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

References are made to the announcements of the Company dated November 14, 2022 and November 11, 2024, and the circulars of the Company dated December 6, 2022 and December 3, 2024, in relation to, among other things, the Existing Made-to-order Drama Series Production Framework Agreement, the Existing Drama Series Copyrights Purchasing Framework Agreement and the Existing Copyrights Licensing Framework Agreement entered into between the Company and iQIYI on December 23, 2022, December 23, 2022 and December 24, 2024, respectively.

Considering that (i) the term of each of the Existing CCT Agreements will expire on December 31, 2025, and (ii) the Group intends to continue carrying out the transactions under the Existing CCT Agreements in the ordinary and usual course of business of the Group, the Company proposed to (a) enter into the 2026-2028 Made-to-order Audiovisual Works Production Framework Agreement with iQIYI upon approval by the Independent Shareholders at the EGM, pursuant to which, the Group shall, among others, provide Audiovisual Works 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, iQIYI may share with the Group the revenue generated from the broadcasting of such made-to-order Audiovisual Works (if applicable), and the Group is entitled to jointly invest in certain Audiovisual Works with iQIYI and enjoy the corresponding investment returns, for a term commencing from January 1, 2026 to December 31, 2028; (b) enter into the 2026-2028 Episodic Content 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 episodic content 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, 2026 to December 31, 2028; and (c) enter into the 2026-2028 Copyrights Licensing 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 rights, information network transmission right and other copyrights) of the self-owned and licensed-in Audiovisual Works of the Group to iQIYI, iQIYI shall pay licensing fees to the Group, and the Group and iQIYI may also share the revenue/income generated from the Audiovisual Works according to certain sharing rates, for a term commencing from January 1, 2026 to December 31, 2028.

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 each of the New Framework Agreements 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 Agreements 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 Agreements; (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 issued to Shareholders by no later than December 9, 2025 as additional time is required to prepare and finalize the relevant information to be included in the circular.

INTRODUCTION

References are made to the announcements of the Company dated November 14, 2022 and November 11, 2024, and the circulars of the Company dated December 6, 2022 and December 3, 2024, in relation to, among other things, the Existing Made-to-order Drama Series Production Framework Agreement, the Existing Drama Series Copyrights Purchasing Framework Agreement and the Existing Copyrights Licensing Framework Agreement entered into between the Company and iQIYI on December 23, 2022, December 23, 2022 and December 24, 2024, respectively.

Considering that (i) the term of each of the Existing CCT Agreements will expire on December 31, 2025, and (ii) the Group intends to continue carrying out the transactions under the Existing CCT Agreements in the ordinary and usual course of business of the Group, the Company proposed to (a) enter into the 2026-2028 Made-to-order Audiovisual Works Production Framework Agreement with iQIYI upon approval by the Independent Shareholders at the EGM, pursuant to which, the Group shall, among others, provide Audiovisual Works 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, iQIYI may share with the Group the revenue generated from the broadcasting of such made-to-order Audiovisual Works (if applicable), and the Group is entitled to jointly invest in certain Audiovisual Works with iQIYI and enjoy the corresponding investment returns, for a term commencing from January 1, 2026 to December 31, 2028; (b) enter into the 2026-2028 Episodic Content 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 episodic content 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, 2026 to December 31, 2028; and (c) enter into the 2026-2028 Copyrights Licensing 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 rights, information network transmission right and other copyrights) of the self-owned and licensed-in Audiovisual Works of the Group to iQIYI, iQIYI shall pay licensing fees to the Group, and the Group and iQIYI may also share the revenue/income generated from the Audiovisual Works according to certain sharing rates, for a term commencing from January 1, 2026 to December 31, 2028.

2026-2028 Made-to-order Audiovisual Works Production Framework Agreement

Principal terms of the 2026-2028 Made-to-order Audiovisual Works 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 2026-2028 Made-to-order Audiovisual Works Production Framework Agreement will commence from January 1, 2026 and end on December 31, 2028.

Subject matter:

Pursuant to the 2026-2028 Made-to-order Audiovisual Works Production Framework Agreement, the Group shall, among others, provide Audiovisual Works 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, iQIYI may share with the Group the revenue generated from the broadcasting of such made-to-order Audiovisual Works (if applicable), and the Group is entitled to jointly invest in certain Audiovisual Works with iQIYI and enjoy the corresponding investment returns.

Payment and settlement terms: Separate implementation agreements will be entered into between the parties in relation to the provision of made-to-order services, investment arrangement or relevant specialized services and investment in respect of each Audiovisual Work. The implementation agreements in relation to the provision of Audiovisual Works made-to-order services and related investment arrangements will set out the detailed terms, including service type, details of the Audiovisual Works, service fee, milestone payment schedules, investment ratio and allocation of IP rights, based on the principles and within the parameters provided under the 2026-2028 Made-to-order Audiovisual Works 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

The fees payable by iQIYI to the Group under the 2026-2028 Made-to-order Audiovisual Works Production Framework Agreement will be determined after arm's length negotiation between the parties with reference to the prevailing market prices and various related commercial factors, including the genre, nature, popularity, quantity, quality and commercial potential of the Audiovisual Works:

(a) in respect of the drama series, the Group may charge iQIYI fixed service fees, which shall be determined based on the following formula:

Service fees payable by iQIYI = total investment amount[1] × (1 + 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 Audiovisual Works; 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, expected popularity, quantity, quality, broadcasting model and commercial potential of the Audiovisual Works, which is expected to be not less than 10% subject to adjustment by the parties on a case-by-case basis after arm's length negotiation. The expected amount of target profit margin is estimated based on the average historical profit margin of the drama series that the Group charged iQIYI fixed service fees for the years ended December 31, 2022, 2023 and 2024 and the nine months ended September 30, 2025 and the management's judgement on the future business environment.

(b) in respect of the micro-short series, the fees payable by iQIYI to the Group shall be determined after arm's length negotiation between the parties based on the following methods:

(i) when the expected net distribution revenue[1] is less than or equal to the total project investment[2], the fees payable by iQIYI to the Group will be calculated based on the following formula:

Fees payable by iQIYI to the Group = total investment amount by iQIYI[3] + expected net distribution revenue[1] × the Group's sharing rate[4] or the Group's investment ratio[5]

(ii) when the expected net distribution revenue[1] exceeds the total project investment[2], the amount of the expected net distribution revenue[1] exceeding the total project investment[2] shall be further distributed based on the following formula:

Additional fees payable by iQIYI to the Group = (expected net distribution revenue[1] – total project investment[2]) × the Group's sharing rate[4] or the Group's investment ratio[5]

Notes:

1. the expected net distribution revenue refers to the amount of the net distribution revenue generated when iQIYI or its authorized third parties provide users with micro-short series viewing services, after deducting the project cost (including development fees and operating costs);

2. the total project investment refers to all offline production budget which is generated by services for project planning, script development, copyright acquisition, and/or preparation and production of the target micro-short series;

3. total investment amount by iQIYI refers to the cost of investment iQIYI undertakes, which is calculated by multiplying iQIYI's investment ratio and the total project investment;

4. the Group's sharing 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 business value of related IPs, genre, expected popularity, quantity, quality, broadcasting model and commercial potential of the micro-short series, which is expected to be no more than 30%, subject to adjustment by the parties on a case-by-case basis after arm's length negotiation. The expected level of the Group's sharing rate is estimated with reference to the sharing rate under the existing made-to-order drama series production agreements entered into between the Group and iQIYI and the management's judgement on the future business environment; and

5. the Group's investment ratio is the investment amount of the Group divided by the total investment amount for the target micro-short series, which is expected to be no more than 30%, subject to adjustment by the parties on a case-by-case basis after arm's length negotiation.

For each of the micro-short series, the pricing policies will be determined after arm's length negotiation between the parties with reference to various factors, including the genres, main creators and expected popularity of the micro-short series.

Before entering into any implementation agreement pursuant to the 2026-2028 Made-to-order Audiovisual Works 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 Audiovisual Works 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, 2023, 2024 and 2025 were RMB492.0 million, RMB1,141.0 million and RMB864.0 million, respectively.

For the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2025, 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 RMB2.9 million, nil and RMB0.05 million, respectively.

Annual Caps and Basis of Determination of Annual Caps

The proposed annual caps for the fees payable by iQIYI to the Group under the 2026-2028 Made-to-order Audiovisual Works Production Framework Agreement for the years ending December 31, 2026, 2027 and 2028 are set out below:

	For the years ending December 31,		
	2026	**2027**	**2028**
	(RMB in thousands)		
Aggregate amounts of fees payable by iQIYI to the Group	346,000	334,000	401,000

The proposed annual caps for the fees payable by iQIYI to the Group under the 2026-2028 Made-to-order Audiovisual Works Production Framework Agreement for the three years ending December 31, 2028 were determined with reference to:

(a) 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, 2028, which is estimated based on: (1) the contractual amounts under the existing made-to-order drama series production agreements that 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 2026, 2027 and 2028, including approximately 2 drama series in 2026, approximately 2 drama series in 2027 and approximately 2 drama series in 2028; and (3) the estimated service fees to be charged per made-to-order drama series ranging from RMB84.0 million to RMB180.0 million, which is estimated with reference to the expected number of episodes and the expected rating of the drama series, and the expected average market price range for each episode;

(b) the estimated amount of the service fees payable by iQIYI to the Group for provision of micro-short series made-to-order services by the Group for the three years ending December 31, 2028, which is estimated based on: (1) the contractual amounts under the existing made-to-order micro-short series production agreements that the Group have entered into with iQIYI; (2) the estimated number of the made-to-order micro-short series to be produced by the Group for iQIYI in 2026, 2027 and 2028, including approximately 67 micro-short series in 2026, approximately 67 micro-short series in 2027 and approximately 66 micro-short series in 2028; and (3) the estimated service fees to be charged per made-to-order micro-short series ranging from RMB0.5 million to RMB1.0 million, which is estimated with reference to the expected number of episodes and the expected rating of the micro-short series, and the expected average market price range for each episode; and

(c) the following factors were also taken into consideration when determining the annual caps:

    (i) the limited number of platform operators in the Audiovisual Works made-to-order industry; and

    (ii) an additional buffer of 10% so as to avoid adverse restrictions on future business operations of the Group. Taking into account (i) the potential fluctuation in the total investment amount of the made-to-order Audiovisual Works, (ii) the possibility of increase in number of episodes and rating of Audiovisual Works, and (iii) the buffer of 10% is not a material portion of the annual caps under the 2026-2028 Made-to-order Audiovisual Works Production Framework Agreement, the Board is of the view that an additional buffer of 10% is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Reasons for and Benefits of Entering into the 2026-2028 Made-to-order Audiovisual Works 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 a leading provider of online entertainment video services in China. It produces, aggregates and distributes a wide variety of professionally produced content, as well as a broad spectrum of other video content in a variety of formats. As such, the made-to-order Audiovisual Works producing arrangements provided under the 2026-2028 Made-to-order Audiovisual Works Production Framework Agreement are in the ordinary and usual course of the business of the Group.

iQIYI has massive user base. By entering into the 2026-2028 Made-to-order Audiovisual Works 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 Audiovisual Works producing arrangements under the 2026-2028 Made-to-order Audiovisual Works Production Framework Agreement are profitable and are in the interests of the Group and the Shareholders as a whole.

2026-2028 Episodic Content Copyrights Purchasing Framework Agreement

Principal terms of the 2026-2028 Episodic Content 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 2026-2028 Episodic Content Copyrights Purchasing Framework Agreement will commence from January 1, 2026 and end on December 31, 2028.

Subject matter:

Pursuant to the 2026-2028 Episodic Content Copyrights Purchasing Framework Agreement, iQIYI shall license the copyrights (including but not limited to broadcasting rights and/or distribution rights) of certain episodic content 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 episodic content, term of license, scope of license, distribution channels, licensing fees and milestone payment schedules, based on the principles and within the parameters provided under the 2026-2028 Episodic Content 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 2026-2028 Episodic Content Copyrights Purchasing Framework Agreement will be determined after arm's length negotiation between the parties with reference to the following formula:

Licensing fees payable by the Group = expected number of episodes × purchasing price for copyrights of each episode[1]

Note:

1. 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 genre, nature, type and term of licensing, broadcasting schedules (first-run or re-run broadcast and the broadcasting time slot), distribution channel and expected popularity of such episodic content.

Before entering into any implementation agreement pursuant to the 2026-2028 Episodic Content 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 episodic content 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, 2023 and 2024 and 2025 were RMB397.0 million, RMB437.0 million and RMB477.0 million, respectively.

For the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2025, the aggregate licensing fees paid and/or payable by the Group to iQIYI under the Existing Drama Series Broadcasting Rights Purchasing Framework Agreement were RMB260.0 million, RMB233.1 million and RMB92.6 million, 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 2026-2028 Episodic Content Copyrights Purchasing Framework Agreement for the years ending December 31, 2026, 2027 and 2028 are set out below:

	For the years ending December 31,		
	2026	**2027**	**2028**
		(RMB in thousands)	
Aggregate amounts of the licensing fees payable by the Group to iQIYI	234,000	214,000	195,000

The proposed annual caps for the licensing fees payable by the Group to iQIYI under the 2026-2028 Episodic Content Copyrights Purchasing Framework Agreement for the three years ending December 31, 2028 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, 2023 and 2024 and the nine months ended September 30, 2025;

(b) the estimated amount of the licensing fees payable by the Group to iQIYI for the three years ending December 31, 2028, which is estimated based on: (1) the contractual amounts under the existing episodic content copyrights purchasing agreements the Group have entered into with iQIYI; (2) the estimated number of episodic content to be purchased by the Group from iQIYI in the next three years, including approximately 62 episodic content in 2026, approximately 58 episodic content in 2027 and approximately 55 episodic content in 2028; and (3) the estimated licensing fees ranging from RMB0.02 million to RMB47.27 million per episodic content, taking into account the number of episodes of each episodic content and the expected purchase price for copyrights of each episode payable by the Group to iQIYI; and

(c) the following factors were also taken into consideration when determining the annual caps:

    (i) the limited number of platform operators in the episodic content distribution industry; and

    (ii) an additional buffer of 10% so as to avoid adverse restrictions on future business operations of the Group. Taking into account (i) the potential fluctuation in the purchase price for copyrights of each episode, and (ii) the buffer of 10% is not a material portion of the annual caps under the 2026-2028 Episodic Content Copyrights Purchasing Framework Agreement, the Board is of the view that an additional buffer of 10% is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Reasons for and Benefits of Entering into the 2026-2028 Episodic Content Copyrights Purchasing Framework Agreement

The Group commenced licensing broadcasting rights of outright-purchased episodic content 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 episodic content under the 2026-2028 Episodic Content Copyrights Purchasing Framework Agreement is 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 2026-2028 Episodic Content Copyrights Purchasing Framework Agreement are profitable and are in the interests of the Group and the Shareholders as a whole.

2026-2028 Copyrights Licensing Framework Agreement

Principal terms of the 2026-2028 Copyrights Licensing 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 2026-2028 Copyrights Licensing Framework Agreement will commence from January 1, 2026 to December 31, 2028.

Subject matter:

Pursuant to the 2026-2028 Copyrights Licensing Framework Agreement, the Group shall license the copyrights (including but not limited to the broadcasting rights, information network transmission right and other copyrights) of the self-owned and licensed-in Audiovisual Works of the Group to iQIYI, iQIYI shall pay licensing fees to the Group, and the Group and iQIYI may also share the revenue/income generated from the Audiovisual Works according to certain sharing rates.

Payment and settlement terms:

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, broadcasting schedule, licensing fee and payment schedules and settlement terms, based on the principles and within the parameters provided under the 2026-2028 Copyrights Licensing 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 under the 2026-2028 Copyrights Licensing 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) in respect of the Audiovisual Works to be purchased under the cost-plus model, the Group may charge iQIYI fixed licensing fees, which shall be determined after arm's length negotiation with reference to the following formula:

Fixed licensing fees + other licensing fees (if any) = total investment amount[1] × (1 + target profit margin[2])

Notes:

1. the total investment amount refers to the production, distribution and/or licensed-in copyright purchasing costs of the relevant Audiovisual Works; and

2. the target profit margin is determined with reference to the prevailing market price and various commercial factors, including the genre, the scope of license and whether or not the exclusivity is granted, type of licensing (exclusive licensing or joint licensing), the broadcasting schedules (first-run or re-run broadcast and the broadcasting time slot, if applicable) and the expected popularity of the relevant Audiovisual Works. The management of the Group expects the target profit margin to be not less than 20%, which is estimated based on the average historical profit margin of the episodic content that the Group charged iQIYI fixed licensing fees for the years ended December 31, 2022, 2023 and 2024 and the nine months ended September 30, 2025 and the management's judgement on future business environment.

(b) in respect of the Audiovisual Works to be purchased under models other than the model described in the paragraph (a), iQIYI and the Group may adopt various cooperation models, such as cost-plus model and profit-sharing model, and the Group may also share the revenue/income generated from the Audiovisual Works according to certain sharing rates:

(i) in respect of the films, the fees (as part of the licensing fees) payable to the Group by iQiyi include one of the followings:

(1) for films under SVOD model, revenue/income from SVOD to be shared by the Group = B1 × B2

Where, "B1" denotes actual VOD play time of member users of iQIYI's platforms, which represents the time that member users continuously watch a paid film for more than 6 minutes; "B2" denotes unit price per VOD.

Unit price per VOD is expected to range from RMB1 per hour to RMB3 per hour, which shall be determined after arm's length negotiation between the parties with reference to the type of licensing (exclusive licensing or joint licensing) and the corresponding time per film which is played by member users and effective for the purpose of sharing revenue/income.

(2) for films under PVOD model, revenue/income from PVOD to be shared by the Group = C1 × C2

Where, "C1" denotes box office income during the PVOD period, which represents the total income generated from the on demand broadcast of the content by members of iQIYI's platforms and other users during the effective PVOD period, net of channel fees; 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 range from 50% to 90%, which shall be determined after arm's length negotiation between the parties with reference to expected genre, rating and broadcasting effect of the films.

The PVOD model is mainly different from the SVOD model in two ways: (i) in terms of content accessibility, under the SVOD model, users can access a wide range of films, while under the PVOD model, users can only access exclusive premium films; and (ii) in terms of payment, under the SVOD model, users are charged a fixed fee regardless of how many films are viewed, while under the PVOD model, users pay one-time fee for an individual film. Whether a film will adopt the SVOD model or the PVOD model will be determined after arm's length negotiation between the parties taking into account the rating of the film.

(ii) the Group and iQIYI may also explore additional licensing models in the future to share other revenue/income generated from copyright operation (including but not limited to providing overseas distribution, advertising opportunities, derivative products and sublicensing) at certain sharing rate in addition to a fixed or non-fixed licensing fee, and other practical licensing models. The copyright operation can be carried out independently by the Group or iQIYI, and the operating party shall share with the other party a certain proportion of the other revenue/income it receives for copyright operation. The sharing rate of the Group is expected to range from 30% to 70%, 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. The expected range of the Group's sharing rate is estimated with reference to the historical sharing rate under the Existing Copyrights Licensing Framework Agreement and the management's judgement on the future business environment.

To sum up, the licensing fees for episodic content (including micro-short series) may include one of or mix of paragraphs (a) and (b)(ii) above, and the licensing fees for films may include one of or mix of paragraphs (a), (b)(i) and (b)(ii) above. Meanwhile, the Group may share with iQIYI a certain proportion of other revenues/income it receives for the copyright operation of the Audiovisual Works. For each of the episodic content and films, the pricing policies will be determined after arm's length negotiation between the parties with reference to various factors, including the genres, main creators and expected popularity of the episodic content or film. In addition, the sharing of revenue/income generated from copyright operation as set out in paragraph b(ii) above is a potential new arrangement, which will depend on the commercial development model of the episodic content and films in the future. In any event, the pricing policies offered by iQIYI are no less favorable to the Group than those available from the other independent third parties for comparable transactions.

Before entering into any implementation agreement pursuant to the 2026-2028 Copyrights Licensing 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 episodic content 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 Annual Cap and Historical Amount

The historical annual cap for the licensing fees paid and/or payable by iQIYI to the Group under the Existing Copyrights Licensing Framework Agreement for the year ending December 31, 2025 was RMB1,260 million.

For the nine months ended September 30, 2025, the aggregate licensing fees paid and/or payable by iQIYI to the Group under the Existing Copyrights Licensing Framework Agreement were RMB457.0 million.

Annual Caps and Basis of Determination of Annual Caps

The proposed annual caps for the licensing fees payable by iQIYI to the Group and the fees payable by the Group to iQIYI under the 2026-2028 Copyrights Licensing Framework Agreement for the three years ending December 31, 2026, 2027 and 2028 are set out below:

	For the year ending December 31,		
	2026	**2027**	**2028**
	(RMB in thousands)		
Aggregate amounts of licensing fees payable by iQIYI to the Group	1,360,000	1,790,000	1,670,000
Aggregate amounts of fees payable by the Group to iQIYI	32,830	38,300	43,770

The proposed annual caps for the licensing fees payable by iQIYI to the Group and the fees payable by the Group to iQIYI under the 2026-2028 Copyrights Licensing Framework Agreement for the three years ending December 31, 2026, 2027 and 2028 were determined with reference to:

(a) the historical amount of the licensing fees paid and/or payable by iQIYI to the Group under the Existing Copyrights Licensing Framework Agreement for the nine months ended September 30, 2025;

(b) in respect of the episodic content, the fixed licensing fees payable by iQIYI to the Group for the three years ending December 31, 2026, 2027 and 2028 is estimated based on:

  (i) the contract amount under the existing episodic content copyrights licensing agreements the Group has entered into with iQIYI;

  (ii) the number of episodic content copyrights licensing projects to be conducted with iQIYI in 2026, 2027 and 2028, which is estimated to be approximately 13, 18 and 17, respectively;

  (iii) the estimated licensing fees charged per episodic content, ranging from RMB3.0 million to RMB338.0 million per episodic content, which is estimated based on the expected genre, rating, commercial potential and investment costs of the episodic content;

(c) in respect of the films, the licensing fees payable by iQIYI to the Group for the three years ending December 31, 2026, 2027 and 2028 is estimated after taking into account the licensing fees of approximately RMB10.4 million to be charged for a film in 2026, 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 top ten box office films broadcasted on these platforms for the ten months ended October 31, 2025 with similar themes to the film copyrights licensing projects to be licensed by the Group in the coming year range from approximately RMB2.8 million to approximately RMB33.1 million per film;

(d) in respect of the fees payable by the Group to iQIYI for copyright operations, the amounts are estimated with reference to the following factors:

  (i) the number of Audiovisual Works for which the revenue/income for copyright operation will be shared between the parties in 2026, 2027 and 2028, which is estimated to be 1, 2 and 2, respectively;

  (ii) the estimated revenue/income for copyright operation per Audiovisual Work ranging from RMB 9.4 million to RMB 28.3 million, taking into account the genre, expected popularity, quantity, commercial potential and other merchandising development models of the Audiovisual Works for copyright revenue/income sharing; and

  (iii) iQIYI's expected sharing rate (i.e. 50%-70%); and

(e) the following factors were also taken into consideration when determining the annual cap:

  (i) the limited number of platform operators in the Audiovisual Works distribution industry; and

  (ii) an additional buffer of 10% so as to avoid adverse restrictions on future business operations of the Group. Taking into account (i) the potential fluctuation in production costs in the production process, (ii) the possibility of increase in number of episodes and rating of Audiovisual Works, and (iii) the buffer of 10% is not a material portion of the annual caps under the 2026-2028 Copyrights Licensing Framework Agreement, the Board is of the view that an additional buffer of 10% is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Reasons for and Benefits of Entering into the 2026-2028 Copyrights Licensing Framework Agreement

The Group commenced producing its Audiovisual Works and licensing the related copyrights of the self-owned and licensed-in Audiovisual Works to major TV channels and/or online video platforms, which are limited in number, since its inception. iQIYI is a leading provider of online entertainment video services in China. It produces, aggregates and distributes a wide variety of professionally produced content, as well as a broad spectrum of other video content in a variety of formats. As such, the copyrights licensing arrangements under the 2026-2028 Copyrights Licensing Framework Agreement are in the ordinary and usual course of the business of the Group. In addition, entering into the 2026-2028 Copyrights Licensing 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 2026-2028 Copyrights Licensing Framework Agreement, the Group can enhance its distribution network and maintain business relationship with iQIYI, which has been a major player in content distribution market. 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 2026-2028 Copyrights Licensing 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 (including securities investment and financing department, finance department and business 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;

(b) various other internal departments (including securities investment and financing department, finance department and business departments) of the Company monitor the implementation of the New Framework Agreements from time to time. In particular, the finance department and the securities investment and financing department will review the transaction amounts of the continuing connected transactions contemplated under the New Framework Agreements every two weeks to ensure that the annual caps under the New Framework Agreements are complied with, and that any implementation agreements under the New Framework Agreements shall be entered into by the Company with the prior approval of the finance department. If the actual transaction amount reaches 80% of the annual cap under any of the New Framework Agreements, the finance department and the securities investment and financing department shall inform the management of the Company, and the management of the Company will then report to the Board as soon as possible. The Board will consider the measures to be taken to ensure compliance with the requirements of the Listing Rules, including but not limited to, publishing announcement for an increased annual cap amount and seeking approval from Independent Shareholders (if required);

(c) 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; and

(d) when considering the pricing and terms offered by/to iQIYI under the implementation agreements of the New Framework Agreements, the Group will 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 before entering into any implementation agreement, to make sure that the pricing and terms offered by/to iQIYI after arm's length negotiations, are no less favorable to the Group than those offered by/to independent third parties.

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 Board Committee, comprising Mr. Zhang Senquan, Mr. Ma Zhongjun and Mr. Chung Chong Sun, all being the independent non-executive Directors, had been formed to advise the Independent Shareholders in respect of the New Framework Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps) and whose views and recommendation will be included in the circular to be issued 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 each of the New Framework Agreements 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 Agreements 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 Agreements; (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 issued to Shareholders by no later than December 9, 2025 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 episodic products producer and distributor in the PRC, and principally engages in the investment, development, production and distribution of film and episodic content (including drama series, micro-short series and other forms of episodic products).

Information on iQIYI

iQIYI is a leading provider of online entertainment video services in China; its ADSs are listed on the Nasdaq Global Select Market under the ticker symbol IQ. It produces, aggregates and distributes a wide variety of professionally produced content, as well as a broad spectrum of other video content in a variety of formats.

DEFINITIONS

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

"2026-2028 Made-to-order Audiovisual Works Production Framework Agreement"	the framework agreement to be entered into between the Company and iQIYI in relation to (i) the provision of Audiovisual Works made-to-order services (including but not limited to project planning, screenplays development, copyrights procurement and/or preparation and production services) for iQIYI; (ii) the sharing of the revenue generated by iQIYI from the broadcasting of such Audiovisual Works between iQIYI and the Group; and (iii) the co-investment arrangements
"2026-2028 Copyrights Licensing Framework Agreement"	the copyrights 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) of the self-owned and licensed-in Audiovisual Works of the Group to iQIYI, and the sharing of revenue/income generated from the Audiovisual Works
"2026-2028 Episodic Content Copyrights Purchasing Framework Agreement"	the framework agreement to be entered into between the Company and iQIYI in relation to licensing copyrights of certain episodic content from iQIYI to the Group
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audiovisual Work(s)"	refers to audiovisual works as specified in the Copyright Law of the PRC
"Board"	the board of directors of the Company

"broadcasting rights"	refers to (i) the right of broadcasting (廣播權), in terms of episodic content broadcast via TV channels; and (ii) the right to network dissemination of information (信息網絡傳播權), in terms of episodic content broadcast via online video platforms, for the purpose of this announcement
"Certain Online Video Platforms"	the leading online video platforms which published data of licensing fees for revenue-sharing episodic content and films broadcasted on these platforms
"Company"	Strawbear Entertainment Group (稻草熊娱乐集团), 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 (stock code: 2125)
"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 long-form series and short-form series
"episodic content"	including drama series, micro-short series and other forms of episodic products
"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 2026-2028 Made-to-order Audiovisual Works Production Framework Agreement, the 2026-2028 Episodic Content Copyrights Purchasing Framework Agreement and the 2026-2028 Copyrights Licensing Framework Agreement and the transactions contemplated thereunder
"Existing CCT Agreements"	the Existing Made-to-order Drama Series Production Framework Agreement, the Existing Drama Series Broadcasting Rights Purchasing Framework Agreement and the Existing Copyrights Licensing Framework Agreement entered into between the Company and iQIYI
"Existing Copyrights Licensing Framework Agreement"	the copyrights licensing framework agreement entered into between the Company and iQIYI on December 24, 2024 in relation to the licensing of copyrights (including but not limited to the broadcasting right, information network transmission right and other copyrights) of the self-owned and licensed-in Audiovisual Works of the Group to iQIYI

"Existing Drama Series Copyrights Purchasing Framework Agreement"	the framework agreement entered into between the Company and iQIYI on December 23, 2022 in relation to licensing of copyrights (including but not limited to broadcasting rights and/or distribution rights) 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 23, 2022 in relation to (i) the provision of episodic content 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 episodic content between iQIYI and the Group
"first-run"	the first round broadcast of episodic content 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 Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"long-form series"	continuous horizontal screen series with a total of 20 to 40 episodes aired independently or in a single season, each episode lasting 30 to 45 minutes
"micro-short series"	a series of episodes, each episode registered lasting time is no more than 20 minutes, with relatively clear themes and main storylines, as well as continuous and complete plots
"New Framework Agreements"	the 2026-2028 Made-to-order Audiovisual Works Production Framework Agreement, the 2026-2028 Episodic Content Copyrights Purchasing Framework Agreement and the 2026-2028 Copyrights Licensing Framework Agreement
"PRC" or "China"	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, 2028
"PVOD"	premium video on demand, i.e. a pay-per-view model where users can pay a one-time fee to access exclusive video content
"RMB"	Renminbi, the lawful currency of the PRC
"re-run"	the rebroadcast of episodic content that has previously been broadcast on the TV channel or online video platform, including second-run broadcast and all subsequent broadcasts on any channel
"SFO"	the Securities and Futures Ordinance of Hong Kong, (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"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)
"short-form series"	continuous horizontal screen series with a total of 2 to 19 episodes broadcast independently or in a single season, each episode lasting 30 to 45 minutes

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"SVOD"	subscription video on demand, i.e. a subscription-based model where users are charged a monthly or yearly subscription fee for unlimited access to a library of video content
"US$"	United States dollars, the lawful currency for the time being of the United States
"VOD"	video on demand, i.e. the video content users choose to watch, where the timing of accessing the video content is not pre-determined, but rather is at the users' discretion
"%"	per cent

By order of the Board
Strawbear Entertainment Group
Liu Xiaofeng
Chairman

Nanjing, PRC, November 14, 2025

As of the date of this announcement, the Board comprises Mr. Liu Xiaofeng 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.