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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 TRANSACTIONS**

Reference is made to the Prospectus in relation to, among other things, the Existing CCT Agreements entered into between the Company and iQIYI on December 18, 2020, namely the Existing Made-to-order Drama Series Production Framework Agreement and the Existing Drama Series Broadcasting Rights Purchasing Framework Agreement. For details of the Existing CCT Agreements, please refer to the Prospectus.

Considering that (i) the term of each of the Existing CCT Agreements will expire on December 31, 2022; and (ii) the Group will maintain the cooperation with iQIYI regarding the provision of drama series made-to-order services for iQIYI and licensing copyrights of certain drama series from iQIYI to the Group, the Company proposed to (a) enter into the 2022 Made-to-order Drama Series Production Framework Agreement with iQIYI upon approval by the Independent Shareholders at the EGM, pursuant to which, the Group shall, among others, provide drama series made-to-order services (including but not limited to project planning, screenplays development, copyrights procurement and/or preparation and production services) for iQIYI in exchange for service fees payable by iQIYI, and iQIYI may share with the Group other revenue generated from the broadcasting of made-to-order drama series produced by the Group for iQIYI (if applicable), for a term commencing from January 1, 2023 to December 31, 2025; and (b) enter into the 2022 Drama Series Copyrights Purchasing Framework Agreement with iQIYI upon approval by the Independent Shareholders at the EGM, pursuant to which, iQIYI shall license the copyrights (including but not limited to broadcasting rights and/or distribution rights) of certain drama series to the Group, which will be further licensed to other broadcasting platforms, TV channels or third-party agents by the Group, and the Group shall pay licensing fees to iQIYI for a term commencing from January 1, 2023 to December 31, 2025.

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 (i) the 2022 Made-to-order Drama Series Production Framework Agreement; and (ii) the 2022 Drama Series Copyrights Purchasing 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 2022 Made-to-order Drama Series Production 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.

As the highest applicable percentage ratio in respect of the proposed annual caps for the transactions contemplated under the 2022 Drama Series Copyrights Purchasing 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 2022 Made-to-order Drama Series Production Framework Agreement and the 2022 Drama Series Copyrights Purchasing 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 2022 Made-to-order Drama Series Production Framework Agreement and the 2022 Drama Series Copyrights Purchasing 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 December 6, 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, the Existing CCT Agreements entered into between the Company and iQIYI on December 18, 2020, namely the Existing Made-to-order Drama Series Production Framework Agreement and the Existing Drama Series Broadcasting Rights Purchasing Framework Agreement. For details of the Existing CCT Agreements, please refer to the Prospectus.

Considering that (i) the term of each of the Existing CCT Agreements will expire on December 31, 2022; and (ii) the Group will maintain the cooperation with iQIYI regarding the provision of drama series made-to-order services for iQIYI and licensing copyrights of certain drama series from iQIYI to the Group, the Company proposed to (a) enter into the 2022 Made-to-order Drama Series Production Framework Agreement with iQIYI upon approval by the Independent Shareholders at the EGM, pursuant to which, the Group shall, among others, provide drama series made-to-order services (including but not limited to project planning, screenplays development, copyrights procurement and/or preparation and production services) to iQIYI in exchange for service fees payable by iQIYI, and iQIYI may share with the Group other revenue generated from the broadcasting of made-to-order drama series produced by the Group for iQIYI (if applicable), for a term commencing from January 1, 2023 to December 31, 2025; and (b) enter into the 2022 Drama Series Copyrights Purchasing Framework Agreement with iQIYI upon approval by the Independent Shareholders at the EGM, pursuant to which, iQIYI shall license the copyrights (including but not limited to broadcasting rights and/or distribution rights) of certain drama series to the Group, which will be further licensed to other broadcasting platforms, TV channels or third-party agents by the Group, and the Group shall pay licensing fees to iQIYI for a term commencing from January 1, 2023 to December 31, 2025.

2022 MADE-TO-ORDER DRAMA SERIES PRODUCTION FRAMEWORK AGREEMENT

Principal terms of the 2022 Made-to-order Drama Series Production 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:** Subject to the approval by the Independent Shareholders at the EGM, the term of the 2022 Made-to-order Drama Series Production Framework Agreement will commence from January 1, 2023 and end on December 31, 2025.

Subject matter:

Pursuant to the 2022 Made-to-order Drama Series Production Framework Agreement, the Group shall, among others, provide drama series made-to-order services (including but not limited to project planning, screenplays development, copyrights procurement and/or preparation and production services) for iQIYI in exchange for service fees payable by iQIYI. In addition, iQIYI may share other revenue generated from the broadcasting of such made-to-order drama series with the Group (if applicable).

Payment and settlement terms:

Separate implementation agreements will be entered into between the parties in relation to the provision of made-to-order services or relevant specialized services in respect of each drama series. The implementation agreements in relation to the provision of drama series made-to-order services will set out the detailed terms, including service type, details of the drama series, service fee, milestone payment schedules and allocation of IP rights, based on the principles and within the parameters provided under the 2022 Made-to-order Drama Series Production 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.

Pricing Policy*Service fees*

The service fees payable by iQIYI to the Group under the 2022 Made-to-order Drama Series Production Framework Agreement will be determined based on the following formula:

$$\text{Service fees payable by iQIYI} = \text{total investment amount}^1 \times (1 + \text{target profit margin}^2)$$

Notes:

1. the total investment amount refers to the Group's production budget for providing project planning, screenplays development, copyrights procurement and/or preparation and production services of the target made-to-order drama series; and
2. the target profit margin will be determined after arm's length negotiation between the parties with reference to the prevailing market price and various related commercial factors, including the business value of related IPs, genre, production difficulty level, expected popularity, broadcasting model and commercial potential of the made-to-order drama series.

Sharing of other revenue

For the purpose of providing incentives and rewards to the Group, iQIYI may also share with the Group other revenue (including but not limited to distribution revenue) generated from the broadcasting of the made-to-order drama series produced by the Group for iQIYI (the “**Other Revenue**”) after deducting operating costs as confirmed by iQIYI (if any). The sharing ratio of the Group for Other Revenue will be determined after arm’s length negotiation between the parties with reference to genre, expected popularity, quality, commercial potential and broadcasting model of the made-to-order drama series, which is expected to range from 5% to 50% and is subject to adjustment by the parties on a case-by-case basis after arm’s length negotiation.

Before entering into any implementation agreement pursuant to the 2022 Made-to-order Drama Series Production Framework Agreement, the Company will assess its business needs and compare the service fees proposed by iQIYI with the fees offered by at least two other comparable independent platform operators in the 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 it is in the best interests of the Company and the Shareholders as a whole.

Historical Annual Caps and Historical Amounts

The historical annual caps for the production service fees paid and/or payable by iQIYI to the Group under the Existing Made-to-order Drama Series Production Framework Agreement for the years ended December 31, 2020 and 2021 and the year ending December 31, 2022 are RMB370.0 million, RMB790.0 million and RMB1,300.0 million, respectively.

For the years ended December 31, 2020 and 2021 and the nine months ended September 30, 2022, the production service fees paid and/or payable by iQIYI to the Group under the Existing Made-to-order Drama Series Production Framework Agreement were approximately RMB223.6 million, RMB540.2 million and RMB297.1 million, respectively.

Annual Caps and Basis of Determination of Annual Caps

The proposed annual caps for the fees payable by iQIYI to the Group (including the service fees and the fees payable by iQIYI for the purpose of sharing Other Revenue) under the 2022 Made-to-order Drama Series Production Framework Agreement for the years ending December 31, 2023, 2024 and 2025 are set out below:

	For the years ending December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Aggregate amounts of fees payable by iQIYI to the Group (including the service fees and the fees payable by iQIYI for the purpose of sharing Other Revenue)	492,000	1,141,000	864,000

The proposed annual caps for the fees payable by iQIYI to the Group under the 2022 Made-to-order Drama Series Production Framework Agreement for the three years ending December 31, 2025 were determined with reference to:

- (a) the historical amounts of the production service fees paid and/or payable by iQIYI to the Group under the Existing Made-to-order Drama Series Production Framework Agreement;
- (b) the estimated amount of the service fees payable by iQIYI to the Group for provision of drama series made-to-order services by the Group for the three years ending December 31, 2025 is estimated based on: (1) the contractual amounts under the existing made-to-order drama series production service agreements the Group have entered into with iQIYI; (2) the estimated number of the made-to-order drama series to be produced by the Group for iQIYI in 2023, 2024 and 2025, including approximately two drama series in 2023, approximately five drama series in 2024 and approximately six drama series in 2025; and (3) the estimated service fees charged per made-to-order drama series ranging from RMB56.6 million to RMB339.6 million, which is estimated with reference to the expected number of episodes, rating of the made-to-order drama series and the expected average market price range for each episode;
- (c) the estimated amount of Other Revenue generated by iQIYI to be shared by the Group for the three years ending December 31, 2025 is estimated based on: (1) the estimated number of made-to-order drama series of which the Group is entitled to share Other Revenue at certain sharing ratio in 2023, 2024 and 2025, including approximately one drama series in 2023, approximately two drama series in 2024 and approximately two drama series in 2025; (2) the estimated Other Revenue ranging from RMB10.8 million to RMB28.9 million per made-to-order drama series, taking into account the expected number of episodes, genre, expected popularity, quality, commercial potential and broadcasting model of such made-to-order drama series; and (3) the expected sharing ratio of the Group ranging from 5% to 50%, and
- (d) the following factors were also taken into consideration when determining the annual caps:
 - (i) the limited number of platform operators in the 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 2022 Made-to-order Drama Series Production Framework Agreement

The Group is an early mover in collaborating with online video platforms and provide diversified content developed by itself or licensed from its content partners to different online video platforms according to their preferences and specific demands. iQIYI is an innovative market-leading online entertainment service provider in China which distributes popular, trend-setting content, including drama series provided by other drama series production companies with made-to-order services. As such, the made-to-order drama series producing arrangements provided under the 2022 Made-to-order Drama Series Production Framework Agreement are in the ordinary and usual course of the business of the Group.

iQIYI has abundant capital capacity and massive user base. By entering into the 2022 Made-to-order Drama Series Production Framework Agreement, the Group can enhance the popularity of its content products, diversify its revenue sources and hedge the operational risks of a single business resulting from the evolving market and regulatory restrictions. 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 made-to-order drama series producing arrangements under the 2022 Made-to-order Drama Series Production Framework Agreement are profitable and are in the interests of the Group and the Shareholders as a whole.

2022 DRAMA SERIES COPYRIGHTS PURCHASING FRAMEWORK AGREEMENT

Principal terms of the 2022 Drama Series Copyrights Purchasing 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:** Subject to the approval by the Independent Shareholders at the EGM, the term of the 2022 Drama Series Copyrights Purchasing Framework Agreement will commence from January 1, 2023 and end on December 31, 2025.
- Subject matter:** Pursuant to the 2022 Drama Series Copyrights Purchasing Framework Agreement, iQIYI shall license the copyrights (including but not limited to broadcasting rights and/or distribution rights) of certain drama series to the Group, which will be further licensed to other broadcasting platforms, TV channels or third-party agents by the Group, and the Group shall pay licensing fees to iQIYI.

Payment and settlement terms: Separate implementation 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, distribution channels, licensing fee and milestone payment schedules, based on the principles and within the parameters provided under the 2022 Drama Series Copyrights Purchasing 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.

Pricing Policy

The licensing fees payable by the Group to iQIYI under the 2022 Drama Series Copyrights Purchasing Framework Agreement will be determined after arm's length negotiation between the parties based on the following formula:

- (a) if the Group acts as a distribution agent of iQIYI's drama series (i.e. The Group provides agency services for distribution of iQIYI's drama series and generates revenue from further licensing the copyrights of such drama series to other broadcasting platforms, TV channels or third-party agents. The agency distribution fee to be charged by the Group in this regard will be determined based on the copyrights distribution revenue generated by the Group.), the licensing fees payable by the Group to iQIYI will be determined based on the below formula:

Licensing fees payable by the Group = copyrights distribution revenue³ × (1 – target agency distribution fee rate⁴)

Notes:

3. the copyrights distribution revenue refers to revenue generated by the Group from licensing the copyrights of such drama series to other broadcasting platforms, TV channels or third-party agents; and
4. the target agency distribution fee rate will be determined after arm's length negotiation between the parties with reference to the prevailing market price and various related commercial factors, including the broadcasting platforms, broadcasting schedules (first-run or re-run broadcast and the broadcasting time slot) and the expected popularity of relevant drama series.

- (b) if the Group distributes the copyrights of iQIYI's drama series by way of outright purchasing (i.e. the Group purchases the copyrights of iQIYI's drama series outright and pays a fixed amount of copyrights licensing fees to iQIYI), the licensing fees payable by the Group to iQIYI will be determined based on the below formula:

Licensing fees payable by the Group = expected number of episodes × purchasing price for copyrights of each episode⁵

Note:

5. the purchasing price for copyrights of each episode will be determined after arm's length negotiation between the parties with reference to the prevailing market price and various related commercial factors, including the broadcasting schedules (first-run or re-run broadcast and the broadcasting time slot), expected popularity and expected revenue generated by the Group from licensing the copyrights of such drama series to other broadcasting platforms, TV channels or third-party agents.

Before entering into any implementation agreement pursuant to the 2022 Drama Series Copyrights Purchasing Framework Agreement, the Company will assess its business needs and compare the licensing fees proposed by iQIYI with the fees offered by at least two other comparable independent platform operators in the 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 it is in the best interests of the Company and the Shareholders as a whole.

Historical Annual Caps and Historical Amounts

The historical annual caps for the licensing fees paid and/or payable by the Group to iQIYI under the Existing Drama Series Broadcasting Rights Purchasing Framework Agreement for the years ended December 31, 2020 and 2021 and the year ending December 31, 2022 are RMB55.0 million, RMB100.0 million and RMB116.0 million, respectively.

For the years ended December 31, 2020 and 2021 and the nine months ended September 30, 2022, the aggregate licensing fees paid and/or payable by the Group to iQIYI under the Existing Drama Series Broadcasting Rights Purchasing Framework Agreement were RMB28.0 million, RMB91.5 million and nil, respectively.

Annual Caps and Basis of Determination of Annual Caps

The proposed annual caps for the licensing fees payable by the Group to iQIYI under the 2022 Drama Series Copyrights Purchasing Framework Agreement for the years ending December 31, 2023, 2024 and 2025 are set out below:

	For the years ending December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Aggregate amounts of the licensing fees payable by the Group to iQIYI	397,000	437,000	477,000

The proposed annual caps for the licensing fees payable by the Group to iQIYI under the 2022 Drama Series Copyrights Purchasing Framework Agreement for the three years ending December 31, 2025 were determined with reference to:

- (a) the historical amounts of the licensing fees paid and/or payable by the Group to iQIYI under the Existing Drama Series Broadcasting Rights Purchasing Framework Agreement for the years ended December 31, 2020 and 2021 and the nine months ended September 30, 2022;
- (b) the estimated amount of the licensing fees payable by the Group to iQIYI for the three years ending December 31, 2025, where the Group acts as a distribution agent of iQIYI's drama series, is estimated based on: (1) the contractual amounts under the existing drama series copyrights purchasing agreements the Group have entered into with iQIYI (where the Group acts as a distribution agent of iQIYI's drama series); (2) the estimated number of iQIYI's drama series to be distributed by the Group as a distribution agent in the next three years, being approximately five drama series for each year; and (3) the estimated copyrights distribution revenue ranging from RMB17.0 million to RMB37.7 million per each of such drama series, taking into account the number of episodes of each drama series and the expected purchase price per episode to be paid by other broadcasting platforms, TV channels or third-party agents to the Group;
- (c) the estimated amount of the licensing fees payable by the Group to iQIYI for purchasing the copyrights of outright-purchased drama series from iQIYI for the three years ending December 31, 2025 is estimated based on: (1) the contractual amounts under the existing outright-purchased drama series copyrights purchasing agreements the Group have entered into with iQIYI; (2) the estimated number of outright-purchased drama series to be purchased by the Group from iQIYI in the next three years, including approximately eight drama series in 2023, approximately nine drama series in 2024 and approximately ten drama series in 2025; and (3) the estimated licensing fees ranging from RMB17.0 million to RMB34.0 million per outright-purchased drama series, taking into account the number of episodes of each drama series and the expected purchase price for copyrights of each episode payable by the Group to iQIYI; and
- (d) the following factors were also taken into consideration when determining the annual caps:
 - (i) the limited number of platform operators in the 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 2022 Drama Series Copyrights Purchasing Framework Agreement

The Group 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 the revenue streams and further enhanced the Group's cooperation with top online video platforms by providing them with more monetization opportunities at the same time. As such, the purchasing of copyrights of outright-purchased drama series under the 2022 Drama Series Copyrights Purchasing Framework Agreement are in the ordinary and usual course of the business of the Group. In addition, the prices and terms offered by iQIYI to the Group are no less favorable than those offered by the Group's other suppliers which are independent third parties. Therefore, the copyrights purchasing arrangements under the 2022 Drama Series Copyrights Purchasing 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 Agreements and the relevant 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 Agreements, 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 Agreements and the relevant 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 Agreements annually. In addition, various other internal departments of the Company monitor the implementation of the New Framework Agreements 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 Agreements to ensure that the annual caps under the New Framework Agreements are complied with, and that any implementation agreement under the New Framework Agreements 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 Agreements and provide annual confirmation to ensure that the transactions are conducted in accordance with the terms of the New Framework Agreements (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 Agreements, the Company will then comply with the Listing Rules as applicable;

- (c) when considering the pricing and terms offered by/to iQIYI under the New Framework Agreements, 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/to iQIYI after arm's length negotiations, are no less favorable than those offered by/to 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 contemplated under each of the New Framework Agreements 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 2022 Made-to-order Drama Series Production Framework Agreement and the 2022 Drama Series Copyrights Purchasing 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. Liu Fan, each being a Director, also hold office in iQIYI, they have therefore abstained from voting on the relevant Board resolutions approving the New Framework Agreements. Save as disclosed above, none of the other Directors has material interests in the transactions contemplated under the New Framework Agreements and is required to abstain from voting on the relevant Board resolutions.

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 each of the New Framework Agreements 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 2022 Made-to-order Drama Series Production 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.

As the highest applicable percentage ratio in respect of the proposed annual caps for the transactions contemplated under the 2022 Drama Series Copyrights Purchasing 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 2022 Made-to-order Drama Series Production Framework Agreement and the 2022 Drama Series Copyrights Purchasing 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 2022 Made-to-order Drama Series Production Framework Agreement and the 2022 Drama Series Copyrights Purchasing 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 December 6, 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:

“2022 Drama Series Copyrights Purchasing Framework Agreement”	the framework agreement to be entered into between the Company and iQIYI in relation to licensing copyrights of certain drama series from iQIYI to the Group
“2022 Made-to-order Drama Series Production Framework Agreement”	the framework agreement to be entered into between the Company and iQIYI in relation to (i) the provision of drama series made-to-order services (including but not limited to project planning, screenplays development, copyrights procurement and/or preparation and production services) for iQIYI; and (ii) sharing of other revenue generated by iQIYI from the broadcasting of such made-to-order drama series between iQIYI and the Group
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of directors of the Company
“broadcasting rights”	refers to (i) the right of broadcasting (廣播權), in terms of drama series broadcast via TV channels; and (ii) the right to network dissemination of information (信息網絡傳播權), in terms of drama series broadcast via online video platforms, for the purpose of this announcement
“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 resolutions in relation to the 2022 Made-to-order Drama Series Production Framework Agreement and the 2022 Drama Series Copyrights Purchasing Framework Agreement and the transactions contemplated thereunder

“Existing CCT Agreements”	the Existing Made-to-order Drama Series Production Framework Agreement and the Existing Drama Series Broadcasting Rights Purchasing Framework Agreement entered into between the Company and iQIYI on December 18, 2020
“Existing Drama Series Broadcasting Rights Purchasing Framework Agreement”	the framework agreement entered into between the Company and iQIYI on December 18, 2020 in relation to licensing broadcasting rights of drama series from iQIYI to the Group
“Existing Made-to-order Drama Series Production Framework Agreement”	the framework agreement entered into between the Company and iQIYI on December 18, 2020 in relation to made-to-order drama series production by the Group for iQIYI
“first-run”	the first round broadcast of a drama series on the TV channel or online video platform
“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 Agreements 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 appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the New Framework Agreements 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 resolutions to be proposed at the EGM in relation to the New Framework Agreements 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.
“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 Agreements”	the 2022 made-to-order Drama Series Production Framework Agreement and the 2022 Drama Series Copyrights Purchasing Framework Agreement
“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 Agreements for the three years ending December 31, 2025
“Prospectus”	the prospectus of the Company published on December 31, 2020
“re-run”	the rebroadcast of a drama series that has previously been broadcast on the TV channel or online video platform, including second-run broadcast and all subsequent broadcasts on any channel
“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
“%”	per cent

By order of the Board
Strawbear Entertainment Group
Liu Xiaofeng
Chairman

Nanjing, PRC, November 14, 2022

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. Liu Fan as non-executive Directors, and Mr. Zhang Senquan, Mr. Ma Zhongjun and Mr. Chung Chong Sun as independent non-executive Directors.