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Strawbear Entertainment Group
稻草熊娱乐集团

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2125)

**PROPOSED RENEWAL OF
CONTINUING CONNECTED TRANSACTION**

Reference is made to the Prospectus in relation to, among other things, (i) the Original Framework Agreement entered into between the Company and iQIYI on December 18, 2020, pursuant to which, the Group shall, among others, license the broadcasting rights and other copyrights, if applicable, of the self-produced drama series of the Group to iQIYI, and iQIYI shall pay licensing fees to the Group; and (ii) the Web Films Cooperation Framework Agreement entered into between Jiangsu Strawbear and Beijing iQIYI on May 16, 2019, pursuant to which Jiangsu Strawbear shall, among others, license the broadcasting rights of the self-produced or licensed-in web films of the Group to Beijing iQIYI, and Beijing iQIYI shall share with the Group the revenue generated from the video on demand payment, the advertising income and the overseas distribution, received by Beijing iQIYI during the web films broadcasting period.

Considering that (i) the Group will maintain the cooperation with iQIYI regarding the licensing of the broadcasting rights and/or other copyrights of self-produced drama series and self-produced or licensed-in web films of the Group to iQIYI; and (ii) with the rapid development of its business, the Group will explore cooperation with iQIYI in relation to the licensing of different Audiovisual Works under various modes, the Company proposed to enter into the New Framework Agreement with iQIYI upon approval by the Independent Shareholders at the EGM, pursuant to which, the Group shall license the copyrights (including but not limited to the broadcasting right, information network transmission right and other copyrights) and the derivative rights of the self-owned and licensed-in Audiovisual Works of the Group to iQIYI for a term commencing from the date of approval by the Independent Shareholders at the EGM to December 31, 2024.

The Original Framework Agreement and the Web Films Cooperation Framework Agreement will be terminated once the New Framework Agreement takes effect.

LISTING RULES IMPLICATIONS

iQIYI is the holding company of Taurus Holding Ltd., a substantial Shareholder of the Company, and hence an associate of Taurus Holding Ltd. Accordingly, iQIYI is a connected person of the Company under the Listing Rules, and the transactions contemplated under the New Framework Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the proposed annual caps for the transactions contemplated under the New Framework Agreement is more than 5%, the transactions contemplated thereunder are therefore subject to reporting, announcement, annual review and Independent Shareholders' approval under Chapter 14A of the Listing Rules.

The Independent Board Committee has been formed to provide recommendation to the Independent Shareholders in respect of the New Framework Agreement and the transactions contemplated thereunder. Anglo Chinese has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details of the transactions contemplated under the New Framework Agreement, (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; and (iii) a letter of recommendation from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders, is expected to be despatched to Shareholders by no later than January 24, 2022 as additional time is required to prepare and finalize the relevant information to be included in the circular.

INTRODUCTION

Reference is made to the Prospectus in relation to, among other things, (i) the Original Framework Agreement entered into between the Company and iQIYI on December 18, 2020, pursuant to which, the Group shall, among others, license the broadcasting rights and other copyrights, if applicable, of the self-produced drama series of the Group to iQIYI, and iQIYI shall pay licensing fees to the Group; and (ii) the Web Films Cooperation Framework Agreement entered into between Jiangsu Strawbear and Beijing iQIYI on May 16, 2019, pursuant to which Jiangsu Strawbear shall, among others, license the broadcasting rights of the self-produced or licensed-in web films of the Group to Beijing iQIYI, and Beijing iQIYI shall share with the Group the revenue generated from the video on demand payment, the advertising income and the overseas distribution, received by Beijing iQIYI during the web films broadcasting period.

Considering that (i) the Group will maintain the cooperation with iQIYI regarding the licensing of the broadcasting rights and/or other copyrights of self-produced drama series and self-produced or licensed-in web films of the Group to iQIYI; and (ii) with the rapid development of its business, the Group will explore cooperation with iQIYI in relation to the licensing of different Audiovisual Works under various modes, the Company proposed to enter into the New Framework Agreement with iQIYI upon approval by the Independent Shareholders at the EGM, pursuant to which, the Group shall license the copyrights (including but not limited to the broadcasting right, information network transmission right and other copyrights) and the derivative rights of the self-owned and licensed-in Audiovisual Works of the Group to iQIYI for a term commencing from the date of approval by the Independent Shareholders at the EGM to December 31, 2024.

The Original Framework Agreement and the Web Films Cooperation Framework Agreement will be terminated once the New Framework Agreement takes effect.

NEW FRAMEWORK AGREEMENT

Principal terms of the New Framework Agreement are set out as follows:

- Parties:**
- (1) the Company (for itself and on behalf of the Group); and
 - (2) iQIYI (for itself and on behalf of its subsidiaries and consolidated affiliated entities)

Term: Commencing from the date of approval by the Independent Shareholders at the EGM to December 31, 2024

Subject matter: Pursuant to the New Framework Agreement, the Group shall license the copyrights (including but not limited to the broadcasting right, information network transmission right and other copyrights) and the derivative rights of the self-owned and licensed-in Audiovisual Works of the Group to iQIYI, and iQIYI shall pay licensing fees to the Group.

Separate implementation agreements will be entered into between the parties to set out the detailed terms, including details of the Audiovisual Works, term of license, scope of license and exclusivity, broadcasting schedule, licensing fee and payment schedules, based on the principles and within the parameters provided under the New Framework Agreement. The definitive terms of each of such implementation agreements will be determined on a case-by-case basis and on fair and reasonable basis after arm's length negotiation between the parties.

Payment and settlement terms: Payment and settlement terms under the New Framework Agreement shall be specified in each of the implementation agreements to be entered into between the parties under the New Framework Agreement.

Pricing Basis for Copyright Licensing

The licensing fees payable by iQIYI to the Group under the New Framework Agreement will be determined based on one or more of the following manners, after arm's length negotiation between the parties with reference to the prevailing market price and various related commercial factors, including the genre, nature, popularity, quantity, quality and commercial potential of the Audiovisual Works:

- (a) the Group may charge iQIYI fixed licensing fees, which 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, type of licensing (exclusive licensing or joint licensing), the broadcasting schedules (first-run or re-run broadcast and the broadcasting time slot, if applicable), the expected popularity, as well as the target profit; and
- (b) iQIYI may also share its revenue/income generated from the Audiovisual Works with the Group:
 - (i) in respect of the drama series, the revenue/income to be shared by the Group includes revenue/income from subscription video on demand (SVOD) and advertising video on demand (AVOD).

Revenue/income from SVOD and AVOD to be shared by the Group = $A1 \times A2 + A3 \times A4 + A5$

Where, "A1" denotes effective video on demand (VOD) viewing time (hour) of members of iQIYI's platforms; "A2" denotes unit sharing price per VOD viewing time; "A3" denotes net proceeds from AVOD in relation to the drama series, which is the income from AVOD after deducting operating costs and relevant taxes as confirmed by iQIYI; "A4" denotes prescribed advertisement income sharing percentage, which shall be 70% for exclusive licensing drama series and 50% for joint licensing drama series; and "A5" denotes the incentive funds to be provided by iQIYI (if any), which shall be determined after arm's length negotiation between the parties with reference to the broadcasting effect of the drama series and various related commercial factors.

Unit sharing price per VOD viewing time is expected to range from RMB0.4 per VOD viewing time to RMB1.3 per VOD viewing time, which shall be determined after arm's length negotiation between the parties with reference to the estimated rating of the drama series, the type of licensing (exclusive licensing or joint licensing), the subsidy policy adopted by iQIYI and the corresponding prevailing market price range per drama series.

(ii) in respect of the films, the licensing fees chargeable by the Group include one of the followings:

(1) revenue/income from SVOD and AVOD to be shared by the Group = $B1 \times B2 + B3 \times B4$

Where, “B1” denotes effective VOD playback times of users of iQIYI’s platforms, which represents the times that users continuously watch a paid film for more than 6 minutes; “B2” denotes unit price per VOD; “B3” denotes net proceeds from AVOD in relation to the films, which is the income from AVOD after deducting operating costs and relevant taxes as confirmed by iQIYI; and “B4” denotes prescribed advertisement income sharing percentage, which shall be 70% for exclusive licensing films and 50% for joint licensing films.

Unit price per VOD is expected to range from RMB1 per VOD to RMB3 per VOD, which shall be determined after arm’s length negotiation between the parties with reference to the estimated rating of the film, the type of licensing (exclusive licensing or joint licensing) and the corresponding prevailing market price range per film.

(2) revenue/income from premium video on demand (PVOD) to be shared by the Group = $C1 \times C2$

Where, “C1” denotes box office income during the PVOD period, which represents the total PVOD income of the films generated by members and other users of iQIYI’s platforms during the effective PVOD period; and “C2” denotes prescribed payment sharing percentage.

The effective PVOD period shall be determined after arm’s length negotiation between the parties with reference to the estimated rating of the film and the broadcasting effect of other films of similar rating.

Prescribed payment sharing percentage is expected to be no more than 60%, which shall be determined after arm’s length negotiation between the parties with reference to expected genre, rating and broadcasting effect of the films.

(iii) the Group and iQIYI may also explore in the future to share other revenue/income generated from copyright operation (including but not limited to advertising opportunity offering, derivative products and sublicensing) of iQIYI at certain sharing rate, which shall be determined after arm’s length negotiation between the parties with reference to the type of such revenue/income and other commercial factors.

To sum up, the licensing fees chargeable by the Group for drama series include one of or mix of (a), (b)(i) and (b)(iii) above, and the licensing fees chargeable by the Group for films include one of or mix of (a), (b)(ii) and (b)(iii) above. In any event, the aforesaid pricing policies are no more favorable than those available to the other independent customers for comparable transactions.

Before entering into any implementation agreement pursuant to the New Framework Agreement, the Company will assess its business needs and compare the licensing fees proposed by iQIYI with the licensing fees offered by at least two other comparable independent platform operators in the film and drama series distribution industry. If no comparable independent third party is available, the business department is required to explain the reasonableness and necessity of cooperation with connected persons and why it is in the interests of the Group as a whole, in terms of the background of the cooperation, cooperation considerations and reasonableness of pricing. The Group will only enter into an implementation agreement with iQIYI when the agreement is in the best interests of the Company and the Shareholders as a whole.

Historical Amounts

For the year ended December 31, 2020 and the nine months ended September 30, 2021, the aggregate licensing fees paid and/or payable by iQIYI to the Group for licensing the broadcasting rights and other copyrights of the self-produced drama series under the Original Framework Agreement are approximately RMB327.6 million and RMB297.3 million, respectively.

For the year ended December 31, 2020 and the nine months ended September 30, 2021, the aggregate fees paid and/or payable by Beijing iQIYI to the Group under the Web Films Cooperation Framework Agreement are nil and approximately RMB24 thousands, respectively.

Annual Caps and Basis of Determination of Annual Caps

The proposed annual caps for the licensing fees payable by iQIYI to the Group under the New Framework Agreement for the years ending December 31, 2022, 2023 and 2024 are set out below:

| | For the years ending December 31, | | |
|---|--|-------------|-------------|
| | 2022 | 2023 | 2024 |
| | <i>(RMB in thousands)</i> | | |
| Aggregate amounts of licensing fees payable by iQIYI to the Group | 1,440,000 | 1,840,000 | 2,340,000 |

The proposed annual caps for the licensing fees payable by iQIYI to the Group under the New Framework Agreement for the three years ending December 31, 2024 were determined with reference to:

- (a) the historical amounts of the fees paid and/or payable by iQIYI to the Group under the Original Framework Agreement and the Web Films Cooperation Framework Agreement for the year ended December 31, 2020 and the nine months ended September 30, 2021;
- (b) in respect of the drama series, the estimated amount of fixed licensing fees payable by iQIYI to the Group and the revenue/income generated by iQIYI to be shared by the Group for the three years ending December 31, 2024:

- (i) the fixed licensing fees payable by iQIYI to the Group for the three years ending December 31, 2024 is estimated based on: (1) the contractual amounts under the existing drama series copyrights licensing agreements the Group have entered into with iQIYI; (2) the estimated number of drama series copyrights licensing projects to be conducted with iQIYI in the next three years which adopts the fixed licensing fees mode, including approximately seven licensing projects in 2022, nine licensing projects in 2023 and eleven licensing projects in 2024; and (3) the estimated licensing fees charged per drama series, ranging from RMB84.9 million to RMB245.3 million per drama series, which is estimated based on the expected genre, rating, commercial potential and investment costs of the drama series.
 - (ii) in respect of the revenue-sharing drama series, the revenue/income generated by iQIYI to be shared by the Group for the three years ending December 31, 2024 is estimated based on: (1) the estimated number of drama series copyrights licensing projects to be conducted with iQIYI in the next three years which adopts the revenue/income sharing mode, including approximately four licensing projects in 2022, six licensing projects in 2023 and eight licensing projects in 2024; and (2) the estimated licensing fees charged per drama series, ranging from RMB20 million to RMB50 million per drama series, which is estimated based on the expected genre, rating, commercial potential and investment costs of the drama series and the public data of historical revenue/income sharing statistics. According to publicly available data published by Certain Online Video Platforms, the licensing fees for the revenue-sharing drama series broadcasted on these platforms for the year ended December 31, 2020 range from RMB10 million to RMB100 million per drama series.
- (c) in respect of the films, the estimated amount of licensing fees payable by iQIYI to the Group for the three years ending December 31, 2024, which is estimated based on:
- (i) the contractual amounts under the existing film copyrights licensing agreements the Group have entered into with iQIYI;
 - (ii) the estimated number of film copyrights licensing projects to be conducted with iQIYI in the next three years, including approximately two licensing projects in 2022, three licensing projects in 2023 and four licensing projects in 2024;
 - (iii) the estimated licensing fees charged per film, ranging from RMB20.0 million to RMB27.5 million per film, which is estimated based on the expected genre, rating, commercial potential and investment costs of the films and the public data of historical revenue/income sharing statistics of premium films. According to publicly available data published by Certain Online Video Platforms, the licensing fees for the films broadcasted on these platforms for the year ended December 31, 2020 with top 20 box office range from RMB20.3 million to RMB54.1 million per film.

- (d) the following factors were also taken into consideration when determining the annual caps:
 - (i) the limited number of platform operators in the film and drama series distribution industry; and
 - (ii) an additional buffer of an appropriate amount to prepare for potential industry changes, so as to avoid adverse restrictions on future business operations of the Group.

Reasons for and Benefits of Entering into the New Framework Agreement

The Group commenced producing its own drama series and films and licensing the related copyrights of the self-owned and licensed-in drama series and films to major TV channels and/or online video platforms, which are limited in number, since its inception. iQIYI is an innovative market-leading online entertainment service provider in China, and its platform features highly popular original content, as well as a comprehensive library of other professionally-produced content, professional user generated content and user-generated content. As such, the copyrights licensing arrangements under the New Framework Agreement are in the ordinary and usual course of the business of the Group. In addition, entering into the New Framework Agreement is in line with the evolved business model of the Group and the expanded business cooperation with iQIYI.

iQIYI has a massive demand for high-quality content generated by professional producers like the Group. By entering into the New Framework Agreement, the Group can enhance its distribution network and business relationship with iQIYI, which has been a major player in content distribution market with sizable procurement budgets for content. The prices and terms offered by the Group to iQIYI are also no more favorable than those offered to other customers which are independent third parties. Therefore, the copyrights licensing arrangements under the New Framework Agreement are profitable and are in the interests of the Group and the Shareholders as a whole.

INTERNAL CONTROL

In order to ensure that the transactions contemplated under the New Framework Agreement and implementation agreements are conducted on normal commercial terms or no less favourable than terms applicable to independent third parties, and comply with the annual caps and pricing policies under the New Framework Agreement, the Company has adopted the following internal control procedures:

- (a) the Company has adopted and implemented a management system on connected transactions. The Board and various other internal departments of the Company are jointly responsible for evaluating the terms of the transactions contemplated under the New Framework Agreement and implementation agreements are on normal commercial terms, fair and reasonable and in the interests of the Group and its Shareholders as a whole, in particular, the fairness of the pricing policies under each agreement, the management of the Company also reviews the pricing policies of the New Framework

Agreement annually. In addition, various other internal departments of the Company monitor the implementation of the New Framework Agreement from time to time, and the finance department is responsible for monitoring the transaction amounts of the continuing connected transactions contemplated under the New Framework Agreement to ensure that the annual caps under the New Framework Agreement are complied with, and that any implementation agreement under the New Framework Agreement shall be entered into by the Company with the prior approval of the finance department;

- (b) the independent non-executive Directors and auditors of the Company will conduct annual review of the continuing connected transactions under the New Framework Agreement and provide annual confirmation to ensure that the transactions are conducted in accordance with the terms of the New Framework Agreement (including the relevant pricing policies), on normal commercial terms and in the ordinary and usual course of business of the Group in accordance with Rules 14A.55 and 14A.56 the Listing Rules; the audit committee of the Company will review the Company's financial controls, risk management and internal control systems; and when considering any renewal or revisions to the New Framework Agreement, the Company will then comply with the Listing Rules as applicable;
- (c) when considering the licensing fees to be provided to the Group by iQIYI, the Group will constantly research into prevailing market conditions and practices and make reference to the pricing and terms between the Group and independent third parties for similar transactions, to make sure that the pricing and terms offered by iQIYI after arm's length negotiations, are no less favorable than those offered by independent third parties; and
- (d) the growth in the aggregate amount of the continuing connected transactions between the Group and iQIYI is in line with the revenue growth of the Company since its Listing. The Company aims to keep the amount of connected transactions between the Group and iQIYI as a percentage of the Group's total revenue relatively stable. Meanwhile, the executive Directors will supervise the implementation of such internal procedures on a regular basis.

OPINIONS OF THE BOARD

The Directors (excluding the independent non-executive Directors whose view will be disclosed in the circular) are of the view that the transactions under the New Framework Agreement will be conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms and conditions therein as well as the annual caps for the continuing connected transactions contemplated thereunder are fair and reasonable, and are in the best interests of the Company and its shareholders as a whole.

The independent non-executive Directors have formed the Independent Board Committee for the purposes of advising the Independent Shareholders in respect of the New Framework Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps) and whose views and recommendation will be included in the circular to be despatched by the Company.

Since Mr. Wang Xiaohui and Ms. Zeng Ying, each being a Director, also hold office in iQIYI, they have therefore abstained from voting on the relevant Board resolution approving the New Framework Agreement. Save as disclosed above, none of the other Directors has material interests in the transactions contemplated under the New Framework Agreement and is required to abstain from voting on the relevant Board resolution.

LISTING RULES IMPLICATIONS

iQIYI is the holding company of Taurus Holding Ltd., a substantial Shareholder of the Company, and hence an associate of Taurus Holding Ltd. Accordingly, iQIYI is a connected person of the Company under the Listing Rules, and the transactions contemplated under the New Framework Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the proposed annual caps for the transactions contemplated under the New Framework Agreement is more than 5%, the transactions contemplated thereunder are therefore subject to reporting, announcement, annual review and Independent Shareholders' approval under Chapter 14A of the Listing Rules.

The Independent Board Committee has been formed to provide recommendation to the Independent Shareholders in respect of the New Framework Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps). Anglo Chinese has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details of the transactions contemplated under the New Framework Agreement, (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; and (iii) a letter of recommendation from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders, is expected to be despatched to Shareholders by no later than January 24, 2022 as additional time is required to prepare and finalize the relevant information to be included in the circular.

GENERAL INFORMATION

Information on the Group

The Group is a major drama series producer and distributor in the PRC, and principally engages in the investment, development, production and distribution of TV series and web series.

Information on iQIYI

iQIYI is an innovative market-leading online entertainment service provider in China, the shares of which are listed on the Nasdaq Global Select Market with stock code IQ. iQIYI principally engages in producing and broadcasting highly popular original content, as well as broadcasting a wide variety of professionally-produced content, professional user generated content and user-generated content.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

| | |
|---|--|
| “Audiovisual Works” | refers to TV series, web series and films as specified in the Copyright Law of the PRC |
| “associate(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Beijing iQIYI” | Beijing iQIYI Technology Co., Ltd. (北京愛奇藝科技有限公司), a limited liability company established in the PRC on March 27, 2007, a consolidated affiliated entity of iQIYI and a connected person of the Company |
| “Board” | the board of directors of the Company |
| “Certain Online Video Platforms” | the leading online video platforms which published data of licensing fees for revenue-sharing drama series and films broadcasted on these platforms, namely iQIYI (愛奇藝), Tencent Video (騰訊視頻) and Youku (優酷) |
| “Company” | Strawbear Entertainment Group (稻草熊娛樂集團), an exempted company with limited liability incorporated under the laws of Cayman Islands on January 3, 2018, the Shares of which are listed on the Main Board of the Stock Exchange |
| “connected person(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “drama series” | refers to the content produced for broadcast via TV channels or the internet, which is usually released in episodes that follow a narrative, consisting of TV series and web series |
| “EGM” | the extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve the resolution in relation to the New Framework Agreement and the transactions contemplated thereunder |
| “Group” | the Company, its subsidiaries and consolidated affiliated entities from time to time |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | an independent committee of the Board comprising all independent non-executive Directors, namely, Mr. Zhang Senquan, Mr. Ma Zhongjun and Mr. Chung Chong Sun, to advise the Independent Shareholders in respect of the New Framework Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps) |

| | |
|---|---|
| “Independent Financial Adviser” or “Anglo Chinese” | Anglo Chinese Corporate Finance, Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the Independent Financial Adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the New Framework Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps) |
| “Independent Shareholders” | Shareholders (other than iQIYI and its associates) who are not required to abstain from voting on the resolution to be proposed at the EGM in relation to the New Framework Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps) |
| “iQIYI” | iQIYI, Inc. (Stock Code: IQ, NASDAQ) and its subsidiaries and consolidated affiliated entities, one of the largest Chinese online video platforms listed in the U.S. |
| “Jiangsu Strawbear” | Jiangsu Strawbear Film Co., Ltd. (江蘇稻草熊影業有限公司), a limited liability company established in the PRC on June 13, 2014 and indirectly controlled by the Company through the Contractual Arrangements |
| “Listing” | the listing of the Shares on the Main Board of the Stock Exchange on January 15, 2021 |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “New Framework Agreement” | the copyright licensing framework agreement to be entered into between the Company and iQIYI in relation to the licensing of copyrights (including but not limited to the broadcasting right, information network transmission right and other copyrights) and the derivative rights of the self-owned and licensed-in Audiovisual Works of the Group to iQIYI |
| “Original Framework Agreement” | the copyright licensing framework agreement entered into between the Company and iQIYI on December 18, 2020 in relation to the licensing of broadcasting rights and other copyrights, if applicable, of the self-produced drama series of the Group to iQIYI |

| | |
|---|---|
| “PRC” | the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC |
| “Proposed Annual Caps” | the proposed annual caps for the transactions contemplated under the New Framework Agreement for the three years ending December 31, 2024 |
| “Prospectus” | the prospectus of the Company published on December 31, 2020 |
| “Share(s)” | ordinary share(s) of US\$0.000025 each in the share capital of the Company |
| “Shareholder(s)” | the holder(s) of the Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiary(ies)” | has the meaning ascribed thereto under the Listing Rules |
| “TV series” | a series of scripted episodes that needs to obtain a distribution license from the National Radio and Television Administration of the PRC (中華人民共和國國家廣播電視總局), which are broadcast on TV channels and/or new media channels such as online video platforms |
| “web series” | a series of scripted episodes which can only be broadcast on new media channels such as online video platforms |
| “Web Films Cooperation Framework Agreement” | the framework agreement entered into between Jiangsu Strawbear and Beijing iQIYI on May 16, 2019 in relation to the licensing of broadcasting rights of the self-produced or licensed-in web films to Beijing iQIYI |
| “%” | per cent |

By order of the Board
Strawbear Entertainment Group
Liu Xiaofeng
Chairman

Nanjing, PRC, December 2, 2021

As of the date of this announcement, the Board comprises Mr. Liu Xiaofeng, Ms. Zhang Qiuchen, Mr. Chen Chen and Ms. Zhai Fang as executive Directors, Mr. Wang Xiaohui and Ms. Zeng Ying as non-executive Directors, and Mr. Zhang Senquan, Mr. Ma Zhongjun and Mr. Chung Chong Sun as independent non-executive Directors.