Strawbear Entertainment Group
稻草熊娱乐集团

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2125)

SUPPLEMENTAL ANNOUNCEMENT

This announcement is made by Strawbear Entertainment Group (the "**Company**", together with its subsidiaries and consolidated affiliated entities, the "**Group**") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcement issued by the Company on March 10, 2021 in relation to the positive profit alert (the "**Announcement**"). Unless otherwise redefined, capitalized terms used herein shall have the same meaning as those defined in the Announcement.

As disclosed in the Announcement, it is expected that the Group will experience a substantial increase of not less than 70% in its adjusted net profit for the year ended December 31, 2020 as compared to that for the year ended December 31, 2019, primarily attributable to the combined effect of (i) an increase in its gross profit margin of licensing of broadcasting rights of self-produced drama series business attributable to a decrease in the production cost of drama series; and (ii) an increase in the number of made-to-order drama series delivered under its platform business model. The adjusted net profit excluded the changes in fair value of financial liabilities at fair value through profit or loss, equity-settled share award expenses and/or listing expenses so incurred during the respective year.

As disclosed in the prospectus of the Company dated December 31, 2020, the convertible redeemable preferred shares of the Company are classified as financial liabilities at fair value through profit or loss and changes in such fair value may affect the financial performance of the Group. The Board wishes to provide further information to the Shareholders and potential investors that, based on the preliminary review of the unaudited management accounts of the Group for the year ended December 31, 2020 and the information currently available to the Board, the Group is expected to incur changes in fair value of financial liabilities at fair value through profit or loss of approximately RMB78 million in relation to the redeemable preferred shares of the Company (the "**Changes in Fair Value**"). Together with the potential financial impacts in relation to (i) the share-based compensation expense incurred in relation to the pre-IPO share option scheme approved and adopted by the Company on May 11, 2020 and (ii) the listing expenses (together with Changes in Fair Value, the "**Adjusted Items**"), it is expected that the Group will record a decrease in its consolidated net profit attributable to Shareholders for the year ended December 31, 2020 by approximately 60% to 80% as compared to that for the year ended December 31, 2019.

The management of the Company would like to emphasis that the potential impacts of the Adjusted Items should be eliminated when assessing the operating results of the Group for the year ended December 31, 2020 as the Adjusted Items are either non-operating or one-off in nature and are not indicative of the actual operating performance of the Group. The Board wishes to highlight that the redeemable preferred shares of the Company were converted into ordinary shares of the Company immediately prior to the listing of the shares of the Company and are not expected to recur after such conversion.

As of the date of this announcement, the Company is in the process of finalizing the consolidated annual results of the Group for the year ended December 31, 2020. The information contained in this announcement is based on a preliminary review of the unaudited consolidated management accounts of the Group and the information currently available to the Board, and is not based on any figure or information which has been audited or reviewed by the independent auditors of the Company. The amount of Changes in Fair Value has not been finalized by the independent valuer of the Company. The actual results of the Group for the year ended December 31, 2020 may differ from the information contained in this announcement. Shareholders and potential investors are advised to read carefully the announcement of the annual results of the Group for the year ended December 31, 2020, which is expected to be released in March 2021.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Strawbear Entertainment Group
Mr. LIU Xiaofeng
Chairman of the Board

Nanjing, PRC, March 11, 2021