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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)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITIONS OF ASSETS CONTINUING CONNECTED TRANSACTION AND BUSINESS COOPERATION FRAMEWORK AGREEMENT

ACQUISITION OF THE TARGET ASSETS

The Board is pleased to announce that on April 19, 2024, Yuehua Limited, a wholly owned subsidiary of the Company, entered into a series of transactions with the Vendors in relation to the acquisition of Target Assets at a total consideration of RMB30.0 million: (1) Asset Transfer Agreement I with the Vendor I, pursuant to which the Purchaser agreed to purchase, and the Vendor I agreed to sell the Target Assets I; (2) Asset Transfer Agreement II with the Vendor II and Vendor III, pursuant to which the Purchaser agreed to purchase the Target Assets II from Vendor II and Vendor III; and (3) Patent Licensing Agreement with the Vendor II, pursuant to which the Licensee was authorized to implement the Licensed Patent within the scope of the agreement by paying royalty fee to the Vendor II for a term of five years and the term will be automatically extended for one (1) year unless either party thereunder requests for non-renewal.

LISTING RULES IMPLICATIONS

Pursuant to Rules 14.22 and 14.23 of the Listing Rules, a series of transactions will be aggregated and treated as if they were one transaction if they were all completed with same party or with parties connected or otherwise associated with one another within a 12-month period or were otherwise related. Given that the Vendors are fellow subsidiaries under the common control of the same ultimate shareholder, the transactions above were aggregated in the calculation of the relevant percentage ratios to determine the classification of the transactions under the Listing Rules.

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

BUSINESS COOPERATION FRAMEWORK AGREEMENT WITH NICE FUTURE

The Board is pleased to announce that on April 19, 2024, Yuehua Limited and Nice Future entered into a business cooperation framework agreement in connection with the operation of the Target Business, pursuant to which Nice Future and one of its wholly owned subsidiaries shall be exclusively authorized by Yuehua Limited to operate and manage related interests in A-SOUL and other virtual artist owned by Yuehua Limited.

LISTING RULES IMPLICATIONS

As disclosed in the Prospectus, Nice Future is a connected person of the Group. As the highest applicable percentage ratios calculated under the Listing Rules in respect of this transaction is expected to be, on an annual basis, more than 0.1% but less than 5%, the Business Cooperation Framework Agreement and such transaction contemplated thereunder constitute continuing connected transactions of the Company subject to the reporting, annual review and announcement requirements, but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE ACQUISITION

The Board is pleased to announce that on April 19, 2024, Yuehua Limited (a wholly owned subsidiary of the Company) entered into a series of transactions with the Vendors in relation to the acquisition of Target Assets (the "**Acquisition**"). Details of the transactions are set out as below.

Asset Transfer Agreement I

The principal terms of the Asset Transfer Agreement I are summarized below:

Date:	April 19, 2024
Parties:	Yuehua Limited (the "**Purchaser**"); and Hangzhou Kanchao (the "**Vendor I**").

Subject matter

Pursuant to the Asset Transfer Agreement I, the Purchaser has agreed to purchase, and the Vendor I has agreed to sell the Target Assets I free of any encumbrances. The target business underlying the Asset Transfer Agreement I consists of (i) virtual artist business in relation to the A-SOUL project operated by the Vendor I and (ii) two virtual artist projects independently created by the Vendor I as of the Completion Date (the "**Target Business**").

Information of the Target Assets I

The assets to be acquired by the Purchaser from the Vendor I pursuant to the Asset Transfer Agreement I comprise assets in connection with the operation of the Target Business, including (i) codes, (ii) copyright, (iii) domain names, (iv) equipment, and (v) accounts, which are owned or controlled by the Vendor I and within the Vendor I's possession as of the Completion Date (the "**Target Assets I**").

Conditions precedent

Completion of the Asset Transfer Agreement I is conditional upon the satisfaction of, among others, the following conditions:

(a) each of the Purchaser and the Vendor I having completed all necessary internal approval procedures to approve the Asset Transfer Agreement I and the transactions contemplated thereunder;

(b) the Purchaser having completed its due diligence on the business, assets, intellectual property rights and legal compliance in relation to the Target Assets I;

(c) unless otherwise provided in the Asset Transfer Agreement I, all human actors behind the virtual members of A-SOUL (except Ava) in the Target Business having entered exclusive artist management contracts with the Purchaser or affiliates designated by the Purchaser; and

(d) there does not exist any material adverse changes to the Target Business and Target Assets I, or events or circumstances that would prevent the transactions contemplated under the Asset Transfer Agreement I from being continued or proceeded.

Asset Transfer Agreement II

The principal terms of the Asset Transfer Agreement II are summarized below:

Date: April 19, 2024

Parties: The Purchaser;

Beijing Zitiao (the "**Vendor II**"); and
Douyin Vision (the "**Vendor III**," together with Vendor I and Vendor II, the "**Vendors**").

Subject matter

Pursuant to the Asset Transfer Agreement II, the Purchaser has agreed to purchase, and the Vendor II and Vendor III have agreed to sell the Target Assets II in relation to the Target Business free of any encumbrances.

Information of the Target Assets II

The assets to be acquired by the Purchaser from the Vendor II and Vendor III pursuant to the Asset Transfer Agreement II comprise (i) trademarks, (ii) copyright and (iii) equipment, which are collectively owned or controlled by the Vendor II and Vendor III and within their possession as of the Completion Date (the "**Target Assets II**", together with the Target Assets I, the "**Target Assets**").

Conditions precedent

Completion of the Asset Transfer Agreement II is conditional upon the satisfaction of, among others, the following conditions:

(a) each of the Purchaser, the Vendor II and the Vendor III, having completed all necessary internal approval procedures to approve the Asset Transfer Agreement II and the transactions contemplated thereunder;

(b) the Purchaser having completed its due diligence on the business, assets, intellectual property rights and legal compliance in relation to the Target Assets II;

(c) unless otherwise provided in the Asset Transfer Agreement II, all human actors behind the virtual members of A-SOUL (except Ava) in the Target Business having entered exclusive artist management contracts with the Purchaser or affiliates designated by the Purchaser; and

(d) there does not exist any material adverse changes to the Target Business and Target Assets II, or events or circumstances that would prevent the transactions contemplated under the Asset Transfer Agreement II from being continued or proceeded.

Completion

Unless otherwise agreed on the date of completion by the parties to the Acquisition, completion of the transactions as contemplated under the Asset Transfer Agreement I and Asset Transfer Agreement II shall take place upon the date of satisfaction of all conditions precedent to the agreements thereunder the Acquisition (the "**Completion Date**").

Patent Licensing Agreement

The principal terms of the Patent Licensing Agreement are summarized below:

Date:	April 19, 2024
Parties:	Yuehua Limited; and the Vendor II.

Subject matter

Pursuant to the Patent Licensing Agreement, Yuehua Limited and Nice Future (together with one of its wholly owned subsidiaries) (collectively, the "**Licensee**") are authorized to implement certain existing patents and patent applications for the purpose of operating the Target Business (the "**Licensed Patents**") within the scope of the agreement by paying royalty fee to the Vendor II (as the licensor) for a term of five years. Unless either party thereunder requests for non-renewal prior to the expiration of the license term (including any extension thereof), or otherwise provided in the agreement, the term will be automatically extended for one (1) year.

Further to the Patent Licensing Agreement, Yuehua Limited entered into a business cooperation framework agreement with Nice Future in connection with the operation of the Target Business. For details, please refer to the section headed "Business Cooperation Framework Agreement with Nice Future" in this announcement.

Consideration

The total consideration for the transactions contemplated under the Asset Transfer Agreement I, Asset Transfer Agreement II and Patent Licensing Agreement amounts to RMB30.0 million, which will be financed by the Group's internal resources, and shall be settled in accordance with the manners and conditions set out in the agreement for each transaction.

Basis of Determination of Consideration

The consideration of each of the Asset Transfer Agreement I, Asset Transfer Agreement II and Patent Licensing Agreement was determined after arm's length negotiations between the parties to the respective agreement, after taking into consideration the (i) historical performance of the Target Business; (ii) potential growth and prospects of the Target Business; and (iii) the valuation of the Target Assets valued by the Group based on the future discounted cash flow of the Target Business, no significant risks identified in the business and financial due diligence, the forecasted profit generated from the Target Business, the synergies brought by the Acquisition to the Group's business strategy.

Information about the Purchaser and the Group

The Purchaser, 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 Group is an established artist management platform 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.

Information about the Vendors

The Vendor I, Hangzhou Kanchao, is a limited liability company established in the PRC on March 22, 2019 and is principally engaged in Internet information services, artist management and development of anime game.

The Vendor II, Beijing Zitiao, is a limited liability company established in the PRC on October 15, 2018 and is principally engaged in the provision of technology services.

The Vendor III, Douyin Vision, is a limited liability company established in the PRC on July 25, 2012 and is principally engaged in the provision of technology services.

The Vendors are under common control of the same ultimate shareholder. As of the date of this announcement and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendors and their ultimate beneficial owner are Independent Third Parties.

Financial Information about the Target Assets

As Hangzhou Kanchao could not separate the labor costs incurred solely on the Target Business, the net profit/loss attributable to the Target Assets could not be accurately arrived at.

Reasons for and Benefits of the Acquisition

Since the debut in June 2020, A-SOUL has gained wide popularity across China among a growing number of young internet users. It is critical for the Group to keep pace with the development of internet services and information technology, which serves as the underlying technology of developing the virtual artists, so as to continuingly enhancing our market exposure and participation in the area of virtual artists. However, it may incur unnecessarily extra expenses to self-develop related technology and recruit research and development staffs. Therefore, the Company intends to purchase the Target Assets which will more efficiently and effectively boost the Company's general capability of developing the virtual artists and further operating A-SOUL, so as to maintain our leading position in the area of virtual artists and pan-entertainment market.

Taking into account of the above, the Directors believe that although entering into the aforementioned agreements in relation to the Acquisition is not in the ordinary and usual course of business of the Group, the terms and conditions thereof are on normal commercial terms, fair and reasonable and the transaction contemplated thereunder is in the interest of the Company and the Shareholders as a whole.

Listing Rules Implications

Pursuant to Rules 14.22 and 14.23 of the Listing Rules, a series of transactions will be aggregated and treated as if they were one transaction if they were all completed with same party or with parties connected or otherwise associated with one another within a 12-month period or were otherwise related. Given that the Vendors are under the common control of the same ultimate shareholder, the transactions above were aggregated in the calculation of the relevant percentage ratios to determine the classification of the transactions under the Listing Rules.

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

BUSINESS COOPERATION FRAMEWORK AGREEMENT WITH NICE FUTURE

The Board is pleased to announce that on April 19, 2024, Yuehua Limited and Nice Future entered into a business cooperation agreement in connection with the operation of the Target Business, pursuant to which Nice Future and one of its wholly owned subsidiaries shall be exclusively authorized by Yuehua Limited to operate and manage related interests in A-SOUL and other virtual artist owned by Yuehua Limited. (the "**Business Cooperation Framework Agreement**"). Details of the Business Cooperation Framework Agreement are set out as below:

Date:	April 19, 2024
Parties:	Yuehua Limited; and Nice Future.

Subject Matter

Subject to the term of and region for the Business Cooperation Framework Agreement, Yuehua Limited agrees to exclusively authorize its rights related to the virtual artist project (including but not limited to the operation rights, IP rights, copyright, domain names, accounts, codes, musical works and equipment) to Nice Future and one of its wholly owned subsidiaries.

Nice Future, together with its wholly owned subsidiaries, shall utilize their business resources to comprehensively promote the virtual artist project through, among others, the operation of human actors behind the virtual artists, event planning, technical services and business promotion, and bear the related costs incurred in the cooperation.

Supplemental agreements may be entered into between the parties in writing to set out details of cooperation, operation and other rights and obligations of the parties, based on the principles and within the parameters provided under the Business Cooperation Framework Agreement.

Pricing Policy

Pursuant to the Business Cooperation Framework Agreement, the fee Nice Future shall pay to Yuehua Limited is determined through arm's length basis by the parties with reference to various related commercial factors, including (i) the term of the business cooperation and forms of promotion and operation of the virtual artist project; (ii) the popularity of the virtual artists; (iii) the prevailing market rates of entering similar agreement with other comparable business partners; (iv) the asset, technology and human resources invested in the business cooperation; and (v) the expected market performance and business benefit. The aforesaid pricing policies are no more favorable than those available to our other business partners which are Independent Third Parties.

Payment

Pursuant to the Business Cooperation Framework Agreement, Nice Future shall pay the licensing fee to Yuehua Limited in following manners:

(i) basic fee: Nice Future shall pay RMB10.0 million each year to Yuehua Limited unconditionally; and

(ii) net income sharing: further to the basic fee,

  a. if net income generated from the Business Cooperation Framework Agreement is higher than RMB18.0 million and less than or equal to RMB28.0 million, the portion exceeding RMB18.0 million will be allocated between the parties as follows: 60% of which going to Yuehua Limited and 40% of which going to Nice Future; or

  b. if net income generated from the Business Cooperation Framework Agreement in greater than RMB28.0 million, the portion exceeding RMB28.0 million will be equally shared between the parties.

Nice Future shall make the payment to Yuehua Limited's designated bank account by following above manners within ten business days after last day of December every year within the term of the Business Cooperation Framework Agreement.

Term

The Business Cooperation Framework Agreement shall have a term of three years from the date of its execution to April 18, 2027 (both days inclusive).

Historical transaction amounts

The transactions contemplated under the Business Cooperation Framework Agreement are new transactions between the Group and Nice Future, therefore there was no historical transaction amounts in respect of such transactions between the parties.

Annual Caps and Basis of Determination

The proposed maximum annual caps for the transactions contemplated under the Business Cooperation Framework Agreement are set out below:

Period	**Annual Cap**
For the year ending December 31, 2024[(1)]	RMB13.3 million
For the year ending December 31, 2025	RMB21.3 million
For the year ending December 31, 2026	RMB21.7 million
The period from January 1, 2027 to April 18, 2027	RMB7.2 million

Note:

(1) Given the Business Cooperation Framework Agreement was entered on April 19, 2024, the annual cap for the year ending December 31, 2024 only covers transactions conducted within the period commencing on the date of execution of the Business Cooperation Framework Agreement and ending on December 31, 2024.

In determining the proposed annual caps for the transactions contemplated under the Business Cooperation Framework Agreement, the Company has taken into account the scope of licensing contemplated thereunder, the estimated market demand and popularity of virtual artist, and the estimated fees of the operation and promotion of virtual artist project.

Internal Control Measures for the Transactions

As part of the Group's internal approval and monitoring procedures relating to the transactions with Nice Future, 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 caps of the relevant transactions.

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 or by the independent third parties and in the interests of the Company and the Shareholders as a whole.

Reasons For and Benefit of the Transactions

Nice Future has been an important market player in the areas of virtual artist operation with accumulated experiences over the years. The Directors believe that the cooperation with Nice Future will further strengthen our business capability in virtual artist market and effectively enhance our business performance in pan-entertainment market.

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 caps in respect of the continuing connected transactions under the Business Cooperation Framework Agreement are also fair and reasonable.

Listing Rules Implications

As disclosed in the Prospectus, Nice Future is a company owned as to 9.5% by the Group and 57.0% by Mr. Du Jiang, the brother of Ms. Du Hua, the Chairlady and an executive Director. Therefore, Nice Future is an associate of Ms. Du Hua, Nice Future is a connected person of the Group. For details, please refer to the section headed "Connected Transaction" in the Prospectus. Accordingly, the Business Cooperation Framework Agreement and such transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios calculated under the Listing Rules in respect of this transaction is expected to be, on an annual basis, more than 0.1% but less than 5%, the Business Cooperation Framework Agreement and such transaction contemplated thereunder is subject to the reporting, annual review and announcement requirements, but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Ms. Du Hua and Mr. Sun Yiding, being our executive Directors, abstained from voting on the Board resolution for considering and approving the Business Cooperation Framework Agreement and transactions thereunder so as to avoid the perception of a conflict of interest. Save as disclosed above, none of the other Directors was regarded as having a material interest in the Business Cooperation Framework Agreement and transactions thereunder and abstained from voting on the relevant Board resolution.

DEFINITIONS

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

"Acquisition"	the acquisition of the Target Assets subject to the terms and conditions of the Asset Transfer Agreement I, the Asset Transfer Agreement II and Patent Licensing Agreement
"Beijing Zitiao"	Beijing Zitiao Network Technology Co., Ltd.* (北京字跳網絡技術有限公司), is a limited liability company established in the PRC on October 15, 2018.
"Board"	the board of Directors of the Company
"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
"Douyin Vision"	Douyin Vision Co., Ltd.*, a limited liability company established in the PRC on July 25, 2012.
"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)
"Hangzhou Kanchao"	Hangzhou Kanchao Information Consulting Co., Ltd.* (杭州看潮信息咨詢有限公司), a limited liability company established in the PRC on March 22, 2019
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Independent Third Parties"	Parties that, to the best of our Directors' knowledge, information and belief, are not connected persons of our Company within the meaning of the Listing Rules
"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
"Nice Future"	Nice Future (Beijing) Culture Communication Co., Ltd.* (尼斯未來(北京)文化傳播有限公司), a limited liability company established in the PRC on July 7, 2021
"Prospectus"	the prospectus of the Company published on December 30, 2022

"RMB" or "Renminbi"	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)"	holder(s) of the Shares
"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

* *the English translation of the Chinese name is for information purpose only and should not be regarded as the official English translation of such Chinese name.*

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, April 19, 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.