We have entered into certain agreements with our connected persons, details of which are set out below. Upon the Listing, the transactions contemplated under such agreements will constitute our continuing connected transactions under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

The table below sets forth certain parties who will become our connected persons upon the Listing and the nature of their relationship with our Group:

Connected person	Connected relationship
Mr. Liu	an executive Director and a Controlling Shareholder
Ms. Liu	a substantial Shareholder
Ms. Zhai	an executive Director
Ms. Zhang	an executive Director
iQIYI, Inc.	the holding company of Taurus Holding, a substantial Shareholder, and hence an associate of Taurus Holding
Beijing iQIYI	a wholly-owned subsidiary of iQIYI, Inc., and hence an associate of Taurus Holding
Shanghai Shaoyin	a company owned by Mr. Liu and Beijing iQIYI as to 40% and 60%, respectively, and hence an associate of Mr. Liu and Taurus Holding
Aite Visual Innovation Digital Technology Wuxi Co., Ltd. (艾特視創數字科技無錫有限公司) ("**Aite Visual Innovation**")	a company owned as to 46.805% by Mr. Mi Chunlin (米春林) ("**Mr. Mi**"), a former director of Nova Film who resigned from his directorship at Nova Film with effect from May 16, 2020, and hence an associate of Mr. Mi who is and will be our connected person until May 15, 2021, being the end of the twelve months from the date of Mr. Mi's resignation

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions	Applicable Listing Rules	Waiver sought	Proposed annual cap for the years ending December 31, (RMB in thousands) 2020	2021	2022
Fully-exempt Continuing Connected Transactions					
(1) Original Soundtrack Production Framework Agreement	14A.76(1)(c)	N/A	N/A	N/A	N/A
(2) Web Films Cooperation Framework Agreement	14A.76(1)(c)	N/A	N/A	N/A	N/A
Partially-exempt Continuing Connected Transactions					
(3) Screenplays Development Framework Agreement	14A.76(2)(a)	Announcement	2,000	3,000	3,000
(4) Visual Effects Post-Production Service Purchasing Framework Agreement	14A.76(2)(a)	Announcement	13,400	20,000	N/A[(1)]
Non-exempt Continuing Connected Transactions					
(5) Made-to-order Drama Series Production Framework Agreement	Rule 14A.34-35 Rule 14A.49 Rule 14A.105	Announcement, circular and independent Shareholders' approval	370,000	790,000	1,300,000
(6) Drama Series Copyrights Licensing Framework Agreement	Rule 14A.34-35 Rule 14A.49 Rule 14A.105	Announcement, circular and independent Shareholders' approval	450,000	460,000	440,000
(7) Drama Series Broadcasting Rights Purchasing Framework Agreement	Rule 14A.34-35 Rule 14A.49 Rule 14A.105	Announcement, circular and independent Shareholders' approval	55,000	100,000	116,000
(8) Distribution Revenue Sharing Framework Agreement	Rule 14A.34-35 Rule 14A.49 Rule 14A.105	Announcement, circular and independent Shareholders' approval	45,000	45,000	45,000
(9) Contractual Arrangements	Rule 14A.34-35 Rule 14A.49 Rule 14A.52-59 Rule 14A.105	Announcement, circular, independent Shareholders' approval, annual caps and terms of agreements not exceeding three years	N/A	N/A	N/A

Note:

(1) As Aite Visual Innovation will cease to be a connected person of our Company from May 16, 2021, any transactions to be entered into between Aite Visual Innovation and our Group from then on will no longer constitute continuing connected transactions of our Company.

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(1) Original Soundtrack Production Framework Agreement

On December 18, 2020, Jiangsu Strawbear (for itself and on behalf of its subsidiaries) and Shanghai Shaoyin entered into an original soundtrack production framework agreement (the "**Original Soundtrack Production Framework Agreement**"), pursuant to which our Group shall authorize Shanghai Shaoyin to produce original soundtracks for certain drama series from time to time and shall pay production fees to Shanghai Shaoyin, whilst Shanghai Shaoyin shall permanently license to our Group the right to use the original soundtracks in the scenarios related to the relevant drama series.

Separate underlying agreements will be entered into between the parties to set out the detailed terms, including details of the original soundtracks, ownership of intellectual property, scope of license and production fees, based on the principles and within the parameters provided under the Original Soundtrack Production 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 initial term of the Original Soundtrack Production Framework Agreement will commence on the Listing Date and expire on December 31, 2022, and such term would automatically renew for a term of three years unless we serve written notice to cease cooperation.

There are no historical amounts for the transactions contemplated under the Original Soundtrack Production Framework Agreement during the Track Record Period.

The transactions contemplated under the Original Soundtrack Production Framework Agreement have been and will be entered into in the ordinary and usual course of business of our Group and on normal commercial terms or better. As each of the applicable percentage ratios (other than the profit ratio) under the Listing Rules in respect of these transactions is expected to be, on an annual basis, less than 5% and the total annual amount payable by our Group is expected to be less than HK$3 million, these transactions will be fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(2) Web Films Cooperation Framework Agreement

On May 16, 2019, Jiangsu Strawbear and Beijing iQIYI entered into a web films cooperation framework agreement (the "**Web Films Cooperation Framework Agreement**"), pursuant to which we shall, among others, license the broadcasting rights of our self-produced or licensed-in web films to Beijing iQIYI, and Beijing iQIYI shall share with us the revenue generated from (i) the video on demand payment; (ii) the advertising income; and (iii) the overseas distribution, received by Beijing iQIYI during the web films broadcasting period. The term of the Web Films Cooperation Framework Agreement commenced on May 16, 2019 and will expire upon the expiration of the term of license under the underlying licensing letter.

Separate underlying licensing letter will be issued by Jiangsu Strawbear to Beijing iQIYI to set out the detailed terms, including details of the web film, term of license, scope of license and exclusivity and price per demand for broadcasting, based on the principles and within the parameters provided under the Web Films Cooperation Framework Agreement. The definitive terms of each of such licensing letter will be determined on a case-by-case basis and on fair and reasonable basis after arm's length negotiation between the parties.

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the aggregate fees paid by Beijing iQIYI to us under the Web Films Cooperation Framework Agreement are approximately nil, nil, RMB333,681 and nil, respectively.

The transactions contemplated under the Web Films Cooperation Framework Agreement have been and will be entered into in the ordinary and usual course of business of our Group and on normal commercial terms or better. As each of the applicable percentage ratios (other than the profit ratio) under the Listing Rules in respect of these transactions is expected to be, on an annual basis, less than 5% and the total annual amount receivable by our Group is expected to be less than HK$3 million, these transactions will be fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As required by Rule 14A.52 of the Listing Rules, the period for the agreement for a continuing connected transaction must not exceed three years, except where the nature of the transaction requires the agreement to be of a duration longer than three years. The term of the Web Films Cooperation Framework Agreement will be determined by the term of license under the underlying licensing letter, which may exceed three years. As confirmed by Frost & Sullivan, our independent industry consultant, an indefinite term determined by the term of license under the underlying licensing letter is normal business practice for web film cooperation agreements entered into with online video platforms. As such, our Directors are of the view that the term of the Web Films Cooperation Framework Agreement for more than three years is in line with normal business practice, and the Joint Sponsors concur with our Directors' view.

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(3) Screenplays Development Framework Agreement

Principal terms

On December 18, 2020, our Company (for itself and on behalf of our subsidiaries and Consolidated Affiliated Entities) and iQIYI, Inc. (for itself and on behalf of its subsidiaries and consolidated affiliated entities) entered into a screenplays development framework agreement (the "**Screenplays Development Framework Agreement**"), pursuant to which our Group shall adapt creative works including novels into screenplay and license the adaptation right and filming right related thereto to iQIYI in exchange for the screenplay development fee.

Separate underlying agreements will be entered into between the parties to set out the detailed terms, including details of the screenplay, screenplay development fee, milestone payment schedules and allocation of IP rights, based on the principles and within the parameters provided under the Screenplays Development 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 initial term of the Screenplays Development Framework Agreement will commence on the Listing Date and expire on December 31, 2022, and such term would automatically renew for a term of three years unless we serve written notice to cease cooperation.

Reasons for and benefits of the transactions

Given our strong content production and distribution capabilities, we are able to attract well-known drama series screenwriters to develop screenplays for us. iQIYI is an innovative market-leading online entertainment service provider in China and produces popular, trend-setting original content, including drama series. It has massive demands for high-quality creative works which could in turn enhance its user experience and attract more customers to its online platforms. As such, our services provided to iQIYI under the Screenplays Development Framework Agreement are in the ordinary and usual course of our business. We believe that, through entering into the Screenplays Development Framework Agreement, the creative works provided by our Group to iQIYI could be widely distributed through subsequent adaption thereof into films, television series and web series, thereby enhancing the popularity of our Group's content products and unleashing the monetization potential of our Group's intellectual property. In addition, the terms offered by our Group to iQIYI under the existing underlying agreements are no more favorable than those offered to our other customers which are Independent Third Parties, and we will charge iQIYI screenplay development service fee with reference to the prevailing market price that is no less than those offered to our other independent customers, hence our screenplay development services provided to iQIYI are profitable and are in the interests of our Group and the Shareholders as a whole.

Pricing policy

The screenplay development fees we charge iQIYI shall be determined after arm's length negotiation between the parties with reference to the prevailing market price and various related commercial factors, including the nature, popularity, quality and commercial potential of the relevant IP.

Historical transaction amounts

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the aggregate fees paid by iQIYI to us for screenplay development service are approximately nil, nil, nil and RMB2.0 million, respectively.

Annual caps

The proposed annual caps for the screenplay development service fees payable by iQIYI to our Group pursuant to the Screenplays Development Framework Agreement for the three years ending December 31, 2020, 2021 and 2022 are set out below:

Proposed annual caps for the years ending December 31,		
2020	**2021**	**2022**
	(RMB in thousands)	
2,000	3,000	3,000

The proposed annual caps above for the three years ending December 31, 2022 are determined with reference to:

(i) our existing pipeline of screenplay development projects for iQIYI;

(ii) the historical screenplay development service fees paid by iQIYI to our Group; and

(iii) the estimated development timeline for each screenplay development project.

Listing Rules implications

As the highest applicable percentage ratio (other than the profit ratio) under the Listing Rules in respect of the transaction is expected to be, on an annual basis, more than 0.1% but less than 5%, such transaction will be subject to the reporting, annual review and announcement requirements, but will be exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(4) Visual Effects Post-Production Service Purchasing Framework Agreement

Principal terms

On December 18, 2020, our Company (for itself and on behalf of our subsidiaries and Consolidated Affiliated Entities) and Aite Visual Innovation entered into a visual effects post-production service purchasing framework agreement (the "**Visual Effects Post-Production Service Purchasing Framework Agreement**"), pursuant to which Aite Visual Innovation shall provide visual effects post-production services for our self-produced drama series, and we shall pay visual effects production fees to Aite Visual Innovation.

Separate underlying agreements will be entered into between the parties to set out the detailed terms, including details of the drama series, scope of post-production editing service, specifications, production fees with detailed breakdown, milestone payment schedules and allocation of IP rights, based on the principles and within the parameters provided under the Visual Effects Post-Production Service Purchasing 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 initial term of the Visual Effects Post-Production Service Purchasing Framework Agreement will commence on the Listing Date and expire on May 15, 2021, after which any transaction to be entered into between Aite Visual Innovation and our Group will cease to be a continuing connected transaction of our Company.

Reasons for and benefits of the transactions

As a major drama series producer in the PRC, we have a high demand for visual effects post-production services for our drama series. Given that the ordinary visual effects post-production process is relatively labor-intensive, we tend to engage third parties to carry out the ground works in a relatively cost-effective manner. As such, the purchasing of visual effects post-production services under the Visual Effects Post-Production Service Purchasing Framework Agreement are in the ordinary and usual course of our business. In addition, the prices and terms offered by Aite Visual Innovation to our Group are no less favorable than those offered by our other suppliers which are Independent Third Parties, hence the visual effects post-production services purchasing arrangements under the Visual Effects Post-Production Service Purchasing Framework Agreement are in the interests of our Group and the Shareholders as a whole.

Pricing policy

The visual effects production fees Aite Visual Innovation charges our Group shall be determined after arm's length negotiation between the parties with reference to the prevailing market price and various commercial factors, including the duration of the visual effects to be added, the corresponding production difficulty level of such visual effects, the number of digital assets involved and the corresponding production difficulty level of such digital assets. The aforesaid pricing policies are no less favorable than those provided by our other independent suppliers.

Historical transaction amounts

There are no historical amounts for the transactions contemplated under the Visual Effects Post-Production Service Purchasing Framework Agreement during the Track Record Period.

Annual caps

The proposed annual caps for the visual effects production fees payable by our Group to Aite Visual Innovation pursuant to the Visual Effects Post-Production Service Purchasing Framework Agreement for the two years ending December 31, 2021 are set out below:

Proposed annual caps for the years ending December 31,	
2020	**2021**
(RMB in thousands)	
13,400	20,000

The proposed annual caps above for the two years ending December 31, 2021 are determined with reference to:

(i) the estimated number of drama series for which the visual effects post-production services are to be provided by Aite Visual Innovation;

(ii) the estimated duration and corresponding class of visual effects to be added by Aite Visual Innovation for each of our drama series;

(iii) the estimated number and corresponding class of digital assets involved; and

(iv) the corresponding prevailing market price for each class of visual effects and digital assets involved.

Listing Rules implications

As Aite Visual Innovation will cease to be a connected person of our Company from May 16, 2021, any transactions to be entered into between Aite Visual Innovation and our Group from then on will no longer constitute continuing connected transactions of our Company. As the highest applicable percentage ratio (other than the profit ratio) under the Listing Rules in respect of the aggregate payments under the Visual Effects Post-Production Service Purchasing Framework Agreement is expected to be more than 0.1% but less than 5%, the transactions contemplated under the Visual Effects Post-Production Service Purchasing Framework Agreement will be subject to the reporting, annual review and announcement requirements, but will be exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(5) Made-to-order Drama Series Production Framework Agreement

Principal terms

On December 18, 2020, our Company (for itself and on behalf of our subsidiaries and Consolidated Affiliated Entities) and iQIYI, Inc. (for itself and on behalf of its subsidiaries and consolidated affiliated entities) entered into a made-to-order drama series production framework agreement (the "**Made-to-order Drama Series Production Framework Agreement**"), pursuant to which our Group shall, among others, produce made-to-order drama series for iQIYI in exchange for production service fees payable by iQIYI.

Separate underlying agreements will be entered into between the parties to set out the detailed terms, including details of the drama series, production service fee, milestone payment schedules and allocation of IP rights, based on the principles and within the parameters provided under the Made-to-order Drama Series Production 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 initial term of the Made-to-order Drama Series Production Framework Agreement will commence on the Listing Date and expire on December 31, 2022, and such term would automatically renew for a term of three years unless we serve written notice to cease cooperation.

Reasons for and benefits of the transactions

We are an early mover in collaborating with online video platforms and provide diversified content developed by ourselves or licensed from our content partners to different online video platforms according to their preferences and specific demands. iQIYI is a market-leading online entertainment service provider in China which distributes popular, trend-setting content, including made-to-order drama series. As such, our services provided to iQIYI under the Made-to-order Drama Series Production Framework Agreement are in the ordinary and usual course of our business. In addition, the terms offered by our Group to iQIYI under the existing underlying agreements are no more favorable than those offered to our other customers which are Independent Third Parties and we will charge iQIYI a pre-determined fixed fee with the level of profit margin that is no less than those offered to our other independent customers. Given that iQIYI is a market-leading online entertainment service provider in China and has abundant capital capacity and massive user base, providing our made-to-order drama series production services to iQIYI would diversify our revenue sources and hedge the operational risks of a single business resulting from the evolving market and regulatory restrictions. Therefore, our made-to-order drama series production services provided to iQIYI are profitable and are in the interests of our Group and the Shareholders as a whole.

Pricing policy

We primarily charge iQIYI a pre-determined fixed fee based on negotiations between the parties on a cost-plus basis taking into consideration our target profit margin for the production services we provide and with reference to the prevailing market price and various commercial factors, including the nature, popularity, quantity, quality and commercial potential of target made-to-order drama series. In addition, we are also entitled to an advertising commission for bringing in advertisers calculated as a percentage of the advertising revenue derived from the underlying drama series as specified in the relevant agreement. The aforesaid pricing policies are no more favorable than those available to our other independent customers.

Historical transaction amounts

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the aggregate fees paid by iQIYI to us for the made-to-order drama series production service are approximately nil, nil, nil and RMB84.9 million, respectively.

Annual caps

The proposed annual caps for the made-to-order drama series production service fees payable by iQIYI to our Group under the Made-to-order Drama Series Production Framework Agreement for the three years ending December 31, 2020, 2021 and 2022 are set out below:

Proposed annual caps for the years ending December 31,		
2020	**2021**	**2022**
	(RMB in thousands)	
370,000	790,000	1,300,000

The proposed annual caps above for the three years ending December 31, 2022 are determined with reference to:

(i) the unperformed contractual amounts under the existing agreements for made-to-order drama series production projects that we have entered into with iQIYI;

(ii) our expected pipeline of made-to-order drama series for iQIYI;

(iii) the estimated number of episodes of each of our pipeline made-to-order drama series;

(iv) the estimated rating of our pipeline made-to-order drama series and the corresponding prevailing market price range per episode; and

(v) the purchasing amounts of iQIYI for made-to-order web series for the three years ended December 31, 2019 and the expected increasing purchasing scale of iQIYI for made-to-order web series in the near future.

Listing Rules implications

As the highest applicable percentage ratio (other than the profit ratio) under the Listing Rules in respect of this transaction is expected to, on an annual basis, exceed 5%, such transaction will, upon Listing, constitute continuing connected transaction of the Company subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(6) Drama Series Copyrights Licensing Framework Agreement

Principal terms

On December 18, 2020, our Company (for itself and on behalf of our subsidiaries and Consolidated Affiliated Entities) and iQIYI, Inc. (for itself and on behalf of its subsidiaries and consolidated affiliated entities) entered into a drama series copyrights licensing framework agreement (the "**Drama Series Copyrights Licensing Framework Agreement**"), pursuant to which our Group shall, among others, license the broadcasting rights and other copyrights, if applicable, of our self-produced drama series to iQIYI, and iQIYI shall pay licensing fees to our Group.

Separate underlying agreements will be entered into between the parties to set out the detailed terms, including details of the drama series, term of license, scope of license and exclusivity, broadcasting schedule, licensing fee and milestone payment schedules, based on the principles and within the parameters provided under the Drama Series Copyrights Licensing 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 initial term of the Drama Series Copyrights Licensing Framework Agreement will commence on the Listing Date and expire on December 31, 2022, and such term would automatically renew for a term of three years unless we serve written notice to cease cooperation.

Reasons for and benefits of the transactions

We commenced producing our own drama series and licensing the related copyrights of these self-produced drama series to major TV channels and online video platforms since our inception. Substantially all our self-produced drama series are broadcast on both TV channels and online video platforms. iQIYI is a market-leading online entertainment service provider in China and its platform features popular original content, as well as a comprehensive selection of professionally produced and partner-generated content. As such, the copyrights licensing arrangements under the Drama Series Copyrights Licensing Framework Agreement are in the ordinary and usual course of our business.

According to the Frost & Sullivan Report, the number of web series broadcast by iQIYI, including the web series that are produced by iQIYI or directly purchased by it from third-party companies or produced by third-party companies that are commissioned by iQIYI, reached 21, 35 and 40 in 2017, 2018 and 2019, respectively, representing approximately 22.1%, 30.4% and 32.0% of the total number of web series in the PRC, respectively for the same periods. As such, iQIYI has a massive demand for high-quality content generated by professional producers like us. By entering into the Drama Series Copyrights Licensing Framework Agreement, we believe we can enhance our distribution network and business relationship with iQIYI, which has been a major player in content distribution market with sizable procurement budgets for drama series. In addition, the prices and terms offered by our Group to iQIYI are no more favorable than those offered to our other customers which are Independent Third Parties, hence the copyrights licensing arrangements under the Drama Series Copyrights Licensing Framework Agreement are profitable and are in the interests of our Group and the Shareholders as a whole.

Pricing policy

The licensing fees we charge iQIYI shall be determined after arm's length negotiation between the parties with reference to the prevailing market price and various commercial factors, including the total investment amount, scope of license and exclusivity, the broadcasting schedules (first-run or re-run broadcast and the broadcasting time slot), the expected popularity and target audience base of drama series, as well as our target profit margin. The aforesaid pricing policies are no more favorable than those available to our other independent customers.

Historical transaction amounts

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the aggregate licensing fees paid by iQIYI to us for licensing the broadcasting rights and other copyrights of our drama series are approximately RMB116.2 million, RMB244.7 million, RMB204.3 million and RMB309.6 million, respectively.

Annual caps

The proposed annual caps for the licensing fees payable by iQIYI to our Group under the Drama Series Copyrights Licensing Framework Agreement for the three years ending December 31, 2020, 2021 and 2022 are set out below:

Proposed annual caps for the years ending December 31,		
2020	**2021**	**2022**
	(RMB in thousands)	
450,000	460,000	440,000

The proposed annual caps above for the three years ending December 31, 2022 were determined based on the future business growth of our Group with iQIYI after arm's length discussion with reference to:

(i) the unperformed contractual amounts under the existing drama series copyrights licensing agreements we have entered into with iQIYI;

(ii) the estimated number of our copyrights licensing projects to iQIYI in the near future;

(iii) the estimated number of episodes of each of our pipeline drama series for copyrights licensing to iQIYI; and

(iv) the estimated rating of our pipeline drama series for copyrights licensing to iQIYI and the corresponding prevailing market price range per episode.

Listing Rules implications

As the highest applicable percentage ratio (other than the profit ratio) under the Listing Rules in respect of this transaction is expected to, on an annual basis, exceed 5%, such transaction will, upon Listing, constitute continuing connected transaction of the Company subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(7) Drama Series Broadcasting Rights Purchasing Framework Agreement

Principal terms

On December 18, 2020, our Company (for itself and on behalf of our subsidiaries and Consolidated Affiliated Entities) and iQIYI, Inc. (for itself and on behalf of its subsidiaries and consolidated affiliated entities) entered into a drama series broadcasting rights purchasing framework agreement (the "**Drama Series Broadcasting Rights Purchasing Framework Agreement**"), pursuant to which iQIYI shall license to our Group the broadcasting rights of certain drama series, which we will further license to TV channels or third-party agents, and we shall pay licensing fees to iQIYI.

Separate underlying agreements will be entered into between the parties to set out the detailed terms, including details of the drama series, term of license, scope of license and exclusivity, broadcasting platform or TV channels, licensing fee and milestone payment schedules, based on the principles and within the parameters provided under the Drama Series Broadcasting Rights Purchasing 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 initial term of the Drama Series Broadcasting Rights Purchasing Framework Agreement will commence on the Listing Date and expire on December 31, 2022, and such term would automatically renew for a term of three years unless we serve written notice to cease cooperation.

Reasons for and benefits of the transactions

We commenced licensing broadcasting rights of outright-purchased drama series from online video platforms to TV channels or third-party agents in 2017. Such business model has diversified our revenue streams and further enhanced our cooperation with top online video platforms by providing them with more monetization opportunities at the same time. As such, the purchasing of broadcasting rights of outright-purchased drama series under the Drama Series Broadcasting Rights Purchasing Framework Agreement are in the ordinary and usual course of our business. In addition, the prices and terms offered by iQIYI to our Group are no less favorable than those offered by our other suppliers which are Independent Third Parties, hence the broadcasting rights purchasing arrangements under the Drama Series Broadcasting Rights Purchasing Framework Agreement are profitable and are in the interests of our Group and the Shareholders as a whole.

Pricing policy

The licensing fees iQIYI charges our Group shall be determined after arm's length negotiation between the parties with reference to the prevailing market price and various commercial factors, including the broadcasting schedules (first-run or re-run broadcast and the broadcasting time slot), the expected popularity and target audience base of drama series, as well as the target profit margin of iQIYI. The aforesaid pricing policies are no less favorable than those provided by our other independent suppliers.

Historical transaction amounts

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the aggregate licensing fees paid by our Group to iQIYI for licensing the broadcasting rights of outright-purchased drama series are approximately RMB5.7 million, RMB112.2 million, RMB148.9 million and nil, respectively. The business model of outright-purchased drama series licensing highly relies on market opportunities which may lead to fluctuation of aggregated licensing fees from period to period. For the year of 2020, the licensing of broadcasting rights of drama series by our Group from iQIYI would all be carried out in the second half of the year, thus we did not record any transaction amounts for the six months ended June 30, 2020.

Annual caps

The proposed annual caps for the licensing fees payable by our Group to iQIYI under the Drama Series Broadcasting Rights Purchasing Framework Agreement for the three years ending December 31, 2020, 2021 and 2022 are set out below:

Proposed annual caps for the years ending December 31,		
2020	**2021**	**2022**
	(RMB in thousands)	
55,000	100,000	116,000

The proposed annual caps above for the three years ending December 31, 2022 are determined with reference to:

(i) the unperformed contractual amounts under the existing drama series broadcasting rights purchasing agreements we have entered into with iQIYI;

(ii) the estimated number of broadcasting rights license-in projects from iQIYI in the near future;

(iii) the estimated number of episodes of each drama series for broadcasting rights license-in from iQIYI; and

(iv) the estimated licensing price per episode of drama series to be licensed in from iQIYI taking into account the declined average price per episode offered by TV stations and the expected further decline of purchase price to be offered by TV stations in the near future.

Listing Rules implications

As the highest applicable percentage ratio (other than the profit ratio) under the Listing Rules in respect of this transaction is expected to, on an annual basis, exceed 5%, such transaction will, upon Listing, constitute continuing connected transaction of the Company subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(8) Distribution Revenue Sharing Framework Agreement

Principal terms

On December 18, 2020, our Company (for itself and on behalf of our subsidiaries and Consolidated Affiliated Entities) and iQIYI, Inc. (for itself and on behalf of its subsidiaries and consolidated affiliated entities) entered into a distribution revenue sharing framework agreement (the "**Distribution Revenue Sharing Framework Agreement**"), pursuant to which our Group shall share with iQIYI the revenue generated from the distribution of the made-to-order drama series produced by our Group for iQIYI.

Provisions for distribution revenue sharing will be incorporated into separate underlying made-to-order drama series production agreements, including details of the relevant drama series, distribution channel, composition of distribution revenue and revenue sharing ratio, based on the principles and within the parameters provided under the Distribution Revenue Sharing 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 initial term of the Distribution Revenue Sharing Framework Agreement will commence on the Listing Date and expire on December 31, 2022, and such term would automatically renew for a term of three years unless we serve written notice to cease cooperation.

Reasons for and benefits of the transactions

The business model of sharing of distribution revenue represents our efforts to explore opportunities to further cooperate with online video platforms to diversify our monetization methods by leveraging our strong distribution ability. Under this business model, we bring in online video platforms at an early stage as either co-investors or copyright owners for whom we produce made-to-order drama series, and then distribute such drama series to TV channels. By doing so, we are entitled to the distribution rights of the relevant drama series for distribution to TV channels, from which we can share part of the distribution revenue of such drama series in addition to the production fees for these drama series. As such, the sharing of distribution revenue under the Distribution Revenue Sharing Framework Agreement is in the ordinary and usual course of our business and is profitable and in the interests of our Group and the Shareholders as a whole.

Pricing policy

The revenue sharing ratio shall be determined after arm's length negotiation between the parties with reference to the prevailing market price, target distribution channels, and various related commercial factors, including the popularity, number of episodes, quality and commercial potential of the drama series.

Historical transaction amounts

There are no historical amounts for the transactions contemplated under the Distribution Revenue Sharing Framework Agreement during the Track Record Period.

Annual caps

The proposed annual caps for the aggregate fees payable by our Group as revenue sharing to iQIYI for distribution of drama series under the Distribution Revenue Sharing Framework Agreement for the three years ending December 31, 2020, 2021 and 2022 are set out below:

Proposed annual caps for the years ending December 31,		
2020	**2021**	**2022**
	(RMB in thousands)	
45,000	45,000	45,000

The proposed annual caps above for the three years ending December 31, 2022 are determined with reference to:

(i) the distribution revenue sharing ratio under the existing agreements we have entered into with iQIYI;

(ii) our expected pipeline of made-to-order drama series for iQIYI with distribution revenue sharing provisions to be contained therein;

(iii) the estimated number of episodes of each of our pipeline made-to-order drama series for iQIYI; and

(iv) the target distribution channel and the corresponding prevailing market price range of drama series per episode.

Listing Rules implications

As the highest applicable percentage ratio (other than the profit ratio) under the Listing Rules in respect of this transaction is expected to, on an annual basis, exceed 5%, such transaction will, upon Listing, constitute continuing connected transaction of the Company subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(9) Contractual Arrangements

Background

As disclosed in "Contractual Arrangements," due to regulatory restrictions on foreign ownership in Relevant Businesses in the PRC, we, as foreign investors, are prohibited from holding equity interest in our Consolidated Affiliated Entities, namely Jiangsu Strawbear and its subsidiaries, which currently hold certain licenses required for carrying out the Relevant Businesses. As a result, our Group, through our wholly-owned subsidiary, Nanjing Strawbear, has entered into the Contractual Arrangements with Jiangsu Strawbear and the Registered Shareholders such that we can conduct our Relevant Businesses indirectly in the PRC through Jiangsu Strawbear while complying with the applicable PRC laws and regulations. The Contractual Arrangements enable our Group to, among others, (i) receive all of the economic benefits from our Consolidated Affiliated Entities in consideration for the services provided by Nanjing Strawbear to our Consolidated Affiliated Entities; (ii) exercise effective control over our Consolidated Affiliated Entities; and (iii) hold an exclusive option to acquire all or part of the equity interests in and/or the assets of our Consolidated Affiliated Entities when and to the extent permitted by the PRC laws and regulations.

The Contractual Arrangements consist of a series of agreements. For further details, see "Contractual Arrangements."

Listing Rules implications

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing as certain parties to the Contractual Arrangements, namely Mr. Liu, Ms. Liu, Ms. Zhang and Ms. Zhai, all of which are the members of the Registered Shareholders, are connected persons of our Company.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to the legal structure and business of our Group, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements related thereto or renewal of existing transactions, contracts and agreements to be entered into by, among others, our Consolidated Affiliated Entities and any member of our Group (the "**New Intergroup Agreements**") technically constitute our continuing connected transactions under Chapter 14A of the Listing Rules after the Listing, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement, circular and independent Shareholders' approval requirements.

WAIVER APPLICATIONS FOR CONTINUING CONNECTED TRANSACTIONS

Transactions with iQIYI

In respect of the Screenplays Development Framework Agreement, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the transactions contemplated thereunder pursuant to Rule 14A.105 of the Listing Rules.

In respect of each of the Made-to-order Drama Series Production Framework Agreement, the Drama Series Copyrights Licensing Framework Agreement, the Drama Series Broadcasting Rights Purchasing Framework Agreement and the Distribution Revenue Sharing Framework Agreement, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated thereunder pursuant to Rule 14A.105 of the Listing Rules.

Transactions with Aite Visual Innovation

In respect of the Visual Effects Post-Production Service Purchasing Framework Agreement, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the transactions thereunder pursuant to Rule 14A.105 of the Listing Rules.

Contractual Arrangements

In respect of the Contractual Arrangements, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of (i) the announcement, circular and independent Shareholders' approval under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange, subject, however, to the following conditions:

(a) No change without independent non-executive Directors' approval

No change to any of the agreements constituting the Contractual Arrangements will be made without the approval of our independent non-executive Directors.

(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to any of the agreements constituting the Contractual Arrangements will be made without the independent Shareholders' approval. Once the independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will, however, continue to be applicable.

(c) Economic benefits flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by our Consolidated Affiliated Entities through (i) our Group's option (if and when so allowed under the applicable PRC laws) to acquire all or part of the equity interests of Jiangsu Strawbear at the minimum amount of consideration permitted under the applicable PRC laws, (ii) the business structure under which the profit generated by our Consolidated Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Nanjing Strawbear by our Consolidated Affiliated Entities under the Exclusive Business Cooperation Agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of our Consolidated Affiliated Entities.

(d) Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and our subsidiaries in which our Company has direct shareholding, on one hand, and our Consolidated Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executives or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however, be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to the relevant PRC laws, regulations and approvals.

(e) Ongoing reporting and approvals

We will disclose details relating to the Contractual Arrangements on an on-going basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in the annual reports and accounts of our Company in accordance with the relevant provisions of the Listing Rules.

- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and our Consolidated Affiliated Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of our Company and our Shareholders as a whole.

- Our Company's auditors will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements, and that no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.

- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person," our Consolidated Affiliated Entities will be treated as our wholly-owned subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of our Consolidated Affiliated Entities and their respective associates will be treated as connected persons of our Company (excluding, for this purpose, our Consolidated Affiliated Entities), and transactions between these connected persons and our Group (including, for this purpose, our Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.

- Our Consolidated Affiliated Entities will undertake that, for so long as the Shares are listed on the Stock Exchange, our Consolidated Affiliated Entities will provide the Group's management and the Company's reporting accountants' full access to its relevant records for the purpose of their review of the continuing connected transactions.

In addition, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of (i) the announcement, circular and independent Shareholders' approval in respect of the transactions contemplated under any New Intergroup Agreements (as defined above) pursuant to Rule 14A.105 of the Listing Rules, (ii) setting an annual cap for the transactions contemplated under any New Intergroup Agreements under Rule 14A.53 of the Listing Rules, and (iii) limiting the term of any New Intergroup Agreements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange. The waiver is subject to the conditions that the Contractual Arrangements subsist and that our Consolidated Affiliated Entities will continue to be treated as our subsidiary, but at the same time, the directors, chief executives or substantial shareholders of our Consolidated Affiliated Entities and their respective associates will be treated as connected persons of our Company (excluding, for this purpose, our Consolidated Affiliated Entities), and transactions between these connected persons and our Group (including, for this purpose, our Consolidated Affiliated Entities), other than those under the Contractual Arrangements and the New Intergroup Agreements, will be subject to requirements under Chapter 14A of the Listing Rules.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions as set out above have been and will continue to be carried out in the ordinary and usual course of our business on normal commercial terms or better that are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps for these transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Our Directors (including the independent non-executive Directors) of our Company are of the view that the Contractual Arrangements and the transactions contemplated thereunder have been and will be entered into in the ordinary and usual course of our business on normal commercial terms or better that are fair and reasonable and in the interests of our Company and the Shareholders as a whole. Our Directors are of the view that with respect to the terms of the relevant agreements underlying the Contractual Arrangements, which are of a duration of longer than three years, it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration to ensure that (i) the financial and operational policies of our Consolidated Affiliated Entities can be effectively controlled by Nanjing Strawbear; (ii) Nanjing Strawbear can obtain the economic benefits derived from our Consolidated Affiliated Entities, and (iii) any possible leakages of assets and values of our Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

CONFIRMATION FROM THE JOINT SPONSOR

The Joint Sponsors have (i) reviewed the relevant documents and information provided by the Company in relation to the above continuing connected transactions; (ii) obtained necessary representations and confirmations from the Company and the Directors, and (iii) participated in the due diligence and discussions with the management of our Group.

Based on the above, the Joint Sponsors are of the view that the aforesaid continuing connected transactions, for which waivers have been sought, have been entered into in the ordinary and usual course of our business on normal commercial terms that are fair and reasonable and in the interest of our Company and our Shareholders as a whole, and that the proposed annual caps in respect of these non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

With respect to the term of the relevant agreements underlying the Contractual Arrangements which is of a duration longer than three years, the Joint Sponsors are of the view that it is a justifiable and normal business practice to ensure that (i) policies of the Consolidated Affiliated Entities can be effectively controlled by Nanjing Strawbear, (ii) Nanjing Strawbear can obtain the economic benefits derived from our Consolidated Affiliated Entities, and (iii) any possible leakages of assets and values of our Consolidated Affiliated Entities can be prevented on an uninterrupted basis.