstained from voting on the relevant Board resolutions approving the Supplemental Agreement. Save as disclosed above, none of the other Directors has material interests in the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Tencent held more than 10% of the total issued share capital of the Company and is one of the substantial Shareholders, and thus Tencent and its associates (including members of the Represented Tencent Group) are connected persons of the Company. Therefore, the transactions contemplated under the Tencent Movie and TV Series Promotion and Distribution Framework Agreement and the Supplemental Agreement is a connected transaction of the Company.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Tencent Movie and TV Series Promotion and Distribution Framework Agreement and the Supplemental Agreement is more than 0.1%, but below 5%, the transactions contemplated thereunder are therefore subject to annual reporting and announcement requirements, but exempt from circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INFORMATION RELATING TO PARTIES

The Group is a leading platform providing innovative Internet-empowered entertainment services in China, offering online entertainment ticketing services, entertainment content services, e-commerce services and advertising services and others.

Tencent is principally engaged in the provision of Internet value-added services to users in the PRC.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of directors of the Company;
“Company”	Maoyan Entertainment, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited with stock code 1896;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries and consolidated affiliated entities, from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan;
“Prospectus”	the prospectus of the Company dated January 23, 2019;
“Represented Tencent Group”	Tencent and its subsidiaries but excluding China Literature Limited and its subsidiaries, and Tencent Music Entertainment Group and its subsidiaries;
“Supplemental Agreement”	a supplemental agreement to the Tencent Movie and TV Series Promotion and Distribution Framework Agreement entered into between the Group and Tencent Computer (for itself and on behalf of the Represented Tencent Group) dated March 24, 2020;
“Tencent”	Tencent Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited under the stock code 700;
“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;

“Tencent Movie and TV Series Promotion and Distribution Framework Agreement” a movie and TV series promotion and distribution framework agreement entered into between the Group and Tencent Computer (for itself and on behalf of the Represented Tencent Group) dated January 9, 2019;

“%” per cent.

By order of the Board
Maoyan Entertainment
Zheng Zhihao
Executive Director

Hong Kong, March 24, 2020

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