newborntown

Newborn Town Inc.

赤子城科技有限公司

Stock Code 股份代號：9911

(Incorporated in the Cayman Islands with limited liability 於開曼群島註冊成立的有限公司)

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. LIU Chunhe (Chairman and Chief Executive Officer)
Mr. LI Ping
Mr. WANG Kui

Independent Non-executive Directors

Mr. PAN Xiya
Mr. CHI Shujin
Mr. LIU Rong

JOINT COMPANY SECRETARIES

Mr. SONG Pengliang
Mr. AU-YEUNG Wai Ki, Joseph

AUTHORISED REPRESENTATIVES

Mr. WANG Kui
Mr. AU-YEUNG Wai Ki, Joseph

AUDIT COMMITTEE

Mr. CHI Shujin (Chairman)
Mr. LIU Rong
Mr. PAN Xiya

REMUNERATION COMMITTEE

Mr. LIU Rong (Chairman)
Mr. WANG Kui
Mr. PAN Xiya

NOMINATION COMMITTEE

Mr. PAN Xiya (Chairman)
Mr. LI Ping
Mr. CHI Shujin

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
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PRINCIPAL BANKERS

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COMPLIANCE ADVISER

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Hong Kong

LEGAL ADVISERS

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Hong Kong

As to Cayman Islands law:

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HONG KONG SHARE REGISTRAR

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Hong Kong

STOCK CODE

09911

COMPANY'S WEBSITE

www.newborntown.com/en/

BUSINESS HIGHLIGHT

SIGNIFICANT INCREASE IN TOTAL REVENUE

Total revenue
RMB**389.7** million
increased by **40.8**% YoY

SIGNIFICANT INCREASE IN ADJUSTED NET PROFIT

Adjusted net profit
RMB**109.4** million
increased by **82.3**% YoY

POWER IN "TRAFFIC + GAMES"

Archery game
Archery Go

Ranked NO. 1 in game download list in 14 countries

LAYOUT IN "TRAFFIC + SOCIAL NETWORKING"

Audio and video social networking

Tapped into Top 20 social networking products in India in terms of downloads

SIGNIFICANT INCREASE IN THE ARPU OF PROPRIETARY PRODUCTS

ARPU of proprietary products increased by
110.3% YoY

HUGE EARNING POTENTIALS IN VALUE-ADDED SERVICES OF PRODUCTS

Co-development of "Advertising +Value-added services "Revenue from Value-added services increased by **379.1**% YoY to RMB**11.6** million

FOUR-YEAR FINANCIAL SUMMARY

	Year ended 31 December			
	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from contracts with customers	**389,685**	276,686	181,842	136,852
Gross profit	**261,512**	141,420	70,374	70,903
Profit before income tax	**78,386**	68,610	36,776	55,980
Profit for the year	**68,415**	59,737	31,981	41,215
Non-IFRS measures[1]				
Adjusted net profit[2]	**109,442**	60,024	31,095	41,215

Notes:

(1) We believe that such non-IFRS measures facilitate comparisons of operating performance from period to period by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance. We believe that such measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management. The use of such measures has limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS.

(2) Adjusted net profit is defined as profit for the year adjusted by share-based compensation expenses, listing expenses, interest income from loan to third parties, interest income from the application monies locked-up during the initial public offering and fair value changes of convertible redeemable preferred shares and deducting their respective tax effects.

	As at 31 December			
	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets	**203,315**	89,072	63,457	51,250
Current assets	**574,245**	525,157	454,761	469,957
Total assets	**777,560**	614,229	518,218	521,207
LIABILITIES				
Current liabilities	**131,027**	101,712	74,638	86,510
Non-current liabilities	**11,988**	4,171	2,999	1,320
Total liabilities	**143,015**	105,883	77,637	87,830
EQUITY				
Total equity	**634,545**	508,346	440,581	433,377
Total liabilities and equity	**777,560**	614,229	518,218	521,207

Dear Shareholders,

2019 was a monumental year as well as a year of breakthrough growth of Newborn Town Inc.. In 2019, we officially launched the listing plan and our Shares were successfully listed on the Main Board of the Stock Exchange on 31 December 2019 with more than a thousand times of public subscription during the offering stage, securing us the highest subscription ratio among Hong Kong listings during that year. The successful Listing has enhanced our capital strength and brand awareness, which will help us further grasp opportunities arising out of the prosperous mobile internet and 5G technology development around the globe. I would like to present our Shareholders with our first annual report for the year ended on 31 December 2019 after the Listing.

The Company is a fast-growing global AI information distribution platform, developing mobile applications and providing mobile advertising platform services based on AI technology. As of the end of 2019, our mobile applications and mobile advertising platform services have covered users in more than 200 countries and regions around the world. Based on two core businesses, we have established a large-scale global traffic ecosystem, accumulated abundant data on user behaviour and further upgraded our AI engine – Solo Aware. Consequently, we gained "Traffic +" abilities to tap into different vertical segments which provides more possibility for beefing up our fast growth in the future.

I hereby present the Company's financial position and operating highlights for 2019, review the business development in 2019, and summarise strategies and outlook of the Company for 2020.

BUSINESS REVIEW

1. Ever-expanding traffic ecosystem created an outstanding platform effect

In 2019, with our increasingly enlarged product matrix and upgraded advertising platform, our global traffic ecosystem, which integrates nearly 1 billion users accumulated from proprietary products and 1.82 million apps through advertising platform, is gradually enriching.

Expansion of Solo X product matrix at C-end has enabled us to collect more refined data in larger scale, thereby deepening our insight into global market and further improving our capabilities in R&D, user acquisition and monetisation. Meanwhile, it is also conducive for the advertising platform Solo Math at B-end to generating more effective recommendations and establishing more accurate connection between advertisers and publishers. Continuing development of the B-end advertising platform has empowered us with more diversified external traffic and data in larger scale, enabling us to grasp the industrial trend at the macro level and swiftly launch products catering to the needs of users from different segments.

Growing traffic ecosystem has continuously improved our traffic acquisition and monetisation capabilities, enriching our database and code base, achieving constant upgrade of Solo Aware AI engine while creating synergy effect at both ends as a virtuous circle.

In 2019, our total revenue increased from RMB276.7 million in 2018 to RMB389.7 million, with a year-on-year increase of 40.8%. In terms of profit, our gross profit and gross profit margin in 2019 were RMB261.5 million and 67.1%, with a year-on-year increase of 84.9% and 31.3%, respectively. Profit for the year increased from RMB59.7 million in 2018 to RMB68.4 million, witnessing a year-on-year increase of 14.5%.

2. Significant growth of product matrix enhanced proprietary traffic value

Solo X product matrix has improved significantly in terms of scale and monetisation efficiency, with the total number of users increasing from 670 million in 2018 to 967 million. Among them, content products especially games witnessed notable growth, total users of game products and daily active users recorded a respective year-on-year increase of 275.6% and 198.5%, featuring the characteristics of long-duration, high-stickiness and high-frequency. Therefore, the depth of proprietary traffic pool has continued to ramp up, enhancing the traffic value and increasing the monetisation efficiency by 110.25% year-on-year.

With the development of content-based products, we have achieved considerable progress in multiple segments. In terms of game products, trendy apps were launched frequently. The multiplayer battle game Beetles.io squeezed into top 10 games in terms of daily downloads in Google Play over 17 countries and regions. The archery themed game Archery Go topped the App Store download list and game download list in 6 and 14 countries respectively, ranking No.1 in action game/sports game download lists in 32/50 countries and regions, respectively. Additionally, Beetles.io entered the TOP30 overseas Chinese mobile game download list released by Sensor Tower in December 2019.

3. Enhancement in programmatic technologies of advertising platform

Solo Math programmatic advertising platform has reached an average of 281 million mobile devices per day. In 2019, we served 200,000 advertisers and integrated 1.82 million publishers. As compared with last year, the programmatic advertising business has been advancing steadily, and the revenue of programmatic advertising as a percentage of our total revenue generated by mobile advertising platform has increased from 94.1% to 99.9%. Solo Math has been basically converted into a programmatic platform.

In addition, in response to the radical market change requiring higher quality of traffic, we have been actively implementing the industry norms. Publishers shall disclose the flow of their traffic in accordance with the norms, whereby greatly improving the credibility of traffic. Furthermore, advertisers can not only trace back to the level of publishers, but also closely monitor the entire sales chain, which guarantees the transparency of the traffic supply chain.

4. Continuous upgrade of AI technologies

Solo Aware continues to optimise in fields of learning models, data scale, tag volume. Solo Aware's tag database is gradually diversified on account of the enlarged user scale of Solo X and the accumulation of user behaviour data. Through in-depth machine learning, Solo Aware is able to make targeted responses to user behaviour faster, providing global users with customised experience.

Meanwhile, utilising the huge and extensive data collected by the Solo Math advertising platform, Solo Aware can perform a full range of model training on horizontal comparison and vertical expansion, enabling us to grasp the needs of users more accurately.

STRATEGY AND OUTLOOK

Looking forward to 2020, we will seize opportunities and meet challenges to accelerate the construction of a global traffic ecosystem.

1. Global dividends will be further released

Mobile Market Report 2020 released by American mobile data and analysis company App Annie shows that global app downloads in 2019 reached a new record of 204 billion, representing an increase of 45% within three years. With continued enthusiasm on app downloads in both mature and emerging markets, app store's expenditure has reached $120 billion in 2019, which is 2.1 times that of in 2016.

The increase in global mobile internet users and further advancement of internet infrastructure has brought a huge incremental space for overseas internet services. Accordingly, our proprietary product matrix will also obtain more opportunities in acquiring users. At the same time, the domestic trend in overseas internet service will become more prominent, and developers' demand on acquisition of overseas users will increase along with the advertising budgets. The Company, through operating Solo X product matrix and Solo Math advertising platform, has placed itself in a favourable position in the global internet dividend release.

2. Proprietary products will promote the expansion of traffic ecosystem

We will continue to dedicate to R&D and upgrades of products, further enhance the user acquisition capability of the Solo X product matrix and promote the expansion of global traffic ecosystem. Based on the existing product matrix, we will focus on developing content-based products, creating high-frequency, high-stickiness and long-duration products in view of enhancing monetisation efficiency and gaining higher gross profit margin. We will implement the "Traffic+" strategy and diligently extend our products towards different vertical directions in phases, achieving swift expansion of traffic ecology to different domains and rapid growth. We will firstly deploy "Traffic + Games" and "Traffic + Social Networking" and intend to create large-scale, popular, diversified, and synergetic product matrix in these two segments, which in turn will benefit our traffic ecosystem and gradually transform into a super global traffic ecosystem platform. At the same time, we will also increase our investment in the domestic market and expand users scale in Mainland China to further supplement our global deployment.

3. The efficiency of AI and middle platform will continue to improve

We will continue to devote to the R&D and application of AI technology, deploy AI technology to real business scenarios and achieve personalised content presentation in apps, such as providing different game content and scene settings for game players based on their historical operation data. In addition, the further improvement of AI technology will increase our internal work efficiency and reduce unnecessary manual intervention.

In the meantime, we will keep upgrading the middle platform architecture of Solo Cells to integrate data, algorithms, infrastructure, development framework in the two core business modules, with a view to increasing the speed of R&D, optimising data management and reducing development costs. The upgrade of AI and middle platform can help draw up an efficient and standardised process in matrix R&D, data testing, rapid screening and resource reconfiguration, thereby greatly enhancing the overall work efficiency.

Finally, I would like to express my deepest gratitude to the Company's management team and employees for their contribution, responsibility and hard work. I would also like to thank our Board of Directors for their guidance and assistance. Lastly, I'm thankful for the continued support and trust from our Shareholders. We will continue to dedicate to establishing precise connection between people and information, building the global traffic ecosystem, providing better mobile applications and mobile advertising services to global users and developers, and creating real long-term value for Shareholders and investors

Mr. Liu Chunhe
Chairman of the Board and
Chief Executive Officer

REVENUE

Our total revenue increased by 40.8% to RMB389.7 million for the year ended 31 December 2019 as compared to RMB276.7 million for the year ended 31 December 2018. The following table sets forth a breakdown of our revenue by segments for the years indicated:

	Years ended 31 December				
	2019		2018		
	RMB'000	***% of Total revenue***	*RMB'000*	*% of Total revenue*	*YoY Change*
Proprietary app traffic monetisation business	**243,654**	**62.5**	92,924	33.6	162.2%
Traffic monetisation	**232,016**	**59.5**	90,495	32.7	156.4%
In-app purchase	**11,638**	**3.0**	2,429	0.9	379.1%
Mobile advertising platform and related business	**146,031**	**37.5**	183,762	66.4	-20.5%
Programmatic advertising platform and related business	**145,885**	**37.5**	172,840	62.5	-15.6%
Media buy business	**146**	**0.0**	10,922	3.9	-98.7%
Total	**389,685**	**100.0**	276,686	100.0	40.8%

The revenue from proprietary app traffic monetisation business increased by 162.2% to RMB243.7 million in 2019 as compared to RMB92.9 million in 2018, primarily because (i) our continuous efforts in developing and launching new apps, especially our user system and games apps, and the upgrade of our existing apps enabled us to maintain and attract users; (ii) our increased promotion efforts and the synergy effect to cross-market our apps also contributed to the growth of our user base and (iii) our cooperation with a leading global mobile internet company based in the People's Republic of China (the "PRC") in 2019, we spent more efforts to launch and operate our apps in the PRC market.

The revenue from mobile advertising platform and related business decreased by 20.5% to RMB146.0 million in 2019 as compared to RMB183.8 million in 2018, primarily because (i) revenue from programmatic advertising service recorded a decrease due to a decrease in our performance-based advertising services, which was partially offset by an increase in our OpenRTB-based programmatic mobile advertising service and (ii)we further reduced our media buy business, which resulted in a decrease of RMB10.8 million in the corresponding revenue. Such decrease in the media buy business was due to our strategy to reduce our intermediary media buy service since 2017. The decrease in the performance-based advertising services was primarily because our advertising customers reduced their advertising spending for long-tail mobile traffic in view of uncertainties in the global and local economies. We plan to improve the quality of mobile traffic on our mobile advertising platform by integrating our proprietary apps with our mobile advertising platform.

The following table sets forth a breakdown of revenue by geographic regions of our customers, which are mainly advertisers, for the years indicated:

	Years ended 31 December				
	2019		2018		
	RMB'000	***% of Total revenue***	*RMB'000*	*% of Total revenue*	*YoY Change*
Asia (excluding mainland China)[1]	**248,455**	**63.8**	189,354	68.4	31.2%
Europe[2]	**39,095**	**10.0**	34,475	12.5	13.4%
Mainland China	**50,511**	**13.0**	23,536	8.5	114.6%
North America[3]	**48,636**	**12.5**	28,250	10.2	72.2%
Rest of the world[4]	**2,988**	**0.7**	1,071	0.4	179.0%
Total	**389,685**	**100.0**	276,686	100.0	40.8%

Notes:

(1) Primarily includes Hong Kong, Macau, Taiwan, India, Israel, Japan, South Korea, Singapore and Indonesia.

(2) Primarily includes Germany, United Kingdom, Portugal, Spain, Uruguay and Netherlands.

(3) Primarily includes United States and Canada.

(4) Primarily includes Seychelles, Cyprus, Brazil, Australia and Argentina.

(5) The classification of the geographic regions are based on the Company's internal categorisation.

COST OF REVENUE

Our cost of revenue decreased by 5.2% to RMB128.2 million for the year ended 31 December 2019, as compared to RMB135.3 million for the year ended 31 December 2018. The following table sets forth a breakdown of our cost of revenue by nature for the years indicated:

	Years ended 31 December				
	2019		2018		
	RMB'000	***% of Total revenue***	*RMB'000*	*% of Total revenue*	*YoY Change*
Cost for advertising placement	**86,557**	**22.2**	89,868	32.5	-3.7%
Employee benefit expense	**20,211**	**5.2**	20,430	7.4	-1.1%
Server capacity expense	**16,711**	**4.3**	11,765	4.3	42.0%
Intangible assets amortisation	**800**	**0.2**	800	0.3	0.0%
Technical service fee	**–**	**0.0**	8,491	3.1	-100.0%
Others	**3,894**	**1.0**	3,912	1.4	-0.5%
Total	**128,173**	**32.9**	135,266	49.0	-5.2%

The following table sets forth a breakdown of our cost of revenue by segments for the years indicated:

	Years ended 31 December				
	2019		2018		
	RMB'000	***%***	*RMB'000*	*%*	*YoY Change*
Proprietary app traffic monetisation business	**13,120**	**10.2**	7,259	5.4	80.7%
Mobile advertising platform and related business	**115,053**	**89.8**	128,007	94.6	-10.1%
Total	**128,173**	**100.0**	135,266	100.0	-5.2%

The slight decrease in the cost of revenue from 2018 to 2019 was mainly attributable to a decrease of RMB13.0 million in the cost of revenue for mobile advertising platform and related business, partially offset by an increase in the cost of revenue for proprietary app traffic monetisation business.

The cost of revenue for proprietary app traffic monetisation business increased by 80.7% to RMB13.1 million in 2019 as compared to RMB7.3 million in 2018, primarily due to an increase in our employee benefit expense as we hired more staff dedicated to our proprietary app traffic monetisation business to accommodate the growth of such business.

The cost of revenue for mobile advertising platform and related business decreased by 10.1% to RMB115.1 million in 2019 as compared to RMB128.0 million in 2018, generally in line with the performance of our programmatic advertising platform and related business.

GROSS PROFIT AND GROSS PROFIT MARGIN

The following table sets forth the gross profit and gross profit margin for the years indicated:

	Years ended 31 December						
	2019			2018			
	Gross profit	**%**	**Gross profit margin**	Gross profit	%	Gross profit margin	YoY Change in gross profit
	(RMB'000, except percentages)						
Proprietary app traffic monetisation business	**230,534**	**88.2**	**94.6%**	85,665	60.6	92.2%	169.1%
Mobile advertising platform and related business	**30,978**	**11.8**	**21.2%**	55,755	39.4	30.3%	-44.4%
Total	**261,512**	**100.0**	**67.1%**	141,420	100.0	51.1%	84.9%

Our gross profit increased by 84.9% to RMB261.5 million for the year ended 31 December 2019 as compared to RMB141.4 million for the year ended 31 December 2018. Our gross profit margin increased to 67.1% in 2019 from 51.1% in 2018, primarily because the gross profit of our proprietary app traffic monetisation business, which records a much higher gross profit margin than our mobile advertising platform business, accounted for a higher proportion of our total gross profit.

The gross profit margin of our proprietary app monetisation business increased to 94.6% for the year ended 31 December 2019 from 92.2% for the year ended 31 December 2018, which was mainly driven by the improvement in the monetisation efficiency of our apps due to the continuing optimisation of our apps and emergence of popular apps. The decrease in the gross profit margin of our mobile advertising platform and related business to 21.2% for the year ended 31 December 2019 from 30.3% for the year ended 31 December 2018 was mainly because we recorded an increase in our server capacity expense for the operation of our programmatic advertising platform, despite the decrease in our cost for advertising placement, which was generally in line with the decrease in the revenue from mobile advertising platform and related business. We intend to accelerate the integration of our proprietary apps and mobile advertising platform, thereby improving the mobile traffic quality on our mobile advertising platform and creating a synergy between our business segments.

SELLING AND MARKETING EXPENSES

Our selling and marketing expenses increased by 74.8% to RMB120.5 million in 2019 as compared to RMB69.0 million in 2018, primarily due to the increase in the cost for advertising placement for our proprietary app monetisation business as we continued our promotional efforts in marketing our apps in both the PRC and overseas market.

GENERAL AND ADMINISTRATIVE EXPENSES

Our general and administrative expenses increased by 545.9% to RMB96.8 million in 2019 as compared to RMB15.0 million in 2018, primarily due to (i) an increase of RMB35.1 million in listing expenses in 2019, (ii) an amount of RMB36.8 million in our share-based compensation expenses and (iii) an increase of RMB4.8 million in employee benefit expenses as a result of our overall business growth.

OPERATING PROFIT

Our operating profit decreased by 27.5% to RMB49.9 million in 2019 as compared to RMB68.8 million in 2018, primarily due to (i) an increase in our selling and marketing expenses due to our increased promotional efforts in marketing our apps, (ii) increased one-time listing expenses and share-based compensation expenses in general and administrative expenses and (iii) a decrease in our other gain due to decrease in the fair value change of financial assets measured at FVPL.

FINANCE INCOME/(COST), NET

The finance income/(cost) increased to RMB21.1 million in 2019 as compared to RMB(0.2) million in 2018. The increase was mainly due to higher interest income arising from the application monies locked-up during the initial public offering.

FAIR VALUE CHANGES OF CONVERTIBLE REDEEMABLE PREFERRED SHARES

Upon the completion of the global offering on 31 December 2019, all our convertible redeemable preferred shares granted in 2019, as disclosed in the Prospectus, were converted into ordinary shares. Therefore, no convertible redeemable preferred shares were recognised as at 31 December 2019. We recorded a fair value change of convertible redeemable preferred shares of RMB7.4 million for the year ended 31 December 2019.

INCOME TAX

Income tax expense increased to RMB10.0 million in 2019 as compared to RMB8.9 million in 2018, mainly driven by the increase of our taxable profits. Our effective tax rate decreased from 12.9% in 2018 to 12.7% in 2019, primarily because our Company incurred a share-based compensation expense of RMB36.8 million in 2019, which was a non-deductible expense for our Group as a whole, considering our exemption from corporate tax in Cayman Islands.

PROFIT FOR THE YEAR

As a result of the foregoing, our profit for the year increased by 14.5% to RMB68.4 million in 2019 as compared to RMB59.7 million in 2018.

NON-IFRS MEASURES

To supplement our consolidated statement of comprehensive income, which are presented in accordance with IFRS, we also use adjusted net profit as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that these non-IFRS measures help our investors to identify underlying trends in our business and provide useful information to our investors in understanding and evaluating our results of operation by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance, which is in the same manner as the action of our management when comparing financial results across accounting periods. We also believe that these non-IFRS measures provide useful information about our operating results, enhance the overall understanding of our past performance and future prospects and allow for greater visibility with respect to key metrics used by our management in its financial and operational decision-making.

We define adjusted net profit as profit for the year adjusted by share-based compensation expenses, listing expenses, interest income from the application monies locked-up during the initial public offering and fair value changes of convertible redeemable preferred shares, net of their respective tax effects. The use of adjusted net profit has limitations as an analytical tool because they do not reflect all items of income and expenses that affect our operations. When assessing our operating and financial performance, you should not consider adjusted net profit in isolation from or as a substitute for our financial performance or financial position as reported in accordance with IFRS. The terms adjusted net profit are not defined under IFRS, and such terms may not be comparable to other similarly titled measures used by other companies.

The following tables set forth the reconciliations of our non-IFRS financial measures, net of tax effects on the adjustments, for the years indicated, to the nearest measures prepared in accordance with IFRS:

	Years ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Profit for the year	**68,415**	59,737
Add:		
Share-based compensation expense[1]	**36,847**	–
Listing expenses[2]	**35,407**	338
Less:		
Interest Income from the application monies locked-up during the initial public offering[2]	**(20,926)**	–
Fair value changes of convertible redeemable preferred shares[2]	**(7,434)**	–
Tax effect[3]	**(2,867)**	(51)
Adjusted net profit	**109,442**	60,024
Adjusted net profit growth	**82.3%**	93.0%

Notes:

(1) In June 2019, the Company repurchased certain Series B Preferred Shares of which the holders had a put option to sell to certain senior management members of the Company. An one-off share-based compensation expense of RMB36,847,000 was recorded which represented the deemed economic benefits in relation to the reduction in the redemption liabilities of such senior management members.

(2) Such item is non-recurring as it is derived from a one-off event.

(3) Including tax effects on listing expenses, which are calculated with tax rates of 15%.

CAPITAL STRUCTURE

We continued to maintain a healthy and sound financial position. Our total assets grew from RMB614.2 million as at 31 December 2018 to RMB777.6 million as at 31 December 2019, while our total liabilities increased from RMB105.9 million as at 31 December 2018 to RMB143.0 million as at 31 December 2019. Liabilities-to-assets ratio increased from 17.2% at the end of 2018 to 18.4% at the end of 2019.

FINANCIAL RESOURCES AND OPERATING CASH FLOW

We funded our cash requirement principally from capital contribution from shareholders and cash generated from our operations.

As at 31 December 2019, our cash and cash equivalents was RMB182.8 million, compared with RMB80.5 million as at 31 December 2018.

Compared with RMB1.6 million in 2018, the cash generated from operations in 2019 increased to RMB154.5 million, primarily due to the repayment from customers of our media buy business.

TREASURY POLICY

We adopt a prudent treasury management policy, aiming to maintain a healthy financial position, lower finance costs and minimise financial risks. We regularly review our funding requirements to ensure adequate financial resources in place to support our current business operations and future plans of investment and expansion.

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

To preserve funds for future capital expenditure and new business opportunities, we continue to invest surplus cash in commercial bank wealth management products and funds issued by major and reputable financial institutions, which generate relatively low risk income for us. We recognised such investments as financial assets measured at fair value through profit or loss of current portion and manage such investments in accordance with our internal policies as disclosed in the Prospectus. As at 31 December 2019, the fair value of such investments decreased to RMB132.7 million, compared with RMB198.0 million as at 31 December 2018. Such decrease was primarily due to the disposal and maturity of our investments. Set forth below is a breakdown of the wealth management products we purchased by underlying assets in 2019:

(RMB'000)	**Opening balance at the beginning of the year**	**Closing balance at the end of the year**	**Change for the current year**	**Fair value change recorded in other gain**
Fixed-income assets[1]	**152,929**	**48,480**	**(104,449)**	**2,634**
Mixed assets[2]	**45,034**	**84,171**	**39,137**	**2,227**
Total	**197,963**	**132,651**	**(65,312)**	**4,861**

Notes:

(1) None of our investment in any single wealth management products equals or exceeds 5% of our total assets.

(2) Comprising an investment portfolio as at 31 December 2019, which was issued by Da Cheng International Asset Management Co., Ltd. and designated to invest in (i) global fixed income instruments and equity instruments, including but not limited to unlisted shares and unlisted debt; (ii) cash and cash equivalents, including money market funds; and (iii) other instruments permitted by laws and regulations and mutually agreed. Such investment accounted for 10.8% of our total assets as at 31 December 2019.

CAPITAL EXPENDITURE

Our capital expenditure primarily consisted of expenditures on property and equipment, including purchases of computers and other office equipment. The capital expenditure decreased from RMB0.6 million in 2018 to RMB0.2 million in 2019, primarily due to the decrease in the purchase amount of computers and other electronic devices during the year ended 31 December 2019.

SIGNIFICANT INVESTMENT

As at 31 December 2018, we held an equity interest of 8.95% in Beijing Mico World Technology Co., Ltd. (北京米可世界科技有限公司) ("**Mico**") with a fair value of RMB63.7 million. In March 2019, we made an additional investment in Mico with a consideration of RMB100.0 million, after which, we held an equity interest of approximately 16.77% in Mico. Mico is a private company which provides a social networking platform with users from more than 150 countries and regions. We believe such investment allows us to forge a close partnership with Mico to create synergies across our own businesses. Please refer to the Prospectus for details of such investment. As at 31 December 2019, fair value of our equity investment in Mico was RMB184.0 million, representing 23.7% of our total assets of RMB777.6 million. Sets forth below are the fair value of our investment in Mico as at the dates indicated and the performance of such investment during the periods indicated:

(RMB'000)	**2019**	2018
Fair value as at 31 December	**184,000**	63,700
Fair value gain for the year ended 31 December	**20,300**	24,600
Dividend income for the year ended 31 December	**–**	–

We consider our strategic investment in Mico a long-term asset and will continue to closely monitor the performance of such investment.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

We did not have any investment, acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2019.

PLEDGE OF ASSETS

As at 31 December 2019, we did not pledge any of our assets.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

We intend to pursue strategic investment or acquire businesses with a view to creating synergies across our own business. We aim to target companies that have competitive strengths in technology, data and other areas or participants in the upstream and downstream industries. We intend to use the cash generated from our operating activities to fund such investment or acquisition.

CONTINGENT LIABILITIES

As at 31 December 2019, we did not have any material contingent liabilities.

FOREIGN EXCHANGE RISK MANAGEMENT

We operate our business internationally and the major currencies of our receipts and payments are denominated in our functional currency, Renminbi. We are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. dollar and the Hong Kong dollar. Therefore, foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the respective functional currency of our Group's entities. We managed foreign exchange risk by performing regular reviews of our foreign exchange exposures. We did not hedge against any fluctuations in foreign currency during the year ended 31 December 2019.

OTHER PRINCIPAL RISKS AND UNCERTAINTIES

Our operations and future financial results could be materially and adversely affected by various risks. The following highlights the principal risks the Group is susceptible to and is not meant to be exhaustive:

- We face competition in the rapidly evolving industry and we may not be able to keep continuous research and development and innovation, and may not able to compete successfully against our existing and future competitors.

- If the mobile internet industry fails to continue to develop, our profitability and prospects may be materially and adversely affected.

- Any failure to retain existing advertisers and media publishers or attract new advertisers and media publishers may negatively impact our revenue and business.

- Most of our representative mobile apps in operation have a relatively short expected lifecycle of 12 months to 18 months. If we fail to continuously develop and launch new popular apps, our proprietary app traffic monetisation business will be adversely affected.

- We may be held liable for information or content displayed on, distributed by or linked to our mobile apps and may suffer a loss of users and damage to our reputation.

- Misappropriation or misuse of privacy information and failure to comply with laws and regulations on data protection, including the GDPR, could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or declines in users and customers, or otherwise harm our business.

- If we fail to prevent security breaches, cyber-attacks or other unauthorised access to our systems or our users' data, we may be exposed to significant consequences, including legal and financial exposure and loss of users, and our reputation.

EMPLOYEE

We had a total of 177 full-time employees as at 31 December 2019, based in our headquarter in Beijing and Jinan. Among all employees, 80 are in R&D department. As a percentage of the total full-time employees, the R&D employee percentage was 45%. Salaries is determined with reference to market conditions and individual employees' performance, qualification and experience.

Below is the brief information of the current Directors and senior management of the Group.

DIRECTORS

The Board currently comprises six Directors, of which three are executive Directors and three are independent non-executive Directors.

The following table sets out information of the Directors.

Name	Age	Position	Date of Appointment as Director
Mr. LIU Chunhe	34	Executive Director and Chairman	12 September 2018
Mr. LI Ping	30	Executive Director	22 June 2019
Mr. WANG Kui	30	Executive Director	22 June 2019
Mr. PAN Xiya	63	Independent Non-executive Director	11 December 2019
Mr. CHI Shujin	35	Independent Non-executive Director	11 December 2019
Mr. LIU Rong	38	Independent Non-executive Director	11 December 2019

EXECUTIVE DIRECTORS

Mr. LIU Chunhe (劉春河), former name Liu Zhonghua (劉中華), aged 34, is the founder of the Group. He currently serves as the Chairman of the Board, executive Director and the chief executive officer of our Company. He also holds directorships in various subsidiaries of the Company, including NewBornTown Mobile Technology, NewBornTown Network Technology, Shandong NewBornTown, Solo X Technology Limited, Newborn Town International Enterprise Limited and Great Sailing. He is responsible for the overall management, strategies planning and decision-making of our Company. Mr. Liu Chunhe, as a member of the Controlling Shareholders Group, acts in concert with Mr. Li Ping, consisting of the Controlling Shareholders Group of our Company.

Mr. Liu Chunhe graduated from Shandong University (山東大學) majoring in electronic information science and technology and obtained his bachelor's degree in science in July 2007.In March 2010, he obtained his master's degree in communication and information system from Beijing University of Posts and Telecommunications (北京郵電大學).

Mr. LI Ping (李平), aged 30, is a co-founder, an executive Director and chief operating officer of our Company. He joined the Group in July 2011 and is responsible for overall operation and management of our business. Mr. Li Ping also holds directorships in NewBornTown Mobile Technology and Great Sailing. Mr. Li Ping, as a member of the Controlling Shareholders Group, acts in concert with Mr. Liu Chunhe, consisting of the Controlling Shareholders Group of our Company.

Mr. Li Ping obtained his bachelor's degree in engineering from Hebei Normal University of Science and Technology (河北科技師範學院) in June 2011.

Mr. WANG Kui (王奎), aged 30, is an executive Director and chief financial officer of our Company. He joined our Group in June 2015 and is responsible for financial affairs, investor relations, legal affairs and compliance. Mr. Wang Kui also holds directorship in NewBornTown Mobile Technology.

Mr. Wang Kui was accredited as a Financial Risk Manager by Global Association of Risk Professionals in April 2012 and as a Certified Management Accountant by The Institute of Certified Management Accountants in January 2018. Mr. Wang Kui obtained his bachelor's degree in economics from University of International Business and Economics (對外經濟貿易大學) in July 2010 and later obtained his master's degree in business administration from The University of Hong Kong (香港大學) in November 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. PAN Xiya (潘細亞), aged 63, was appointed as an independent non-executive Director of our Company in December 2019. He is responsible for providing independent advice and judgement to our Board.

Mr. Pan Xiya jointed Haibao Life Insurance Co., Ltd. in April 2017 as the leader of preparatory team and has been the Chairman of the Board of Haibao Life Insurance Co., Ltd. (海保人壽保險股份有限公司) since August 2018. He has rich experience in strategic planning, financial operation, business expansion, risk management, compliance and internal control of banks and insurance companies.

Mr. Pan Xiya graduated from Sichuan College for Sanitary Management Officials (四川省衛生管理幹部學院) in June 1987 majoring in sanitary management, graduated from Sichuan International Studies University (四川外語學院) in July 1992 majoring in English and graduated from CPC Chongqing Party School (中共重慶市委黨校) in June 2000 majoring in regional economics.

Mr. CHI Shujin (池書進), aged 35, was appointed as an independent non-executive Director of our Company in December 2019. He is responsible for providing independent advice and judgement to our Board. Mr. Chi Shujin is a director and the CFO of Beijing Siwei Zaowu Information Technology Holdings Co., Ltd. (北京思維造物信息科技股份有限公司) since September 2017.

Mr. Chi Shujin graduated from Beijing Jiaotong University (北京交通大學) in July 2007 majoring in science.

Mr. LIU Rong (劉榮), aged 38, was appointed as an independent non-executive Director of our Company in December 2019. He is responsible for providing independent advice and judgement to our Board. Mr. Liu Rong has been an executive director of Shanghai Beichuang Information Technology Co., Ltd. (上海北窗信息技術有限公司) since May 2015. He has rich experience in financial management, corporate governance and investment of high-tech enterprises.

Mr. Liu Rong graduated from Peking University (北京大學) in July 2003 majoring in financial management.

SENIOR MANAGEMENT

Ms. LYU Xiaonan (呂曉楠), aged 38, has been the finance director of our Group since February 2018, primarily responsible for the Group's financial operations.

Ms. Lyu Xiaonan was accredited as a Certified Public Accountant by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in December 2013.

Ms. Lyu Xiaonan obtained her bachelor's degree in economics from Zhengzhou University (鄭州大學) in June 2003 and later received her master's degree in economics from Central University of Finance and Economics (中央財經大學) in June 2007.

Mr. HAN Tao (韓濤), aged 37, has been the product director of our Group since December 2018, primarily responsible for overall product research and development and management of relevant department. He previously served as an Android app developer of the Group from December 2014.

Mr. Han Tao obtained his bachelor's degree in science from Peking University (Adult Higher Education) (北京大學) in January 2008.

JOINT COMPANY SECRETARIES

Mr. SONG Pengliang (宋朋亮), aged 32, was appointed as our joint company secretary on 27 May 2019. He has been the senior investment manager of NewBornTown Network Technology since March 2018.

Mr. Song Pengliang obtained his bachelor's degree in engineering in July 2009 and master's degree in engineering in June 2012 from Beijing University of Technology (北京工業大學).

Mr. AU-YEUNG Wai Ki, Joseph (歐陽偉基), aged 56, was appointed as our joint company secretary on 27 May 2019.

Mr. AU-YEUNG Wai Ki, Joseph has been an associate member of the Hong Kong Institute of Certified Public Accountants (A08401) and a fellow member of the Association of Chartered Certified Accountants.

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

GLOBAL OFFERING

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 12 September 2018. The Shares were listed on the Main Board of the Stock Exchange on 31 December 2019. The global offering comprised the Hong Kong public offering of 68,000,000 Shares and the international offering of 88,400,000 Shares (including an over-allocation of 20,400,000 Shares).

PRINCIPAL ACTIVITIES

We are a fast-growing mobile app developer and mobile advertising platform services provider based on AI technologies.

The activities and particulars of the Company's subsidiaries are shown under note 19 to the consolidated financial statements. An analysis of the Group's revenue and operating profit for the year by principal activities is set out in the section headed "Management Discussion and Analysis" on pages 9 to 18 in this annual report.

RESULTS OF OPERATIONS

The financial results of the Group for the year ended 31 December 2019 are set out on pages 9 to 18 in this annual report.

FINANCIAL SUMMARY

The four year financial summary and financial summary of the Group are set out on page 5 in this annual report.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2019.

BUSINESS REVIEW

A review of the Group's business for the year ended 31 December 2019, which includes a discussion of the principal risks and uncertainties faced by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group since the end of the financial year ended 31 December 2019, and an indication of likely future developments in the Group's business can be found in the sections headed "Chairman's Statement" on pages 6 to 8, "Management Discussion and Analysis" on pages 9 to 18 and "Corporate Governance Report" on pages 41 to 53 in this annual report. In addition, a discussion on relationships with its key stakeholders is included in the section headed "Management Discussion and Analysis".

All references herein to other sections or reports in this annual report form part of this directors' report.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2019, as far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material aspects.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environment protection and has not noted any material incompliance with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group has implemented environmental protection measures and has also encouraged staff to be environmental friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimise unnecessary waste.

For details of the Company's environmental policies and performance, and the important relationship between the Company and its employees, customers and suppliers, please refer to the environmental, social and governance report of the Company for the year ended 31 December 2019 published on the website of the Stock Exchange and the website of the Company according to the Listing Rules.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Shares of the Company were listed on the Main Board of the Stock Exchange on 31 December 2019 by way of global offering, raising total net proceeds of HK$166.9 million after deducting professional fees, underwriting commissions and other related listing expenses.

As of 31 December 2019, due to the proximity in time between completion of the initial public offering and the year-end date, the net proceeds had not been utilised by the Group. The Directors are not aware of any material change to the planned use of the proceeds as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

The Group will gradually utilise the net proceeds in accordance with the intended purposes and expected timeline as disclosed in the Prospectus. The breakdown of the intended use and amount utilised as at 31 December 2019 were as follows:

	Budget *HK$ million* (approximately)	**Amount that had been utilised as at 31 December 2019**	**Remaining balance as at 31 December 2019** *HK$ million* (approximately)
To develop, expand and upgrade our Solo X product matrix	68.6	–	68.6
To upgrade our Solo Math programmatic advertising platform	57.7	–	57.7
To enhance the big data and AI capabilities of our Solo Aware AI engine	28.4	–	28.4
To enhance our local service capabilities and build our global information distribution network	6.5	–	6.5
To be used for working capital and other general corporate purposes	5.7	–	5.7
Total	**166.9**	**–**	**166.9**

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2019, the Group's five largest customers in aggregate accounted for approximately 50.79% of the Group's total revenue. The Group's largest customer accounted for 19.21% of the Group's total revenue.

During the year ended 31 December 2019, the Group's five largest suppliers in aggregate accounted for approximately 35.15% of the Group's total purchase. The Group's largest supplier accounted for 11.66% of the Group's total purchase.

During the year ended 31 December 2019, to the best of the knowledge of the Directors, none of the Directors, their associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the Group's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2019 are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2019 are set out in note 30 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year ended 31 December 2019 are set out in notes 36(b) and 31 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's distributable reserves were approximately RMB2,051.9 million.

BANK BORROWING

As at 31 December 2019, the Group did not have any short-term or long term bank borrowings and had no outstanding utilised or utilised banking facilities.

LOAN AND GUARANTEE

During the year ended 31 December 2019, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, senior management of the Company, the controlling Shareholders (as defined under the Listing Rules) or their respective connected persons.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year under review was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities including debentures of, the Company or any other body corporate.

DIRECTORS

During the period and up to the date of this annual report, the Board currently consists of the following six Directors:

Executive Directors:

Mr. LIU Chunhe (Chairman and Chief Executive Officer)
Mr. LI Ping (Executive Director and Chief Operating Officer)
Mr. WANG Kui (Executive Director and Chief Financial Officer)

Independent Non-executive Directors:

Mr. LIU Rong
Mr. CHI Shujin
Mr. PAN Xiya

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out in this annual report in the section headed "Profile of Directors and Senior Management" on pages 19 to 21.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all of the independent non-executive Directors are independent during the Relevant Period.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENTS

Mr. LIU Chunhe entered into a service contract with the Company on 12 September 2018. The service contract was for an initial fixed term of three years (subject to re-nomination and re-election by the Company in annual general meeting), until termination.

Mr. LI Ping and Mr. WANG Kui respectively entered into a service contract with the Company on 22 June 2019. Each service contract was for an initial fixed term of three years (subject to re-nomination and re-election by the Company in annual general meeting), until termination.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years from the Listing Date (subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association), until termination.

Save as disclosed above, none of the Directors has entered into, or has proposed to enter into, a service contract with the Group which is not determinable by the employer within one year without payment of compensation (excluding statutory compensation).

EMOLUMENT OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in notes 12(a) and 8a to the consolidated financial statements of this annual report.

For the year ended 31 December 2019, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments for the year ended 31 December 2019.

Except as disclosed above, no other payments have been made or are payable, for the year ended 31 December 2019, by our Group to or on behalf of any of the Directors.

MANAGEMENT CONTRACTS

Other than the Directors' service contracts and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the year ended 31 December 2019.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no transactions, arrangements or contracts of significance subsisted in which a Director or an entity connected with a Director was materially interested, whether directly or indirectly, during or at the end of 31 December 2019.

PERMITTED INDEMNITY PROVISIONS

The Articles of Association provides that every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted, and against any loss in respect of his personal liability for the payment of any sum primarily due from the Company. Directors liability insurance is in place to protect the directors of the Company or its subsidiaries against potential costs and liabilities arising from claims brought against the Directors.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of the date of this annual report, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Capacity/ Nature of interest	Number of Shares(1)	Approximate percentage of shareholding(2)
Mr. Liu Chunhe(3)、(6)	Interest in a controlled corporation(3)	233,806,646	23.38%
	Concert party(6)	306,928,420	30.69%
Mr. Li Ping(4)、(6)	Interest in a controlled corporation(4)	73,121,774	7.31%
	Concert party(6)	306,928,420	30.69%
Mr. Wang Kui(5)	Interest in a controlled corporation(5)	22,864,176	2.29%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 1,000,000,000 Shares in issue as of the date of this annual report.

(3) The Shares are registered under the name of Spriver Tech Limited, the issued share capital of which is owned as to 100% by Mr. Liu Chunhe. Accordingly, Mr. Liu Chunhe is deemed to be interested in all the Shares held by Spriver Tech Limited for the purpose of Part XV of the SFO.

(4) The Shares are registered under the name of Parallel World Limited, the issued share capital of which is owned as to 100% by Mr. Li Ping. Accordingly, Mr. Li Ping is deemed to be interested in all the Shares held by Parallel World Limited for the purpose of Part XV of the SFO.

(5) The Shares are registered under the name of Gingko Kik Limited, the issued share capital of which is owned as to 100% by Mr. Wang Kui. Accordingly, Mr. Wang Kui is deemed to be interested in all the Shares held by Gingko Kik Limited for the purpose of Part XV of the SFO.

(6) Mr. Liu Chunhe and Mr. Li Ping are parties acting in concert (having the meaning ascribed thereto in the Takeovers Code) and form part of the Controlling Shareholders Group. Accordingly, Mr. Liu Chunhe, Spriver Tech Limited, Mr. Li Ping, Parallel World Limited are each deemed to be interested in the Shares held by other members of the Controlling Shareholders Group under the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the Reporting Period was the Company or its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in or debentures of the Company or any other body corporate, and none of the Directors or their spouses or children under the age of 18 were granted any right to subscribe for the share capital or debt securities of the Company or any other body corporate, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of the date of this annual report, to the best knowledge of the Directors, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Capacity/ Nature of interest	Number of Shares(1)	Approximate percentage of shareholding
Phoenix Auspicious FinTech Investment L.P.(3)	Beneficial owner(3)	89,210,948	8.92%
Phoenix Wealth (Cayman) Asset Management Limited(3)	Interest in a controlled corporation(3)	89,210,948	8.92%
Phoenix Wealth (Hong Kong) Asset Management Limited(3)	Interest in a controlled corporation(3)	89,210,948	8.92%
Phoenix Wealth Investment (Holdings) Limited(3)	Beneficial owner(3)	67,686,042	6.77%
Mr. Du Li(3)	Interest in a controlled corporation(3)	156,896,990	15.69%
Haitong Kaiyuan(4)	Beneficial owner(4)	73,543,316	7.35%
Haitong Kaiyuan(4)	Interest in a controlled corporation(4)	66,322,516	6.63%
Haitong Xinxi(4)	Beneficial owner(4)	66,322,516	6.63%
Haitong Securities(4)	Interest in a controlled corporation(4)	139,865,832	13.98%
TMF Trust (HK) Limited(5)	Trustee(5)	60,335,566	6.03%
Ningbo Meihua Shunshi Angel Capital Partnership Enterprise (Limited Partnership)(6)	Beneficial owner(6)	54,133,938	5.41%
Ningbo Plum Angel Investment Management Co., Ltd.(6)	Interest in a controlled corporation(6)	54,133,938	5.41%
Mr. Wu Shichun(6)	Interest in a controlled corporation(6)	54,133,938	5.41%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 1,000,000,000 Shares in issue as of the date of this annual report.

(3) Phoenix Wealth Investment (Holdings) Limited is an investment holding company incorporated in BVI with limited liability, which is wholly owned by Mr. Du Li, a shareholders of NewBornTown Mobile Technology. Phoenix Auspicious FinTech Investment L.P. is an exempted limited partnership established under the laws of Cayman Islands, the general partner of which is Phoenix Wealth (Cayman) Asset Management Limited, an exempted company incorporated under the laws of Cayman Islands. Phoenix Wealth (Cayman) Asset Management Limited is wholly owned by Phoenix Wealth (Hong Kong) Asset Management Limited, a limited company incorporated under the laws of Hong Kong, which is in turn wholly owned by Mr. Du Li. Mr. Du Li is therefore deemed to be interested in all the Shares held by Phoenix Auspicious FinTech Investment L.P. and Phoenix Wealth Investment (Holdings) Limited under the SFO.

(4) Haitong Kaiyuan is the general partner of Haitong Xinxi. Haitong Kaiyuan is therefore deemed to be interested in all the Shares held by Haitong Xinxi under the SFO. Haitong Kaiyuan is wholly owned by Haitong Securities. Haitong Securities is therefore deemed to be interested in all the Shares held by Haitong Kaiyuan and Haitong Xinxi under the SFO.

(5) TMF Trust (HK) Limited is an independent and professional trustee appointed by the Company to act as the trustee of the Employee RSU Scheme and the trustee of the Management RSU Scheme.

(6) Ningbo Meihua Shunshi Angel Capital Partnership Enterprise (Limited Partnership) (the "**Plum Venture**") is a limited partnership established under the laws of the PRC. The general partner of Plum Venture is Ningbo Plum Angel Investment Management Co., Ltd., 80% equity interest of which is held by Mr. Wu Shichun.

Save as disclosed above, as of the date of this annual report, the Directors were not aware of any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company under section 336 of the SFO.

CONTRACT WITH CONTROLLING SHAREHOLDERS

Save as disclosed in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and the controlling shareholders (as defined under the Listing Rules) of the Company or any of its subsidiaries during the year ended 31 December 2019 or subsisted at the end of the year and no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries was entered into during the year ended 31 December 2019 or subsisted at the end of the year.

NON-COMPETITION UNDERTAKINGS

As disclosed in the Prospectus, Mr. Liu Chunhe and Mr. Li Ping, each of them being a member of the Controlling Shareholders Group, entered into a deed of non-competition with the Company on 11 December 2019 in favour of the Company (the "**Deed of Non-competition**"). Pursuant to the Deed of Non-competition, each of Mr. Liu Chunhe and Mr. Li Ping undertook to the Company that, they shall not and shall procure that none of their close associates not, subject to and except as mentioned in the Deed of Non-competition, directly or indirectly, carry on, be engaged in or interested in or otherwise be involved in any business which, wholly or partly, competes or proposes to compete with the mobile app development business, mobile advertising platform and related business carried on or to be carried on in the immediate or foreseeable future by the Group.

Each of Mr. Liu Chunhe and Mr. Li Ping has confirmed in writing to the Company of their compliance with the Deed of Non-competition for disclosure in this annual report during the financial year of 2019. No new business opportunity was informed by them as at 31 December 2019. The independent non-executive Directors have reviewed the implementation of the deed of non-compete undertaking and are of the view that the non-competition undertakings have been complied with by Mr. Liu Chunhe and Mr. Li Ping for the year ended 31 December 2019.

RETIREMENT BENEFITS SCHEME

Details of the company's retirement and employee benefit plans are set out in note 8 to the consolidated financial statements.

RSU SCHEMES

Employee RSU Scheme

We adopted the Employee RSU Scheme on 11 December 2019 to incentivise employees and consultants (not being core connected persons of the Company under Listing Rules) of the Group and to attract and retain skilled and experienced personnel for the future growth of the Group by providing them with the opportunity to own equity interests in the Company. The Company has appointed TMF Trust (HK) Limited as the Employee RSU Trustee to assist with the administration and vesting of RSUs granted pursuant to the Employee RSU Scheme. A summary of the terms of the Employee RSU Scheme has been set out in the Appendix IV of the Prospectus.

Participants in the Employee RSU Scheme

Persons eligible to receive RSUs under the Employee RSU Scheme ("**Employee RSU Eligible Persons**") include existing employees and consultants (not being core connected persons of the Company under Listing Rules) of the Company or any of their subsidiaries, excluding any person who is a Director, member of senior management, core connected persons of the Company or who is resident in a place where the award of the Shares and/or the vesting of the transfer of the Shares pursuant to the Employee RSU Scheme is not permitted under the laws and regulations of such place or where in the view of the Employee RSU Administrator or the Employee RSU Trustee as the case may be, compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such person. Consultants refers to any person that provides research, development, consultancy and other technical or operational support to the Group and have contributed or will contribute to the Group. The Employee RSU Administrator selects the Employee RSU Eligible Persons to receive RSUs under the Employee RSU Scheme at its discretion.

Term of the Employee RSU Scheme

The Employee RSU Scheme will be valid and effective for a period of ten (10) years, commencing from the date of the adoption of the Employment RSU Scheme (unless it is terminated earlier in accordance with its terms).

Maximum number of Shares pursuant to RSUs

Unless otherwise approved by Shareholders, the total number of Shares underlying RSUs (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the Employee RSU Scheme) under the Employee RSU Scheme shall not exceed 32,540,356 Shares, representing approximately 3.25% of the issued share capital of the Company.

As disclosed in the Prospectus, no RSUs will be granted by the Company pursuant to the Employee RSU Scheme before the Listing or within the three months immediately following the completion of global offering. As at the date of this annual report, no RSUs have been granted by the Company pursuant to the Employee RSU Scheme.

Management RSU Scheme

We adopted the Management RSU Scheme on 11 December 2019 to incentivise Directors, senior management and officers for their contribution to the Group, and to attract and retain skilled and experienced personnel for the future growth of the Group by providing them with the opportunity to own equity interests in the Company. The Company has appointed TMF Trust (HK) Limited as the RSU Trustee to assist with the administration and vesting of RSUs granted pursuant to the Management RSU Scheme. A summary of the terms of the Management RSU Scheme has been set out in the Appendix IV of the Prospectus.

Participants in the Management RSU Scheme

Persons eligible to receive RSUs under the Management RSU Scheme ("**Management RSU Eligible Persons**") include senior management, Directors (whether executive or non-executive, but excluding independent non-executive directors) and officers of the Company or any of their subsidiaries, excluding any person who is resident in a place where the award of the Shares and/or the vesting of the transfer of the Shares pursuant to the Management RSU Scheme is not permitted under the laws and regulations of such place or where in the view of the Management RSU Administrator or the Management RSU Trustee as the case may be, compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such person. The Management RSU Administrator selects the Management RSU Eligible Persons to receive RSUs under the Management RSU Scheme at its discretion.

Term of the Management RSU Scheme

The Management RSU Scheme will be valid and effective for a period of ten (10) years, commencing from the date of the adoption of the Management RSU Scheme (unless it is terminated earlier in accordance with its terms).

Maximum number of Shares pursuant to RSUs

Unless otherwise approved by Shareholders, the total number of Shares underlying RSUs (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the Management RSU Scheme) under the Management RSU Scheme shall not exceed 27,795,210 Shares, representing approximately 2.78% of the issued share capital of the Company.

As disclosed in the Prospectus, no RSUs will be granted by the Company pursuant to the Management RSU Scheme before the Listing or within the three months immediately following the completion of global offering. As at the date of this annual report, no RSUs have been granted by the Company pursuant to the Management RSU Scheme.

The RSU Schemes are not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Schemes do not involve the grant of options by the Company to subscribe for new Shares.

During the Relevant Period, the Company did not have any share option schemes.

EQUITY-LINKED AGREEMENT

No equity-linked agreement will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares, were entered into by the Company during the year ended 31 December 2019 or subsisted as of the end of 2019.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Shares have been listed on the Stock Exchange since the Listing Date. Neither the Company nor any member of the Group has purchased, sold or redeemed any of the Company's listed securities during the Relevant Period.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

CONNECTED TRANSACTIONS

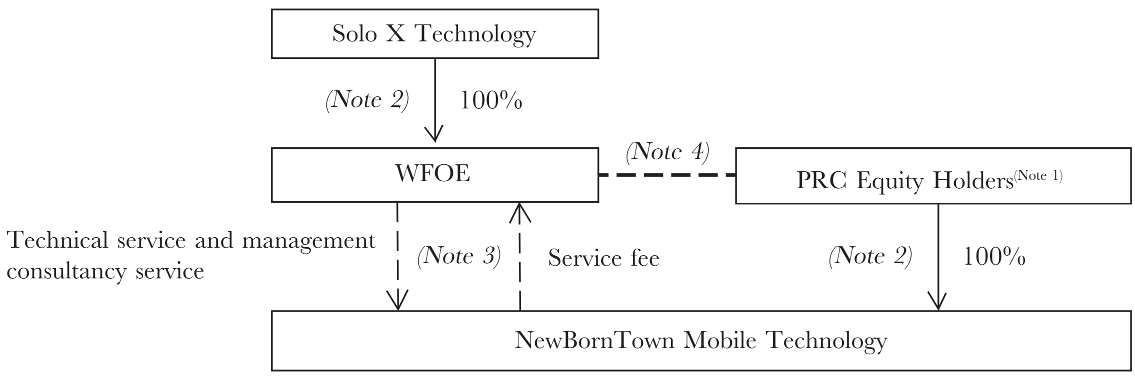
Non-exempted Continuing Connected Transactions

Contractual Arrangements

WFOE has entered into various agreements with and among the PRC Equity Holders and other related parties. Under the Contractual Arrangements, WFOE has acquired effective control over the financial and operational policies of the Consolidated Affiliated Entities and has become entitled to all economic benefits derived from their operations to the extent permitted under the PRC laws and regulations by means of services fees payable by the Consolidated Affiliated Entities to WFOE.

Accordingly, through the Contractual Arrangements, the Group's Consolidated Affiliated Entities' results of operations, assets and liabilities, and cash flows are consolidated into the Group's financial statements.

The following simplified diagram illustrates the flow of economic benefits from the Group's Consolidated Affiliated Entities to the Group stipulated under the Contractual Arrangements:



Notes:

(1) PRC Equity Holders refer to the registered shareholders of NewBornTown Mobile Technology, namely: Mr. Liu Chunhe, Mr. Huang Mingming, Mr. Ye Chunjian, Mr. Du Li, Mr. Li Ping, Shanghai Longwin Xinhu Investment Partnership Enterprise (Limited Partnership), Ningbo Meihua Shunshi Angel Capital Partnership Enterprise (Limited Partnership), Haitong Kaiyuan Investment Co., Ltd., Shanghai Haitong Xinxi Investment Center (Limited Partnership), Beijing Phoenix Fortune Interconnection Investment Fund (Limited Partnership), Beijing Amphora Guotai Venture Capital Investment Co., Ltd., Beijing Hande Houcheng Enterprise Management Centre (Limited Partnership) and Jiaxing Fuqiang Ruiyi Equity Investment Limited Partnership Enterprise (Limited Partnership).

(2) "—>" denotes direct legal and beneficial ownership in the equity interest (except in the case of Huang Mingming, which the beneficial ownership in the equity interest of NewBornTown Mobile Technology is held by Huang Mingming on behalf of Future Capital Discovery Fund I, L.P.).

(3) "--->" denotes contractual relationship, please refer to "Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements" for details.

(4) "---" denotes the control by WFOE over the PRC Equity Holders and NewBornTown Mobile Technology through (i) powers of attorney to exercise all shareholders' rights in NewBornTown Mobile Technology, (ii) exclusive equity call options to acquire all or part of the equity interests in NewBornTown Mobile Technology, (iii) exclusive asset call options to acquire all or part of the intellectual property and all other assets of NewBornTown Mobile Technology, and (iv) equity pledges over the equity interests in NewBornTown Mobile Technology.

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

Exclusive Business Cooperation Agreement

NewBornTown Mobile Technology and WFOE entered into the exclusive business cooperation agreement on 26 June 2019 ("**Exclusive Business Cooperation Agreement**"), pursuant to which the WFOE shall provide exclusive technical services and exclusive management consultancy services to NewBornTown Mobile Technology, including:

(a) the use of any relevant software legally owned by the WFOE;

(b) development, maintenance and updating of software in respect of the NewBornTown Mobile Technology's business;

(c) design, installation, daily management, maintenance and updating of network systems, hardware and database design;

(d) providing technical support and staff training services to relevant employees of NewBornTown Mobile Technology;

(e) providing assistance in consultancy, collection and research of technology and market information (excluding market research business that wholly foreign owned enterprises are prohibited from conducting under the laws of mainland China);

(f) providing business management consultation;

(g) providing marketing and promotional services;

(h) providing customer order management and customer services;

(i) transfer, leasing and disposal of equipment or properties; and

(j) other relevant services requested by NewBornTown Mobile Technology from time to time to the extent permitted under the laws of China.

Pursuant to the Exclusive Business Cooperation Agreement, the service fee shall consist of 100% of the total consolidated profit of NewBornTown Mobile Technology, after the deduction of any accumulated deficit of NewBornTown Mobile Technology and its subsidiaries in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions.

Exclusive Option Agreements

(a) Exclusive Equity Call Option Agreement

The PRC Equity Holders, NewBornTown Mobile Technology and WFOE entered into the exclusive equity call option agreement on 26 June 2019 ("**Exclusive Equity Call Option Agreement**"), pursuant to which the PRC Equity Holders shall irrevocably grant the WFOE or its designated purchaser the right to purchase all or part of the equity interests in NewBornTown Mobile Technology, in whole or in part at any time and from time to time, at RMB1. If the minimum purchase price permitted under PRC laws and regulations is higher than RMB1, the transfer price shall be the minimum purchase price permitted under PRC laws and regulations.

The Exclusive Equity Call Option Agreement was commenced on 26 June 2019 being the date of the agreements, until it is terminated (i) upon the transfer of the entire equity interests of NewBornTown Mobile Technology to WFOE or its designated person, or (ii) as agreed by all parties to the agreement.

(b) Exclusive Assets Call Option Agreement

NewBornTown Mobile Technology and WFOE entered into the exclusive assets call option agreement on 26 June 2019 ("**Exclusive Assets Call Option Agreement**"), pursuant to which the NewBornTown Mobile Technology shall irrevocably grant the WFOE or its designated purchaser the right to purchase all intellectual properties and all other assets in NewBornTown Mobile Technology, in whole or in part at any time and from time to time, at RMB1. If the minimum purchase price permitted under PRC laws and regulations is higher than RMB1, specified in PRC laws and regulations, the transfer price shall be the minimum purchase price permitted under PRC laws and regulations. Subject to the approval of both parties, the transfer fee of target assets under the Exclusive Assets Call Option Agreement may be offset by the relevant amount due to WFOE.

The Exclusive Assets Call Option Agreement was commenced on 26 June 2019 being the date of the agreements, until it is terminated (i) upon the transfer of the entire assets of NewBornTown Mobile Technology to the WFOE or its designated person; or (ii) as agreed by all parties to the agreement.

Equity Pledge Agreement

The WFOE, NewBornTown Mobile Technology and the PRC Equity Holders entered into the equity pledge agreement on 26 June 2019 ("**Equity Pledge Agreement**"), pursuant to which each of the PRC Equity Holders agreed to pledge all of their respective equity interests in NewBornTown Mobile Technology to WFOE that they own, including any interest or dividend paid for the shares, to the WFOE as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts.

The pledge in respect of NewBornTown Mobile Technology takes effect upon the completion of registration with the relevant administration for industry and commerce and shall remain valid until the earlier date of (i) all the outstanding debts of the PRC Equity Holders and NewBornTown Mobile Technology under the relevant Contractual Arrangements have been fully performed; (ii) the WFOE exercise its pledge rights in accordance with terms and conditions under such agreement; and (iii) each of the PRC Equity Holders has transferred his equity interests in NewBornTown Mobile Technology in accordance with the Exclusive Option Agreement.

The registration of the pledge of equity interests as required by the relevant laws and regulations has been completed in accordance with the term of the Equity Pledge Agreement and PRC Laws and regulations.

Powers of attorney

Each of the PRC Equity Holders and WFOE entered into the powers of attorney on 26 June 2019 pursuant to which the PRC Equity Holders irrevocably appointed the WFOE and its designated persons as its attorneys-in-fact to exercise on its behalf, and agreed and undertook not to exercise without such attorneys-in-fact's prior written consent, any and all right that it have in respect of its equity interests in NewBornTown Mobile Technology, including without limitation:

(a) to convene and attend shareholders' meetings of NewBornTown Mobile Technology;

(b) to exercise all shareholder's rights and shareholder's voting rights in accordance with law and the constitutional documents of NewBornTown Mobile Technology, including but not limited to the sale, transfer, pledge or disposal of any or all of the equity interests in NewBornTown Mobile Technology;

(c) to execute any written resolutions; and

(d) to nominate or appoint the legal representatives, directors, supervisors, chief executive officers and other senior management of NewBornTown Mobile Technology.

Further, the Powers of Attorney shall remain effective for so long as each of the PRC Equity Holders holds equity interest in NewBornTown Mobile Technology, unless that (i) the Powers of Attorney is terminated by all parties; or (ii) all the equity interest or assets of NewBornTown Mobile Technology held by each of the PRC Equity Holders have been legally and effectively transferred to WFOE and/or a third party designated by it.

Save as disclosed above, there were no other new contractual arrangements entered into, renewed and/or re-entered into between WFOE, the PRC Equity Holders and other related parties during the year ended 31 December 2019.

There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the year ended 31 December 2019. For the year ended 31 December 2019, none of the Contractual Arrangements had been unwound on the basis that none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. As of 31 December 2019, the Group had not encountered interference or encumbrance from any PRC governing bodies in operating the businesses through the Consolidated Affiliated Entities under the Contractual Arrangements.

The revenue and profit for the year of the Consolidated Affiliated Entities subject to the Contractual Arrangements amounted to approximately RMB389.7 million and RMB68.4 million for the year ended 31 December 2019, respectively. The total assets and total liabilities of the Consolidated Affiliated Entities subject to the Contractual Arrangements amounted to approximately RMB777.6 million and RMB143.0 million as at 31 December 2019, respectively.

Qualification requirements

Updates in Relation to the Qualification Requirements

On 11 December 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定(2016年修訂)》) ("**FITE Regulations**"), which were amended on 10 September 2008 and 6 February 2016. According to the FITE Regulations, foreign investors are prohibited from holding more than 50% of the equity interests in a company providing value-added telecommunications services, including ICP services. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC shall have a record of good performance and operating experience in managing value-added telecommunications business ("**Qualification Requirements**"). Foreign investors that meet these requirements must obtain approvals from the Ministry of Industry and Information Technology of the PRC and/or its authorised local counterparts which retain considerable discretion in granting such approvals. For details, please refer to the Prospectus.

Efforts and Actions Undertaken to Comply with the Qualification Requirements

Despite the lack of clear guidance or interpretation on the Qualification Requirements, we have been gradually building up our track record of overseas value-added telecommunications business operations for the purpose of being qualified. We have taken the following measures through Solo X Technology:

(a) had applied for the registration of 4 trademarks in Hong Kong;

(b) operated proprietary app traffic monetisation business in Hong Kong; and

(c) monetised several apps which are offered in both Google Play and Apple App store through mobile advertising, and received payments from ad agency.

Reasons for Adopting the Contractual Arrangements

Due to regulatory restrictions on foreign ownership in the PRC, we conduct a portion of our business through the Consolidated Affiliated Entities in mainland China.

We do not hold any equity interests in the Consolidated Affiliated Entities. Rather, through the Contractual Arrangements, we effectively control these Consolidated Affiliated Entities and are able to derive substantially all of their economic benefits, and expect to continue to do so. The Contractual Arrangements among us, the WFOE, the Consolidated Affiliated Entities and the PRC Equity Holders enable us to (i) receive substantially all of the economic benefits from the Consolidated Affiliated Entities in consideration for the services provided by the WFOE; (ii) exercise effective control over the Consolidated Affiliated Entities; and (iii) hold an exclusive option to purchase all or part of the equity interests and assets in the Consolidated Affiliated Entities when and to the extent permitted by PRC laws.

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

The Directors also believe that our structure, whereby the financial results of the consolidated affiliated entities are consolidated into our financial statements as if they were our Company's wholly-owned subsidiaries, and all the economic benefits of their business flows to our Group, places our Group in a special position in relation to the continuing connected transactions rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, the Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to the Company, for all the transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and approval of independent Shareholders.

Risks Relating to the Contractual Arrangements

There are certain risks that are associated with the Contractual Arrangements, including:

- If the PRC government determines that our Contractual Arrangements do not comply with applicable laws or regulations, or if these laws, regulations or their interpretations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

- Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of the 2015 draft PRC foreign investment law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

- Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

- Our Contractual Arrangements may not be as effective in providing operational control as direct ownership and the NewBornTown Mobile Technology or the PRC Equity Holders may fail to perform their obligations under our Contractual Arrangements.

- We may lose the ability to use and enjoy assets and licences held by NewBornTown Mobile Technology and its subsidiaries that are important to the operation of our business if NewBornTown Mobile Technology or any its subsidiaries declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

- Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and additional taxes may be imposed. A finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.

- The PRC Equity Holders may potentially have a conflict of interest with us, and they may breach their contracts with us or cause such contracts to be amended in a manner contrary to our interests.

- We conduct mobile apps development business in the PRC through NewBornTown Mobile Technology and its subsidiaries by way of the Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under PRC laws.

- If we exercise the option to acquire equity ownership of NewBornTown Mobile Technology and its subsidiaries, the ownership transfer may subject us to certain limitations and substantial costs.

Further details of these risks are set out in the section headed "Risk Factors – Risks Relating to Our Contractual Arrangements" of the Prospectus.

The Group has adopted the following measures to ensure the effective operation of the Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

(a) the powers of attorney are granted to the WFOE, and the related matters are decided by designated persons of the WFOE, including for instance Directors and their successors, and the power of attorney will not be exercised by officers or directors of the Company who are also the PRC Equity Holders to prevent any potential conflict of interest;

(b) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;

(c) the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

(d) the Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports; and

(e) the Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of WFOE and the Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

Waivers from the Stock Exchange

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

Annual Review by the Independent Non-Executive Directors and the Auditor

For the year ended 31 December 2019, the independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that:

(a) the transactions carried out during the year ended 31 December 2019 had been entered into in accordance with the relevant provisions of the Contractual Arrangements;

(b) no dividends or other distributions had been made by the Consolidated Affiliated Entities to the holders of its equity interests which were not otherwise subsequently assigned or transferred to the Group;

(c) any new contracts entered into, renewed and/or re-entered into between the Group and the Consolidated Affiliated Entities during the year ended 31 December 2019 are fair and reasonable, or advantageous to the Shareholders, so far as the Group is concerned and in the interests of the Company and the Shareholders as a whole; and

(d) the Contractual Arrangements had been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interest of our Group and our Shareholders as a whole.

The Company's auditor has confirmed in a letter in accordance with the Hong Kong Standard on Assurance Engagement 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA, under the requirements of Rule 14A.56 of the Listing Rules, to the Board that the transactions carried out pursuant to the Contractual Arrangements during the year ended 31 December 2019 had received the approval of the Board, had been entered into, in accordance with the relevant provisions of the Contractual Arrangements, and that no dividends or other distributions had been made by the Consolidated Affiliated Entities to the holders of their equity interests which were not otherwise subsequently assigned or transferred to the Group.

Save as disclosed in this annual report, as of the date of this annual report, the Company had no connected transactions which are required to be disclosed in accordance with the provisions under Chapter 14A of the Listing Rules in relation to the disclosure of connected transactions.

Further details on related party transactions for the year ended 31 December 2019 are set out in note 34 to the consolidated financial statements.

DONATIONS

For the year ended 31 December 2019, the charitable and other donations made by the Group amounted to RMB0.9 million.

MATERIAL LEGAL PROCEEDINGS

For the year ended 31 December 2019, we have engaged in the following legal disputes in the course of our daily business:

In 2018, NewBornTown Network Technology provided advertising services to Beijing Shanyi Shanmei Technology Co., Ltd. ("customer") (北京善義善美科技有限公司), but did not receive service fee from the customer during the settlement period as agreed in the contract. As at 31 December 2018, the amount due from customer is RMB11.0 million ("service fee"). As the customer had failed to meet its payment obligations following the payment notification issued by NewBornTown Network Technology, the directors decided to settle the dispute through arbitration, NewBornTown Network Technology submitted an application for arbitration in January 2019 and the arbitral tribunal proceeded as scheduled, NewBornTown Network Technology signed a payment plan with the customer on 14 August 2019, under which the customer agreed to repay all outstanding service fees in 19 instalments, with the final payment due by 31 December 2020. On the same day, the arbitration agency issued a conciliation statement. At present, NewBornTown Network Technology recovers the payment according to the payment plan. If the customer fails to comply with the payment plan, NewBornTown Network Technology will have the right to apply for enforcement.

For the year ended 31 December 2019, save as the above arbitration, there is no legal proceeding individually or jointly, which would have a material adverse impact on our business, financial position or business performance and has not yet been adjudicated or poses a threat to us or any of our Directors.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders of the Company by reason of their holding of the Company's securities.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend the vote at the AGM to be held on 15 June 2020, the registers of members of the Company will be closed from 10 to 15 June 2020, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on 9 June 2020.

SUBSEQUENT EVENTS

As of the date of this annual report, details for subsequent events are set out on page 159 in this annual report.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained a public float of no less than 25% of the issued Shares as at the date of this annual report, which was in line with the requirement under the Listing Rules.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2019 have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the AGM.

By order of the Board
LIU Chunhe
Chairman

Beijing, 30 March 2020

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its affairs are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all Shareholders.

The Company has developed and implemented sound corporate governance policies and measures, and the Board is responsible for performing such corporate governance duties. The Board will continue to review and monitor the corporate governance of the Company, as well as various internal policies and procedures, including but not limited to those applicable to employees and Directors, with reference to the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules and other applicable legal and regulatory requirements so as to maintain a high standard of corporate governance of the Company.

During the Relevant Period, the Company has complied with the principles and code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules other than code provision A.2.1, which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Pursuant to A.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Mr. LIU Chunhe is the chairman of the Board and the chief executive officer of our Company. With extensive experience in the mobile app development and mobile advertising platform services industry, Mr. LIU Chunhe is responsible for the overall strategic planning, management and decision-making of the Group and is instrumental to the growth and business expansion since our establishment. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-caliber individuals. The Board currently comprises three executive Directors (including Mr. LIU Chunhe) and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. The Board will review the current structure from time to time and shall make necessary changes when appropriate and inform the Shareholders of the Company accordingly.

The Group will continue to review and monitor its corporate governance practices in order to ensure the compliance with the Corporate Governance Code.

BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group. The Board oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility of the day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

BOARD COMPOSITION

As of the date of this annual report, the Board comprised three executive Directors and three independent non-executive Directors as set out below:

Executive Directors:

Mr. LIU Chunhe *(Chairman and Chief Executive Officer)*
Mr. LI Ping
Mr. WANG Kui

Independent Non-executive Directors:

Mr. PAN Xiya
Mr. CHI Shujin
Mr. LIU Rong

The biographies of the Directors are set out under the section headed "Profile of Directors and Senior Management" of this annual report.

During the Relevant Period, the Board has met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive directors representing at least one-third of the Board.

Each of the independent non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

Save as disclosed in the biographies of the Directors as set out in the section headed "Profile of Directors and Senior Management" of this annual report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Directors or any chief executive.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and expertise to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the code provision under the Corporate Governance Code requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their identity and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that they remain informed and relevant for their contribution to the Board.

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Besides, meetings with senior management of the Company were also arranged.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the Relevant Period, the Company organised one training sessions conducted by the qualified professionals for all the Directors. Such training sessions cover a wide range of relevant topics including directors' duties and responsibilities, risk management and internal controls etc. In addition, relevant reading materials including directors' manual, legal and regulatory updates and seminar handouts have been provided to the Directors for their reference and studying.

The Directors as at 31 December 2019 confirmed that they had complied with such requirements for the period under review.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Under the Articles of Association, at every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director required to stand for re-election pursuant to Article 16.2 of the Articles of Association shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

The Articles of Association set out the procedures and process for the appointment, re-election and removal of Directors. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

BOARD MEETINGS

The Company adopts the practice of holding Board meetings regularly, at least four times per year, and at approximately quarterly intervals.

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. For other Board and Board committee meetings, reasonable notice is generally required to be given. The agenda and accompanying board papers shall be dispatched to the Directors or Board committee members at least 3 days before the meeting to ensure that they have sufficient time to review the relevant papers and are adequately prepared for the meeting. When Directors or Board committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings are kept by the joint company secretaries with copies circulated to all Directors or Board committee members for information and records.

Minutes of the Board meetings and Board committee meetings are recorded and in sufficient detail about the matters considered by the Board and the Board committee and the decisions reached are noted, including concerns raised by the Directors/Board committee members. Draft and final versions of the minutes of each Board meeting and Board committee meeting are sent to the Directors/Board committee members for comment within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

As the Company was listed on 31 December 2019 and the Board did not have any matters to discuss during the period from Listing Date to 31 December 2019, a Board meeting was held on 30 March 2020 to consider and approve the final results and no general meeting was convened. All Directors attended the meeting. The Company will fully comply with the requirement under the code provision A.1.1 of the Corporate Governance Code of convene Board meetings at least four times a year at approximately quarterly intervals.

DELEGATION BY THE BOARD

The Board reserves its right to decide on all major matters of the Company, including: the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, the appointment of Directors and other significant financial and operational matters. Directors may have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to the management entering into any significant transactions.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the functions set out in the code provision D.3.1 of the Corporate Governance Code. The Board recognises that corporate governance should be the collective responsibility of the Directors which includes:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and

(e) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

The Company was complied with the relevant Corporate Governance Code provisions from the Listing Date to 31 December 2019.

BOARD COMMITTEES

Audit Committee

The Audit Committee comprises three members, Mr. CHI Shujin (Chairman), Mr. PAN Xiya and Mr. LIU Rong, all of whom are independent non-executive Directors.

The principal duties of the Audit Committee include the following:

(a) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

(c) to develop and implement policies on engaging an external auditor to supply non-audit services. For this purpose, an "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

(d) to monitor the integrity of the Company's financial statements, annual reports, accounts, interim reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee shall focus particularly on:

  (i) any changes in accounting policies and practices;

  (ii) major judgmental areas;

  (iii) significant adjustments resulting from the audit;

  (iv) the going concern assumptions and any qualifications;

  (v) compliance with accounting standards; and

  (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

(e) regarding paragraph (d) above:

  (i) members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and

  (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in report and accounts, and should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

(f) to review the Company's financial controls, risk management and internal control systems;

(g) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion shall include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;

(h) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(i) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(j) to review the financial and accounting policies and practices of the Company and its subsidiaries;

(k) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

(l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(m) to report to the Board on the matters within the scope of duties

(n) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(o) to act as the key representative body for overseeing the Company's relation with the external auditor;

(p) to review continuing connected transactions of the Company and ensure compliance with terms approved by shareholders of the Company;

(q) to assess the risks in relation to the Company's major investment projects; and

(r) to consider such other matters as the Board may from time to time determine.

As the Company's Shares were only listed on the Stock Exchange on 31 December 2019, the Audit Committee did not hold any meetings during the year ended 31 December 2019. A meeting of the Audit Committee was held on 30 March 2020 to review the annual results of the Group for the year ended 31 December 2019, and all members of the Audit Committee attended the meeting.

Nomination Committee

The Nomination Committee currently comprises three members, including one executive Director namely Mr. LI Ping and two independent non-executive Directors namely Mr. PAN Xiya (chairman) and Mr. CHI Shujin.

The principal duties of the Nomination Committee include the following:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to develop the criteria and procedures for identifying and assessing the qualifications of and evaluating candidates for directors, the general manager and other senior management members;

(c) to identify individuals who are suitably qualified to become directors, the general manager and other senior management members and to select or make recommendations to the Board on the selection of individuals nominated therefor;

(d) to assess the independence of independent non-executive directors;

(e) to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular, the Chairman and the chief executive of the Company; and

(f) to develop a policy concerning diversity of Board members, disclose the policy or a summary of the policy in the corporate governance report, and review the policy from time to time, to ensure the continued effect and ensure the diversity of the Board members.

As the Company's Shares were only listed on the Stock Exchange on 31 December 2019, the Nomination Committee did not hold any meetings during the year ended 31 December 2019.

Nomination Policy

According to the nomination policy, in evaluating and selecting any candidate for directorship, the Nomination Committee would consider the criteria, including, among other things, character and integrity, qualifications (cultural and educational background, professional qualifications, skills, knowledge and experience and diversity aspects under the board diversity policy), any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and diversity, and willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s).

The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship with a ranking of the candidates (if applicable) by order of preference based on the needs of the Company and reference check of each candidate.

Board Diversity Policy

We have adopted a board diversity policy which sets out the approach to achieve and maintain appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth. Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review and assess the composition of the Board and make recommendations to the Board on appointment of members of the Board. Meanwhile, the Nomination Committee will consider the benefits of all aspects of diversity, in order to maintain an appropriate range and balance of talents, skills, experience and diversity of perspectives on the Board.

Remuneration Committee

The Remuneration Committee comprises three members, including one executive Director namely Mr. WANG Kui and two independent non-executive Directors namely Mr. LIU Rong and Mr. PAN Xiya.

The principal duties of the Remuneration Committee include the following:

(a) to review and make recommendations to the Board on the Company's policy and structure for the remuneration of all the Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) to review and approve the management's remuneration proposals with reference to the corporate goals and objectives resolved by the Board from time to time, and to supervise the implementation of the relevant proposals;

(c) to make recommendations to the Board on the remuneration packages of executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(d) to make recommendations to the Board on the remuneration of non-executive Directors;

(e) to consider factors such as the level of remuneration paid by comparable companies, the time commitment and responsibilities of directors and senior management, and the employment conditions of the Company and its subsidiaries and consolidated affiliated entities;

(f) to consider the level of remuneration required to attract and retain directors to manage the Company successfully;

(g) to ensure that no Director or any of his or her associates is involved in deciding his or her own remuneration. For the avoidance of doubt, members of the Remuneration Committee must not be involved in deciding his or her own remuneration;

(h) to review and approve compensation payments and arrangements to Directors and senior management of the Company for loss or termination of their office or appointment, or dismissal or removal for misconduct and to assess whether the proposed payments or arrangements are fair, not excessive, reasonable, consistent with the relevant contractual terms, or otherwise appropriate; and

(i) to advise shareholders of the Company on how to vote in respect of any service contracts of directors that require shareholders' approval in accordance with the Listing Rules.

As the Company's Shares were only listed on the Stock Exchange on 31 December 2019, the Remuneration Committee did not hold any meetings during the year ended 31 December 2019.

Remuneration Policy

The Group's remuneration policy is based on the merits, qualifications and competence of individual employees and is regularly reviewed by the Remuneration Committee. Directors' remuneration is recommended by the Remuneration Committee and determined by the Board, which takes into account the Group's operating results, personal performance and comparable market statistics.

Details of the Directors' remuneration and the five highest paid employees in the Group are set out in notes 12(a) and 8a to the consolidated financial statements in this annual report.

REMUNERATION OF DIRECTORS

Please refer to note 12 to the financial statements for details of the remuneration of members of the Board for the year ended 31 December 2019.

Pursuant to code provision B.1.5 of the Corporate Governance Code, the annual remuneration of the members of senior management, including those members of senior management who are also the executive Directors, by band for the year ended 31 December 2019 is set out below:

Annual Remuneration (HK$)	Number of individuals
0-500,000	1
500,001-1,000,000	3
1,000,001-1,500,000	1
1,500,001-2,000,000	0

Further details of the remuneration for the year ended 31 December 2019 are set out in Note 8 to the consolidated financial statements contained in this annual report.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2019 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the Company's auditor regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report of this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. As the Shares of the Company were listed on the Stock Exchange on 31 December 2019, the Model Code was not applicable to the Company during the period from 1 January 2019 to 30 December 2019. Having made specific enquiry of all Directors each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code for the year ended 31 December 2019 (i.e. the Listing Date).

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for ensuring that the Company has established and maintained adequate and effective risk management and internal control systems on an annual basis so as to ensure that internal control and risk management systems in place are adequate. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Company also has an internal audit function which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems, and reports their findings to the Board on, at least, an annual basis. The Board was satisfied with the internal audit function.

RISK MANAGEMENT

The Company is committed to continuously improving the risk management system, including structure, process and culture, through the enhancement of risk management ability, to ensure the long-term growth and sustainable development of the Company's business.

The Company has established a risk management system which sets out the roles and responsibilities of each relevant party as well as the relevant risk management policies and processes. Each business group of the Company, on a regular basis, identifies and assesses risk factors that may negatively impact the achievement of its objectives, and formulates appropriate response measures.

During the year ended 31 December 2019, the Company adopted dynamic risk management processes including risk identification, risk analysis, risk assessment, risk response, risk monitoring, and risk reporting in response to identifying significant risks of the Company. Regular meetings were held between the executive Directors and senior management to review and monitor the business and financial performance against the targets, the progress of certification and contract receipts from customers, the efficiency in the use of the Group's resources in comparison to the budgets, and operational matters to ensure the Group has complied with the regulations that have material impact on the Group's business. The aim is to enhance the communication and accountability of the Directors and management so that significant strategic, financial, operational and compliance risks or potential deviations are identified and dealt with in proper and timely manner and that, significant issues are reported back to the Board for their attention.

During the year ended 31 December 2019, the Board has reviewed the effectiveness of the internal control and risk management systems of the Group to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards. The review covered all material controls, including financial, operational and compliance controls and risk management functions. The review was conducted through discussions with the management of the Company, its external and internal auditors and the assessment performed by the Audit Committee. The Board believes that the existing risk management and internal control systems are adequate and effective, in particular, for financial reporting and Listing Rules compliance as well as for resolving internal control defects (if any).

DIVIDEND POLICY

As advised by the Company's Cayman Islands legal adviser, under Cayman Islands law, a position of accumulated losses and net liabilities does not necessarily restrict the Company from declaring and paying dividends to its shareholders out of either its profit or its share premium account, provided that this would not result in the Company being unable to pay its debts as they fall due in the ordinary course of business. As the Company is a holding company incorporated under the laws of the Cayman Islands, the payment and amount of any future dividends will also depend on the availability of dividends received from its subsidiaries. The PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including Hong Kong Financial Reporting Standards. Any dividends the Company pays will be determined at the absolute discretion of the Board, taking into account factors including the Company's actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that the Board deems to be appropriate. The Shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by the Board.

EXTERNAL AUDITORS

PwC are appointed as the external auditors of the Company upon the recommendation of the Audit Committee.

An analysis of the remuneration paid to the external auditors of the Company, PwC, in respect of audit services and non-audit services for the year ended 31 December 2019 is set out below:

Service Category	**Fee Paid/Payable** *RMB'000*
Audit Services	1,300
Non-audit Services	100
Total	1,400

The fees didn't include the service fees paid/payable to PwC as the reporting accountants of the Company in connection with the initial public offering.

JOINT COMPANY SECRETARIES

Since 27 May 2019, Mr. SONG Pengliang (宋朋亮) and Mr. AU-YEUNG Wai Ki, Joseph (歐陽偉基) were appointed as the joint company secretaries of the Company. These individuals are responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed.

Mr. SONG Pengliang (宋朋亮) and Mr. AU-YEUNG Wai Ki, Joseph (歐陽偉基) have complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONSHIP

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which enable Shareholders and investors to make the informed investment decisions.

The annual general meeting of the Company provides an opportunity for the Shareholders to communicate directly with the Directors.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

PUTTING FORWARD ENQUIRIES TO THE BOARD

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the headquarters of the Company at 12/F, Tower A, CEC Development Building, Sanyuanqiao, Chaoyang District, Beijing, PRC.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

Pursuant to the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and signed by the requisitionist(s). If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

The Board is not aware of any provisions allowing the Shareholders to put forward proposals at general meetings of the Company under the Articles of Association and the Companies Law. Shareholders who wish to put forward proposals at general meetings may refer to the preceding paragraph to make a written requisition to require the convening of an extraordinary general meeting of the Company.

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the Relevant Period, the Company has not made any changes to its Articles of Association. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

1. REPORT DESCRIPTION

1.1 About the Report

This report is the first Environmental, Social and Governance (ESG) report issued by Newborn Town Inc. ("**the Company**"), which aims to disclose to its stakeholders the company and its subsidiaries' (collectively referred to as "**Newborn Town**" or "**we**") ESG management and performance in 2019.

The Report is prepared in compliance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") set out in Appendix 27 to the Rules Governing the Listing of Securities released by The Hong Kong Stock Exchange Limited ("**Listing Rules**") ("**HKEX**"). It is recommended that this Report be read in conjunction with the section entitled Corporate Governance Report as contained in the 2019 Annual Report of Newborn Town Inc.

In preparing this Report, we strove to ensure that the information disclosed herein meets the requirements of the ESG Reporting Guide on four major principles, namely materiality, quantitative, balance and consistency. At the same time, this report complies with the"comply or explain" provisions set out in the ESG Reporting Guide.

1.2 Scope of the report

The content of this report details the sustainable operation and corporate responsibility of Newborn Town's core business in the environmental and social fields from 1 January to 31 December 2019 ("**the reporting period**" or "**this year**"). Key environmental performance indicators for major operating locations in China were collected to quantify our ESG performance.

1.3 Source of information and reliability guarantee

The source of information and cases within this Report were mainly derived from the Company's statistical reports, relevant documents and internal communication documents. The Company undertakes that there are no false records or misleading statements in this Report, and takes responsibility for the authenticity, accuracy and completeness of the information in this Report.

1.4 Access and respond to the Report

This report is available in Traditional Chinese and English for readers' reference. If there is any inconsistency, the Chinese version shall prevail. The electronic version is available on the website of the HKEX at www.hkexnews.hk and the website of Newborn Town at www.newborntown.com/en. If you have any comments or suggestions on ESG management of the Company, please contact us via email ir@newborntown.com, and we look forward to your valuable comments.

2. ESG CONCEPT

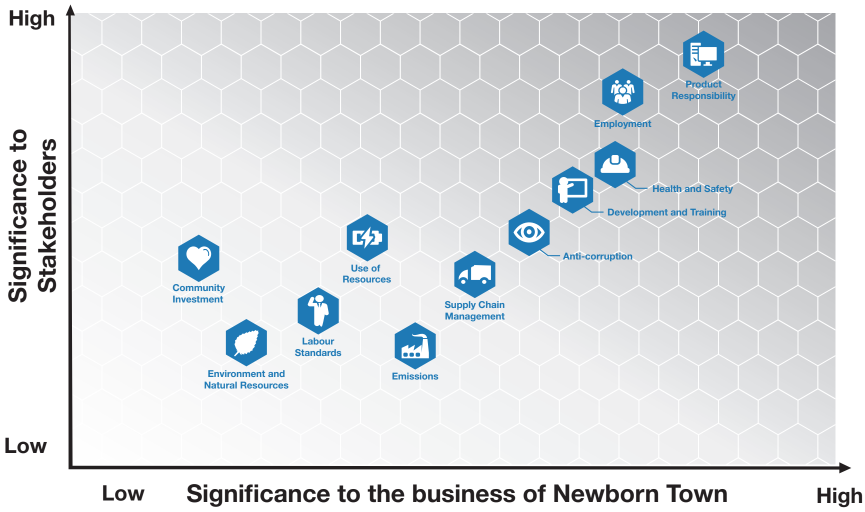
2.1 ESG Management

Carrying an utterly pure and kind heart like the heart of a newborn baby, as a "global artificial intelligence information distribution service provider", Newborn Town deeply digs into the internet and artificial intelligence fields, is committed to the global promotion of China's "smart" manufacturing, actively fulfils its social responsibility, and has gradually integrated ESG management into its daily operation. We adhere to compliance operations, promote green office, focus on product quality improvement, strictly protect its information security and that of users, and actively carry out community investment. Meanwhile, Newborn Town looks forward to working with various stakeholders to continuously improve the ESG management performance and contributing to the harmonious development of enterprises, the environment and society.

2.2 Stakeholder Engagement

Newborn Town attaches great importance to communication and feedback with stakeholders. We have established communication mechanisms and diversified communication channels for our stakeholders to ensure smooth communication and actively respond to issues of concern to stakeholders. Newborn Town has identified the current major stakeholders, including government and regulators, shareholders and investors, employees, users, suppliers, media and communities. The relevant major communication channels and stakeholders' top concerns on ESG are as follows:

Stakeholders	Major Communication Channels	Top Concerns on ESG
Government and regulators	Official correspondence, policy consultation, related meetings, on-site supervision, information disclosure, etc.	Product responsibility, anti-corruption, employment, labour standards, emissions
Shareholders and investors	Shareholders' meetings, internal announcements, announcements and circulars, corporate events, etc.	Product responsibility, anti-corruption, use of resources
Employees	Communication meetings, internal announcements, employee feedback mechanisms, corporate events, etc.	Employment, health and safety, development and training
Users	Customer service feedback, user feedback activities, exhibition activities, etc.	Product responsibility
Suppliers	Supplier strategic cooperation negotiation, cooperation agreement, regular communication and business meetings, etc.	Supplier management, anti-corruption
Media	Social media, press conferences, news interviews, advertising, etc.	Product responsibility, employment, emissions, environment and natural resources
Community	Public welfare activities, employment promotion, community activities, poverty alleviation projects, etc.	Community investment, employment



3. ENVIRONMENTAL PROTECTION

Newborn Town deeply understands the importance of harmonious development between itself and the environment, and actively fulfills its responsibility for environmental protection and resource conservation. During this year, Newborn Town strictly complied with applicable laws and regulations such as the Environmental Protection Law of the People's Republic of China and the Energy Conservation Law of the People's Republic of China, and actively promoted the green office policy. Taking administrative group as the leading department responsible for environmental protection management, Newborn Town has implemented a number of measures for resources conservation and emission reduction.

3.1 Resource Conservation

Newborn Town's main operating model concerns daily office work. The consumed resources involved are mainly electricity, paper and water. Newborn Town has formulated the Energy Saving Management System to provide standards and basis for the rational use of resources and has implemented relevant regulations on energy conservation regarding office equipment, paper use and water conservation to reduce waste and strengthen management of energy and materials in office areas. The servers used by Newborn Town are mainly leased cloud servers and we pay attention to evaluating cloud servers' energy-saving performance. Meanwhile, we actively carry out training on resource conservation, promote the concept of energy saving, and raise employees' energy saving awareness.

Newborn Town's resource conservation measures of this year are as follows:

Resource Conservation Measures

Reduce energy consumption of office facility
Reasonably turn on and use electrical equipment such as computers, printers, and copiers, and copiers, and turn off the power of the equipment after work to avoid long-term standby. Do not leave lights on for a long time, replace incandescent lamps, and use natural light in office areas as much as possible.

Promote paperless green office
Use the online office system for office work. Use electronic documents as much as possible when transferring documents. Encourage double-sided printing and secondary use of paper.

Reduce consumption of office materials
Recyclable resources such as paper, packaging materials, etc., are collected and handled by the third party recycler for recycling. Reduce the use of ballpoint pens and disposable pens, and encourage to refill pens rather than use new ones if they are not damaged.

Water resource conservation
Make monthly water consumption plans based on historical drinking water consumption, predict and monitor the consumption of drinking water. Strengthen daily inspection, maintenance and management of water facility, and timely deal with the issues of water leakage.

Awareness development
Carry out the promotion of excellent practices of resource conservation, develop the awareness of resource conservation among employees, and encourage employees to actively implement resource conservation practices in work and life.

Key Performance Indicators[(1)]: Energy and Resource Consumption[(2)]

Indicators	Data of 2019
Total energy consumption[(3)] (MWh)	**118.10**
Energy consumption per employee (MWh per employee)	**0.67**

(1) Given that the operation nature of Newborn Town does not involve the production of products, the key performance indicator A2.5 - total packaging material used for finished products is not applicable to Newborn Town and hence is not disclosed in this report. The water consumed by Newborn Town is mainly from municipal water supply and purchased barreled drinking water. We have no issues in obtaining suitable water resources. Drinking water is consumed to meet the basic needs of employees. Given that we share the sanitation facilities with other companies, it is impractical to measure the water consumption separately from municipal water supply. Therefore, considering the materiality principle and data accuracy, the key performance indicator A2.2 - water consumption in total and intensity is not disclosed in this Report.

(2) The energy consumption of Newborn Town is mainly electricity consumed by office operations. The statistical scope of energy and resource consumption covers Newborn Town's two main offices in Beijing and Ji'nan, China.

(3) Total energy consumption is measured by using direct and indirect energy consumption with reference to the coefficients listed in the General Principles for Calculation of the Comprehensive Energy Consumption IGB/T 2589-2008).

3.2 Emissions Control

Based on our main operation model, our emissions mainly include greenhouse gases (GHG) [(1)], non-hazardous waste such as office waste, and hazardous waste such as waste ink cartridges and waste accumulators. Newborn Town has formulated the Waste Management System to provide scientific guidance and regulations for waste management.

Waste Management Measures

Appoint personnel to be responsible for waste disposal
Each department appoints a designated personnel to be responsible for the verification and declaration of waste, and the administrative group is responsible for the supervision of waste disposal

Specify waste recycling and disposal workflow
Each department will declare the waste, and the designated personnel will notify the administrative group for further waste disposal management upon approval. The administrative group will collect and verify the waste and engage with qualified third parties and suppliers for waste disposal and recycling

Announcement of waste disposal
To better manage the waste disposal process and increase the transparency of waste handling process, the administrative group is responsible for keeping records of the waste disposal and publishing waste disposal status regularly.

Key Performance Indicators: Emissions[(2)]

Indicators	Data of 2019
Total GHG emissions[(3)] (Scope 1 and 2)[(4)] (tonnes)	**84.19**
Total GHG emissions per employee (tonnes per employee)	**0.48**
Hazardous waste (tonnes)	**0.16**
Hazardous waste per employee (tonnes per employee)	**0.0009**
Non-hazardous waste (tonnes)	**18.08**
Non-hazardous waste per employee (tonnes per employee)	**0.10**

(1) Based on the operational nature of Newborn Town, the main gas emissions of Newborn Town are GHG emissions arising mainly from electricity generated by burning fossil fuels.

(2) The statistical scope of emissions covers Newborn Town's two main offices in Beijing and Ji'nan, China.

(3) GHG emissions data is presented in carbon dioxide equivalent and is measured based on the 2017 Baseline Emission Factors for Regional Power Grids in China issued by the Ministry of Ecology and Environment of the People's Republic of China, and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories (2019 Edition).

(4) GHG emissions (Scope 1) arise mainly from the consumption of "direct energy" by Newborn Town's operation; GHG emissions (Scope 2) arise mainly from the consumption of "indirect energy" (purchased or obtained electricity) by the Newborn Town's operation. In this year, the GHG emissions of Newborn Town are Scope 2 GHG emissions generated by electricity consumption.

4. RESPONSIBLE OPERATION

Newborn Town regards honesty and responsible operation as the foundation of enterprise development. We attach great importance to the quality of products and services, adhere to integrity management, pay attention to customers' feedback, and constantly promote innovation. Newborn Town is committed to providing customers with better products and service experience.

4.1 Product Responsibility

Newborn Town constantly improves the quality of its products and services. Whilst providing users with excellent products and services, we exercise strict control over the content of products, protect the information security of customers and Newborn Town, listen to customers' feedback, prevent false advertising, and respect and protect the intellectual property rights of relevant parties.

(I) Product Quality Control

(1) Quality control of proprietary App

- Inspect possible defects in the App and explore the improvement direction of optimisation by analysing the data of user behaviours;

- Intelligently present content that users may be interested in based on users staged operation behaviours, providing users with more valuable information;

- Iterate product versions, maintain product stability, improve product functions, and continuously provide users with a better product experience.

(2) Quality improvement of in-app advertising services of proprietary App

We focus on quality improvement through seeking the balance between user experience and effective use of advertising space, and optimising advertising space for gaming App:

- In terms of user experience and effective use of advertising space, we conducted pre-advertising research and analysis to evaluate factors such as the size of advertising in the Apps, the form of advertising space, and effective cost per mile of different types of advertising space. We promptly remove advertisement that may affect the operation of our users based on the user behaviour so as to achieve a high-level integration between user experience and advertising revenue;

- In terms of advertising space optimisation for gaming App, when advertisement is delivered, we will match gaming App users with obvious characteristics to specific advertisers and advertising information, in order to deliver the advertisement to suitable users and achieve better conversion effect. At the same time, we optimise the design of incentive video advertisement, and set the trigger mode of incentive video advertisement according to user behaviours to improve advertising revenue and user gaming experience.

(3) Quality control of Solo Math mobile advertising platform

We pay attention to the follow-up behaviour of users after viewing advertisement, and optimise advertising material and adjust audience base according to user behaviour feedback and data analysis to provide targeted and accurate advertising and better user experience. Moreover, Newborn Town is concerned about industry trends and strives for grasping advertisers' expectation. In response to advertisers' requirement, we promptly develop and launch corresponding technical functions to improve service quality.

(II) Product Content Management

(1) Content management of proprietary Apps: Newborn Town has established a content reviewing mechanism, and assigned an operation team to be responsible for reviewing and checking the compliance of App content, avoiding the display of inappropriate content including pornography, drug and gambling from the source. We also clearly distinguish the user's age group when the App is launched, and restrict the distribution of Apps and contents to users that are unsuitable for their age.

(2) In-app advertising content control of proprietary Apps: We carry out advertising content management measures and remove inappropriate advertising content which may falsely use other product trademarks, cause user property damage or personal injury, constitute deceptive behaviour to user, or involve hatred and discrimination information.

(3) Content management of Solo Math advertising platform: We engage with GeoEgde, a well-known third-party advertising monitoring platform in the industry, to conduct a content review of the Solo Math advertising platform. We embed GeoEdge's monitoring code in advertising material, and conduct real-time block of inappropriate advertising content, malware, data breaches and etc. for websites and Apps, creating a safe and healthy browsing and operating environment. We can also adjust the monitoring strategy flexibly and specifically in the background of GeoEgde and evaluate the performance of the source of advertising by generating a detection report.

(III) Information Security Management

Newborn Town regards protecting user information security as its key mission. Newborn Town strictly abides by the information security and privacy protection laws and regulations of the jurisdiction where its product is released and operated, such as the Cyber Security Law of the People's Republic of China and the Information Technology – Personal Information Security Specification from People's Republic of China, the *Federal Trade Act* from United States and the General Data Protection Regulation (GDPR) from European Union. Newborn Town appoints the Chief Operating Officer as the head of cyber security and clarifies his responsibilities regarding information protection. The Information Security Management System has been formulated to ensure that personal information of users and the information of Newborn Town will not be leaked to prevent data from unauthorised browsing, misuse, alteration and destruction.

(1) Proprietary App Information security management measures are as follows:

Data encryption
Use encryption technology to ensure the privacy of user data during transmission

Security function
Provide multiple security functions to help users safeguard their information security

Authorisation management
Prevent unauthorized personnel from accessing our systems

Security responsibility
Provide employees with training on information security, enhance employees' awareness of information security, and require all employees, contractors, and agents who have access to user information to strictly abide by the NDA stipulated in the contract

Compliance requirement
Ensure the launch and operation of product meet the requirements of information security and user privacy protection where our business operates. For example, the launch of Apps in the European Union has met the compliance requirements of the GDPR regulations, and user's consent has been obtained prior to use of data.

(2) Solo Math mobile advertising platform security management measures are as follows:

Service isolation
The networks of different servers are isolated to prevent information leakage among different positions

Bastion host control
Our employee can only log in to the server through the bastion host. The operating system of the bastion host will automatically record all the operations of employees to avoid the occurrence of information leakage.

Access isolation
To better protect the server, we isolate users from accessing to the operation server, and hide the server port externally

Compliance requirement
Ensure that the publish of advertisement meets the requirements for information security and user privacy protection. For example, the launch of an advertising platform in the European Union has complied with the compliance requirements for the use of user information in GDPR

In addition, Newborn Town has developed an emergency response mechanism in case of user information leakage events. When an information leakage accident occurs, Newborn Town can quickly find and analyse the cause of the leakage, determine the impact of the information leakage, immediately take corresponding remedial measures to reduce the negative impact and improve the corresponding prevention mechanism to further improve and enhance the information protection capabilities.

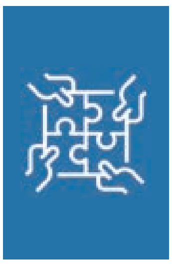
(IV) Customer Feedback and Feedback Management

Newborn Town has established a high-level user service team, set up smooth user communication channels, and actively responded to customer feedback.

(1) Proprietary App:

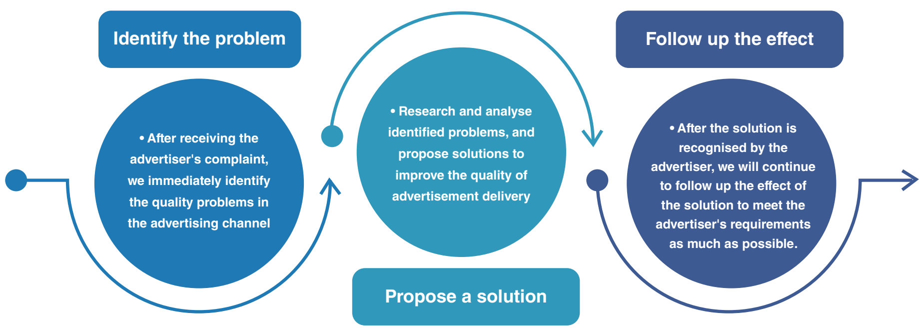
Diversified communication channels
Users can communication with us through the in-app mailbox feedback module, user service page of Newborn Town's social media, and the user comment area of the App publishing platform.

Set up auto-reply
We set up appropriate automatic replies based on keywords from user feedback, and achieved fast resolution of user complaints under the premise of ensuring service quality. We update the keyword database in real time, and synchronise the content of automatic replies to continuously improve the accuracy and efficiency of replies.



Collaborative feedback
When there is something that cannot be handled by the auto-reply or there is a concentrated abnormality problem, we will organise a dedicated person in charge to sort out user complaints and feedback, and at the same time, synchronise the problem with the person in charge of App operation and maintenance, and ensure follow-up communication of the solution with the user.

(2) Solo Math mobile advertising platform:



In 2019, Newborn Town's customer satisfaction rate was 99.60%. In terms of user complaints, Newborn Town received a total of 84,457 user complaints. 99.81% of complaint case were closed and 100% of complaint case were reviewed. We will designate dedicated personnel to follow up complaints which are not closed due to special reasons.

(V) Intellectual Property Protection

Newborn Town regards intellectual property as the cornerstone of its business. Newborn Town strictly abides by the laws and regulations related to intellectual property protection such as the Copyright Law of the People's Republic of China, the Patent Law of the People's Republic of China and the Trademark Law of the People's Republic of China. Newborn Town has formulated the Intellectual Property Protection Management System, which provides guidance on intellectual property management, and actively carries out intellectual property-related training to increase employees' awareness of intellectual property risk. Meanwhile, Newborn Town respects the intellectual property rights owned by other parties and avoids the infringement of intellectual property rights. As of the end of 2019, Newborn Town owned 131 intellectual property rights, 43 trademark rights, 76 copyrights, 4 patent rights and 8 domain names.

(VI) Advertising and Trademark Compliance Management

Newborn Town strictly abides by the laws and regulations related to advertisements and trademarks of the jurisdictions where it operates, such as the Advertising Law of the People's Republic of China, the Trademark Law of the People's Republic of China, and Interim Measures for the Administration of Internet Advertising from People's Republic of China and the *Federal Trade Act* from the United States. Newborn Town has developed the Advertising Policy as an internal advertising management policy to manage and control the advertising content to avoid deceptive, misleading or inaccurate information. We respect copyright, trademarks and other legal rights owned by other parties to prevent the occurrence of infringement events, manage the content of advertisement and avoid displaying inappropriate content in advertisement to users at the age where they should not be exposed to such information. At the same time, Newborn Town has a deep understanding of the relevant advertising requirements and policies of its App publishing platform, and timely follows up any amendments to ensure the smooth publication of the App. In terms of trademark management, Newborn Town registers its trademarks in a timely manner, cooperates with professional external agencies to identify trademark risks, and performs trademark maintenance to reduce the risk of infringing on other parties' trademarks and its own trademarks.

4.2 Supplier Management

Newborn Town's main supplier partners are advertising agencies, advertising channel providers, and cloud service providers. In the process of supplier selection, Newborn Town pays attention to the inspection of the supplier's service quality and past service experience. Newborn Town attaches great importance on the reputation of the supplier and the business code of conduct, and is gradually incorporating suppliers' social responsibility performance into its supplier selection criteria.

Newborn Town requires suppliers to build, standardise and improve user information protection methods, and at the same time, to manage and control the potential information security risks of competing services to avoid the risk of information leakage to the greatest extent. In cooperation with suppliers, Newborn Town guarantees the openness and transparency of the procurement process, adheres to the principle of fair competition, resolutely prohibits any form of commercial bribery, and is committed to establishing long-term cooperative relationships with supplier partners that are mutually beneficial, honest, and transparent.

We adopt consistent responsible operating standards for suppliers around the world, and continuously monitor the responsible operating performance of suppliers in each operating location.

4.3 Anti-corruption

Newborn Town is committed to creating an honest and fair working environment. Newborn Town strictly abides by laws and regulations pertaining to anti-corruption, anti-money laundering, anti-bribery and anti-unfair competition such as the Anti-Corruption and Bribery Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China, Criminal Law of the People's Republic of China, and the Anti-Unfair Competition Law of the People's Republic of China. Any direct or indirect form of committing or receiving bribery, money laundering and other commercial illegal acts and any form of commercial fraud are prohibited. The Board of Directors of Newborn Town is responsible for establishing and updating the anti-fraud management system, and the management is responsible for establishing, improving and effectively implementing various anti-fraud procedures as well as conducting self-assessment, and the Finance Department is responsible for organising and executing cross-departmental anti-fraud work. Each business department undertakes the anti-fraud work of the department to effectively prevent the risk of anti-fraud.

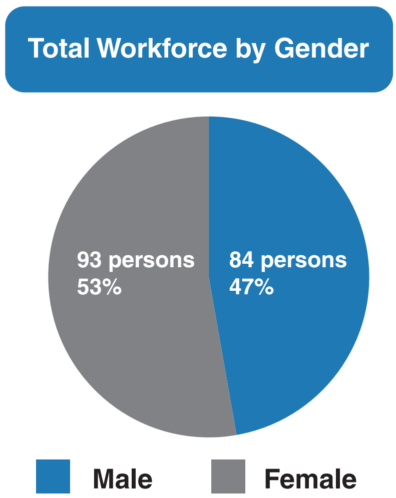
Our Employee Handbook sets out the best business practices, code of ethics and professional conduct, and guidelines for fraud and corruption prevention, which is distributed to every employee. Meanwhile, we have initially formulated the Regulations on the Management of Anti-Fraud and Reporting Mechanisms, which clearly defines the concept of fraud, behaviours of fraud and the attribution of anti-fraud responsibilities. To enhance employees' understanding and awareness of anti-corruption, we signed the Anti-Commercial Bribery Agreement with every employee where the commercial bribery, property, and rebates are explained in detail, and employees are explicitly prohibited from giving or receiving any form of economic interests including rebates and commissions. We regularly organise training sessions on law popularisation and anti-corruption topics, including anti-money laundering and anti-terrorist financing training. The training covers management and other employees.

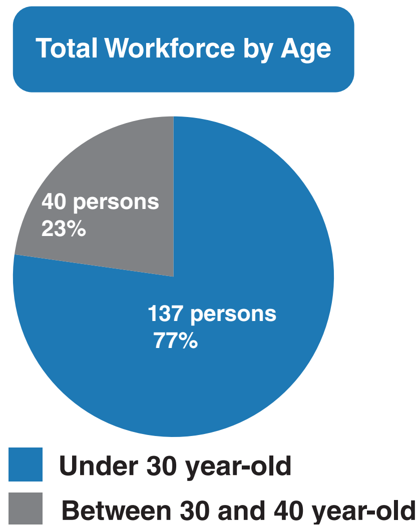
Employees of Newborn Town can report fraud through email and other channels. After receiving a report, the Finance Department will lead the Legal Department, Human Resources Department and other relevant departments to jointly evaluate the reported case and launch a corresponding investigation. If the report involves senior management, the Finance Department and relevant departments will form a joint investigation team to investigate the case upon the approval of the Board of Directors.

In 2019, Newborn Town and its employees did not find any case of major violation of corruption, bribery, fraud or money laundering.

5. EMPLOYEE WELLBEING

We regard employees as our most valuable asset and are committed to creating a fair, safe, healthy and comfortable work environment for each employee, protecting the legitimate rights and interests of employees, and creating conditions and platforms for the personal growth of employees.





5.1 Legal Employment

Newborn Town firmly adheres to the principle of legal and fair employment, and does not discriminate job applicants and employees based on their race, age, gender, marital status, religious beliefs or any other inappropriate basis. As of 31 December 2019, Newborn Town had a total of 177 employees, with its main working locations being Beijing and Ji'nan.

We strictly abide by relevant laws and regulations such as the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Social Insurance Law of the People's Republic of China, and the Law of the People's Republic of China on the Protection of Women's Rights and Interests. By establishing a legal employment relationship, employees' legitimate rights and interests are protected, and child labour and forced labour are strictly prohibited. We have formulated the Employee Handbook per relevant laws and regulations to systematically standardise the management processes of employee recruitment, on-boarding and dismissal, remuneration, benefits, performance and ability improvement whilst regulating employee behaviours.

(I) Salary and Benefits

Newborn Town provides employees with competitive compensation and benefits to motivate employees. We have established a systematic compensation system based on performance evaluation. We perform performance appraisal of employees on a quarterly basis, and comprehensively evaluate employee performance in terms of work attitude, performance results, task completion, and corporate culture recognition. According to the evaluation results, we issue performance bonuses to employees on a half-year cycle.

We provide all employees with pensions, work injury insurance, maternity insurance, unemployment insurance, medical insurance, and housing provident fund per relevant laws and regulations. In addition, we provide employees additional commercial medical insurance, accident insurance and child medical insurance to protect the health and safety of employees and their families. We provide a diversified welfare system for employees. Employees enjoy annual leave, paid sick leave, maternity leave and other legal holidays prescribed by relevant laws and regulations. We also provide female employees with fully paid menstrual leave to actively protect the physical and mental health of female employees during special periods.

(II) Employee Activities

In order to enrich employees' lives and help them relieve their work pressure, Newborn Town organises one to two employee events every month. During these events, we provide abundant fruit snacks and organises various small games for employees. In addition, Newborn Town has formed various sports groups, such as football, badminton, shuttlecock, and basketball groups.

Employee Activity

Newborn Town has established a team building fund to encourage each department to carry out a variety of team building activities such as skiing, hot springs, outdoor barbecues, KTV, which has enhanced the cohesion of employees.

Team building activity

In 2019 to celebrate the tenth birthday of Newborn Town, we held a grand commemorative party, organised various departments to set up a choir, and held a unique chorus competition, which enriched the spiritual life of our employees.

10th Birthday chorus competition

(III) Employee Communication

We actively listen to employees' opinions and suggestions, and set up various communication channels such as e-mail, social media, and communication meetings to provide timely feedback on employees' opinions, suggestions and demands.

5.2 Employee Health and Safety

The health and safety of employees is the foundation of the stable operation of Newborn Town, and Newborn Town is always committed to providing employees with a safe, healthy and comfortable work environment.

Newborn Town strictly abides by the Work Safety Law of the People's Republic of China and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases and other relevant laws and regulations, has formulated related occupational health and safety management policies to regulate occupational health and safety issues in offices, and pays attention to the safe use of electricity, water and fire. We regularly conduct safety training on topics such as occupational hazards and work environment safety to enhance employees' safety awareness. Also, we provide employees with free medical examination every year.

Occupational health and safety training

Newborn Town promotes the concept of healthy living and encourages employees to participate in outdoor sports. In each September, we organise large-scale outdoor hiking activities. On the basis of ensuring the safety of employees, we encourage employees to exercise and relax.

Large-scale outdoor hiking activity

5.3 Development and Training

We deeply understand that the development of Newborn Town depends to a large extent on the mutual growth of us and our employees. We attach great importance to the development and training of each employee, and have established a systematic training system including induction training, knowledge and skills building, and career development. We have tailored a series of training courses for employees to continuously enhance their professional skills and professionalism and leadership, thus helping employees improve their workplace competitiveness. We adopt a variety of training models to facilitate employees' acquisition of the required knowledge, such as popularisation of internal policies, introduction of Newborn Town culture, departmental training for the improvement of professional skills and confidentiality awareness enhancement training for R&D personnel, business personnel and other relevant groups, and life perception sharing session with Newborn Town characteristics.

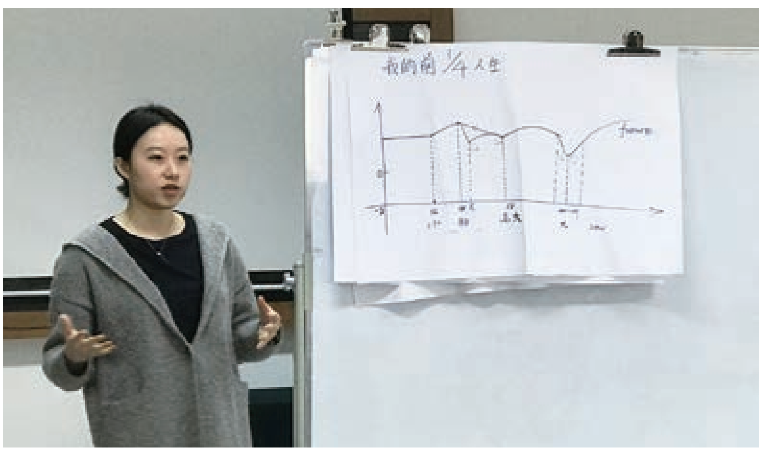
- "New Employee School" management trainee project: Each year, Newborn Town will select talent from top universities per the needs of each department and its strategic planning. After being recruited, management trainees receive one-on-one guidance from the head of the department and participate in induction training, which includes introduction of Newborn Town, corporate culture introduction, teamwork and capacity building, then participate in a six-month internal rotation programme within the department to deepen their understanding of Newborn Town "operations, cultivating a new generation of management talents.

Inauguration ceremony of "New Employee School"

- “Newborn Academy” CEO Sharing Session: In addition to the relatively regular induction training, Newborn Town also organises a “Newborn Academy” CEO sharing meeting for new employees. Mr. Liu Chunhe, the founder of Newborn Town, introduces Newborn Town’s history and corporate culture for the newly recruited employees and answers their enquiries in the workplace to help eliminate the tension of new employees joining Newborn Town and assist them to quickly integrate into the big family of Newborn Town.

“Newborn Academy” CEO Sharing Session

- “Life K-line Chart” Sharing Session: In the “Life K-line Chart” sharing session, we encourage employees to share their life experiences with colleagues and conduct in-depth self-analysis. Through the form of such sharing sessions, we hope to provide more personalised support for each employee and help employees achieve self-improvement and enhance team cohesion.



“Life K-line Chart” Sharing Session

5.4 Epidemic Protection

Faced with the outbreak of COVID-19 in early 2020, based on the protection of the employees' lives – their basic rights and interests, Newborn Town actively responded to government calls and requirements in line with its own operational needs and convened remote emergency management meetings during the epidemic to formulate a number of response strategies such as extending holiday, sharing epidemic prevention knowledge, arranging remote online work mode for all employees, paying real-time attention to employees' health status, ensuring legal payment of employees' salaries, etc. Meanwhile, emergency procurement of protective materials including masks, disinfection supplies and thermometers was conducted to ensure adequate medical protection supplies after employees return to work.

6. GIVING BACK TO SOCIETY

While seeking our own development, we actively give back to the society. We established a communication mechanism with local communities where we operate to gain a deep understanding of community needs and carry out diversified public welfare activities based on these needs.

6.1 Public Welfare Donations

The idea of creating "Newborn Town" can be traced back to 2009. After ten years of hard work and growth, Newborn Town successfully listed on the main board of the HKEX on 31 December 2019. During the ten years, Newborn Town has dedicated in supporting the community and nurturing the society. With its own growth and development, Newborn Town has also taken on more social responsibilities. At the bell ringing scene of the HKEX, Newborn Town donated HK $ 1 million to the Hong Kong Community Chest, hoping to contribute to social welfare, which also expressed Newborn Town's firm determination to actively shoulder the social responsibility of listed companies.

Donated one million Hong Kong dollars to the Community Chest of Hong Kong

6.2 Target-oriented Assistance

Newborn Town actively investigates the assistance needs of the areas where it is located and its aligned poverty alleviation areas, and vigorously conducts target-oriented assistance activities. In June 2019, our founder, Mr. Liu Chunhe, led party members to organise a charity donation event themed "Don't forget your original heart, walk with love in celebration of the 70th birthday of the PRC", and used the fund raised on programmes helping those lack medical care, education, the elderly, the disabled, and those in difficulties, etc. in communities where Newborn Town operates.

Charity donation activity

In July 2019, Newborn Town organised employees to donate computers and clothing to help Zhuozi County, Wulanchabu City, Inner Mongolia, the poverty-stricken areas of its designated regions of poverty alleviation. In December 2019, Newborn Town purchased 284 kg of dried persimmons from Fuping County in poverty-stricken areas, providing benefits to employees while supporting the local economy. This year, our founder, Mr.Liu Chunhe won the honorary title of the"2019 Advance Individuals in Social Organisations Contributing to Poverty Alleviation of Chaoyang District" issued by the Civil Affairs Bureau of Chaoyang District, Beijing for his outstanding performance in poverty alleviation.

Purchase of dried persimmons from poverty-stricken areas

Targeted poverty-alleviation donation

6.3 Heartwarming Visits

In July 2019, Newborn Town launched a "Bringing Summer Freshness" activity, sent towels, mineral water, summer drinks, cool fruits and other consolation goods to more than 20 sanitation workers who worked hard on the front line to express its warm greetings.

"Bringing Summer Freshness" campaign

6.4 Fighting the Epidemic

In China's fight against the COVID-19, learning that COVID-19 was outbreaking in Hubei, Newborn Town quickly called on employees to make donations. We raised more than RMB160,000 through employee donation and company donation in a single day and made targeted donation to Huanggang Central Hospital, calling on the public to pay attention to the worst-hit areas in Hubei apart from Wuhan. While making direct donations and implementing adequate protection work, Newborn Town actively asked the party committee in its district to support the community's frontline for epidemic prevention. It set up a "Newborn Town anti-epidemic combat team" to lead the volunteers in Beijing and Ji'nan to participate in such prevention work as entry and exit personnel control, resident information inspection, temperature measurement, and material distribution at the Xiaguangli Community Prevention and Control Point in Maizidian Street, Chaoyang District, Beijing, and the Desheng Street Community Prevention and Control Point in Ganshiqiao Street, Central District, Ji'nan.

Community support for epidemic prevention and control

APPENDIX: THE HKEX ESG REPORTING GUIDE CONTENT INDEX

Content of the ESG Guide			Correspondent Chapter
Environmental	A1: Emissions	General Disclosure	3.2 Emissions Control
		A1.1 The types of emissions and respective emissions data.	3.2 Emissions Control
		A1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.2 Emissions Control
		A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.2 Emissions Control
		A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.2 Emissions Control
		A1.5 Description of measures to mitigate emissions and results achieved.	3.2 Emissions Control
		A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	3.2 Emissions Control
	A2 Use of Resources	General Disclosure	3.1 Resource Conservation
		A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	3.1 Resource Conservation
		A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Not applicable
		A2.3 Description of energy use efficiency initiatives and results achieved.	3.1 Resource Conservation
		A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	3.1 Resource Conservation
		A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable
	A3 The Environment and Natural Resources	General Disclosure	3. Environmental Protection
		A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. ◦	3. Environmental Protection

Content of the ESG Guide				Correspondent Chapter
Social	B1: Employment	General Disclosure		5.1 Legal Employment 5.4 Epidemic Protection
		B1.1	Total workforce by gender, employment type, age group and geographical region.	5.1 Legal Employment
		B1.2	Employee turnover rate by gender, age group and geographical region.	——
	B2 Health and Safety	General Disclosure		5.2 Employee Health and Safety 5.4 Epidemic Protection
		B2.1	Number and rate of work-related fatalities.	——
		B2.2	Lost days due to work injury.	——
		B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	5.2 Employee Health and Safety
	B3 Development and Training	General Disclosure		5.3 Development and Training
		B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	——
		B3.2	The average training hours completed per employee by gender and employee category.	——
	B4 Labour Standards	General Disclosure		5.1 Legal Employment
		B4.1	Description of measures to review employment practices to avoid child and forced labour.	——
		B4.2	Description of steps taken to eliminate such practices when discovered.	——
	B5 Supply Chain Management	General Disclosure		4.2 Supplier Management
		B5.1	Number of suppliers by geographical region.	——
		B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	4.2 Supplier Management

Content of the ESG Guide			Correspondent Chapter
	B6 Product Responsibility	General Disclosure	4. Responsible Operation
		B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	——
		B6.2 Number of products and service related complaints received and how they are dealt with.	4.1 Product Responsibility
		B6.3 Description of practices relating to observing and protecting intellectual property rights.	4.1 Product Responsibility
		B6.4 Description of quality assurance process and recall procedures.	4.1 Product Responsibility
		B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	4.1 Product Responsibility
	B7 Anti-corruption	General Disclosure	4.3 Anti-corruption
		B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	4.3 Anti-corruption
		B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	4.3 Anti-corruption
	B8 Community Investment	General disclosure	6. Giving Back to Society
		B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6. Giving Back to Society
		B8.2 Resources contributed (e.g. money or time) to the focus area.	6. Giving Back to Society

羅兵咸永道

To the Shareholders of Newborn Town Inc.
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Newborn Town Inc. (the "Company") and its subsidiaries (the "Group") set out on pages 83 to 161, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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BASIS FOR OPINION (CONTINUED)

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition for mobile advertising platform and related business
- Fair value assessment on the investment in equity interests of certain private companies

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition for mobile advertising platform and related business Refer to note 2.20, note 4.1 and note 6 to the consolidated financial statements. For the year ended 31 December 2019, the Group recognised revenue of RMB146,031,000 from mobile advertising platform and related business, representing 37.5% of the revenue reported by the Group.	In response to this key audit matter, we performed the following procedures: • evaluated and tested the design and operating effectiveness of controls over the capture and measurement of revenue transactions; • evaluated the appropriateness of the accounting policies on revenue recognition for mobile advertising platform and related business, especially that related to the determination for reporting revenue on gross or net basis; • reviewed the business model and contracts with customers, discussed each indicator with the management to identify supporting documents for each indicator;

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
The determination of whether revenue for mobile advertising platform and related business should be reported on a gross or net basis is based on whether the Group acts as a principal or an agent in the transactions, taking into account if the Group controls the specified service before it is transferred to the customer. The indicators include but not limited to (a) whether the entity is primarily responsible for fulfilling the promise to provide the specified service; (b) whether the entity has inventory risk before the specified service has been transferred to a customer or after transfer of control to the customer; and (c) whether the entity has discretion in establishing the prices for the specified goods or service. We focused on this area due to i) the critical judgment made by the management for gross versus net assessment and ii) the magnitude of the revenue amount and the large volume of transactions in mobile advertising platform and related business.	• obtained and reviewed the supporting evidence for each indicator that the management considered to perform the gross or net assessment. The supporting evidences include but not limited to the contracts with customers, the screenshots of managing advertisement creation and placement, and the contracts of purchasing advertisement spaces. We evaluated the appropriateness of the judgment made by the management for gross versus net basis in revenue recognition; • tested the accuracy of revenue from mobile advertising platform by reviewing the contracts, testing the system supporting the revenue generation, and examining the bills, invoices to the customers and the payments from customers on a sample basis. Based on the procedures performed, the judgments made by management for gross versus net assessment on revenue from mobile advertising platform and related business were supported by the evidences we obtained.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter

Fair value assessment on the investment in equity interests of certain private companies

Refer to note 3.3 and note 20 to the consolidated financial statements

As at 31 December 2019, the Group had financial assets measured at fair value through profit or loss at level 3 fair value hierarchy, including equity interests of certain private companies amounted to RMB187,356,000. Financial assets are included in level 3 if one or more of the significant inputs is not based on observable market data.

Management assessed and measured the fair value of financial assets at level 3 hierarchy, with assistance from an independent external valuer, by using market approach or income approach.

We focused on this area due to the determination of the valuation approaches adopted, the selection of comparative companies and the other significant unobservable inputs require management judgment. For market approach adopted, the key inputs include the expected volatility, the discount for lack of marketability and the revenue growth rate. While for income approach adopted, the key inputs include the revenue growth rates, the perpetual growth rate, the discounted rate, the risk-free rate and the discount for lack of marketability.

How our audit addressed the Key Audit Matter

In response to this key audit matter, we performed the following procedures to determine whether the fair values of the investment in equity interests of certain private companies assessed by the management were appropriate:

- obtained the calculation sheets of fair value estimation of the investment in equity interests of certain private companies prepared based on the extracted data from valuation report issued by the valuer, and tested the accuracy of the calculation sheets;
- evaluated the independent external valuer's competence, capability and objectivity;
- involved our internal valuation expert to assess the valuation report issued by the valuer, including the valuation approach adopted, the comparative companies selected, the assumptions for each input and the valuation result;
- In the cases of fair value estimation using marketing approach, i) challenged the appropriateness of the comparative companies selected; ii) evaluated reasonableness of the expected volatility, the discount for lack of marketability and the revenue growth rate; and iii) assessed sensitivity analysis around the significant unobservable inputs.
- In the cases of fair value estimation using income approach, i) challenged the appropriateness of the comparative companies selected; ii) evaluated the reasonableness of the key inputs in the discounted cash flow model, mainly including the revenue growth rates, the perpetual growth rate, the discounted rate, the risk-free rate and the discount for lack of marketability; and iii) assessed sensitivity analysis around the significant unobservable inputs.

Based on the procedures performed, the judgment made by management in the fair value assessment on the investment in equity interests of certain private companies were supported by the evidences we obtained.

OTHER INFORMATION

The directors of the Company is responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yuen Kwok Sun.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2019
(Expressed in Renminbi ("RMB"))

	Note	Year ended 31 December **2019** *RMB'000*	2018 *RMB'000*
Revenue from contracts with customers	6	**389,685**	276,686
Cost of revenue	7	**(128,173)**	(135,266)
Gross Profit		**261,512**	141,420
Selling and marketing expenses	7	**(120,538)**	(68,975)
Research and development expenses	7	**(20,271)**	(17,492)
General and administrative expenses	7	**(96,755)**	(14,981)
Net impairment losses on financial assets	9	**(3,299)**	(6,963)
Other income	10	**1,393**	58
Other gain – net	10	**27,838**	35,723
Operating profit		**49,880**	68,790
Finance income	11	**21,167**	39
Finance cost		**(95)**	(219)
Finance income/(cost), net		**21,072**	(180)
Fair value changes of convertible redeemable preferred shares	28	**7,434**	–
Profit before income tax		**78,386**	68,610
Income tax expenses	13	**(9,971)**	(8,873)
Profit for the year		**68,415**	59,737
Profit attributable to:			
Owners of the Company		**68,415**	59,737
Non-controlling interests		**–**	–
Other comprehensive income, net of tax			
Items that maybe subsequently reclassified to profit or loss			
Currency translation differences		**2,225**	8,028
Total comprehensive income for the year		**70,640**	67,765
Total comprehensive income attributable to:			
Owners of the Company		**70,640**	67,765
Non-controlling interests		**–**	–
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic earnings per share	14a	**0.082**	0.069
Diluted earnings per share	14b	**0.082**	0.069

The notes on pages 89 to 161 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 December 2019
(Expressed in RMB)

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property and equipment	16	**6,960**	3,851
Intangible assets	17	**3,933**	4,733
Goodwill	18	**5,066**	4,955
Financial assets measured at fair value through profit or loss	20c	**187,356**	66,518
Accounts receivable	21	**–**	9,015
Total non-current assets		**203,315**	89,072
Current assets			
Other current assets	23	**1,487**	4,094
Accounts receivable	21	**163,383**	183,137
Other receivable	22	**92,948**	58,441
Financial assets measured at fair value through profit or loss	20	**132,651**	197,963
Cash and cash equivalents	25	**182,863**	80,628
Restricted bank deposits	24	**913**	894
Total current assets		**574,245**	525,157
Total assets		**777,560**	614,229

The notes on pages 89 to 161 are an integral part of these consolidated financial statements.

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
LIABILITIES			
Current liabilities			
Accounts payable	26	**89,938**	89,396
Other payable	27	**32,575**	9,086
Lease liabilities		**3,238**	2,999
Bank overdraft		**48**	88
Tax payable		**5,228**	143
Total current liabilities		**131,027**	101,712
Non-current liabilities			
Deferred tax liabilities	29	**8,914**	4,171
Lease liabilities		**3,074**	–
Total non-current liabilities		**11,988**	4,171
Total liabilities		**143,015**	105,883
EQUITY			
Equity attributable to the owners of the Company			
Share capital	30	**696**	–*
Combined capital	30	**–**	58,184
Share premium	30	**95,221**	–
Other reserves	31	**451,190**	431,139
Retained earnings		**87,438**	19,023
		634,545	508,346
Non-controlling interests		**–**	–
Total equity		**634,545**	508,346
Total liabilities and equity		**777,560**	614,229

* *The amount is less than RMB1,000*

The notes on pages 89 to 161 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 83 to 161 were approved for issue by the Board of Directors on 30 March 2020 and were signed on its behalf:

Liu Chunhe
Director

Wang Kui
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019
(Expressed in RMB)

		Attributable to owners of the Company					
	Note	Share capital *RMB'000*	Combined capital *RMB'000*	Share premium *RMB'000*	Other reserves *RMB'000*	(Accumulated loss)/Retained earnings *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2018		–	58,184	–	420,731	(38,334)	440,581
Profit for the year		–	–	–	–	59,737	59,737
Other comprehensive income	31	–	–	–	8,028	–	8,028
Total comprehensive income		–	–	–	8,028	59,737	67,765
Transaction with owners:							
Appropriation to statutory reserve	31	–	–	–	2,380	(2,380)	–
Balance at 31 December 2018		–	58,184	–	431,139	19,023	508,346

The notes on pages 89 to 161 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019
(Expressed in RMB)

		Attributable to owners of the Company					
	Note	Share capital *RMB'000*	Combined capital *RMB'000*	Share premium *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2019		**–**	**58,184**	**–**	**431,139**	**19,023**	**508,346**
Profit for the year		–	–	–	–	68,415	68,415
Other comprehensive income	31	–	–	–	2,225	–	2,225
Total comprehensive income		–	–	–	2,225	68,415	70,640
Transaction with owners:							
Reorganisation of the group	31	–	(58,184)	–	58,184	–	–
Conversion of ordinary shares to preferred shares	30	–	–	(18,059)	–	–	(18,059)
Capital contribution from shareholders	30	113	–	(113)	–	–	–
Issuance of ordinary shares	30	58	–	498	–	–	556
Repurchase of shares	30, 31	(12)	–	(83,025)	(40,358)	–	(123,395)
Capitalisation issue	30	437	–	(437)	–	–	–
Issuance of shares upon Initial Public Offering	30	95	–	204,577	–	–	204,672
Share issuance costs		–	–	(19,082)	–	–	(19,082)
Conversion of shares with preferred rights issued in December 2019	30	5	–	10,862	–	–	10,867
Balance at 31 December 2019		**696**	**–**	**95,221**	**451,190**	**87,438**	**634,545**

The notes on pages 89 to 161 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2019
(Expressed in RMB)

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations	32a	**154,496**	1,639
Interest received	11	**21,167**	39
Payment of income tax		**(143)**	–
Net cash inflow from operating activities		**175,520**	1,678
Cash flows from investing activities			
Purchase of Wealth Management Products measured at fair value through profit or loss		**(521,644)**	(393,035)
Maturity of Wealth Management Products measured at fair value through profit or loss		**591,107**	421,922
Additional investment in equity interest of a private company measured at fair value through profit or loss		**(100,000)**	–
Purchase of property and equipment		**(184)**	(576)
Loans granted to third parties		**–**	(27,150)
Proceeds of loans repayments from third parties		**36,240**	3,410
Net cash inflow from investing activities		**5,519**	4,571
Cash flows from financing activities			
Capital injections from shareholders of the companies now comprising the Group		**560**	–
Net proceeds from issuance of shares upon Initial Public Offering		**80,282**	–
Repayment of lease liabilities (including interest paid)		**(3,400)**	(3,343)
Repurchase of shares		**(160,000)**	–
Net cash outflow from financing activities		**(82,558)**	(3,343)
Net increase in cash and cash equivalents		**98,481**	2,906
Cash and cash equivalents at beginning of year		**80,540**	71,738
Effects of exchange rate changes on cash and cash equivalents		**3,794**	5,896
Cash and cash equivalents at end of year		**182,815**	80,540
Including:			
Cash and cash equivalents	25	**182,863**	80,628
Bank overdraft		**(48)**	(88)

The notes on pages 89 to 161 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Newborn Town Inc. (the "Company") was incorporated in the Cayman Islands on 12 September 2018 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together referred as the "Group") are principally engaged in providing mobile application development and mobile advertising platform services worldwide.

Mr. Liu Chunhe, Mr. Li Ping and Mr. Ye Chunjian are the founders of the Group.

Prior to the incorporation of the Company and the completion of the reorganisation as described below, the business of the Group was carried out by NewBornTown Mobile Technology (Beijing) Holdings Co., Ltd. (赤子城移動科技（北京）股份有限公司, "NewBornTown Mobile Technology") and its subsidiaries, mainly including NewBornTown Network Technology (Beijing) Co., Ltd. ("NewBornTown Network Technology") and Newborn Town International Enterprise Limited ("Newborn Town International").

For the preparation for the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent a series of reorganisation (the "Reorganisation") pursuant to which the business of the Group was transferred to the Company.

Current PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership of companies that engage in value-added telecommunications services, internet culture services and other related businesses, including mobile apps development business. The mobile apps development business in the PRC was carried out through NewBornTown Mobile Technology and its subsidiary. To comply with the relevant PRC laws and regulations, the wholly-owned subsidiary of the Company, Shandong NewBornTown Network Technology Co., Ltd. ("Shandong NewBornTown"), has entered into a series of contractual arrangements (the "Contractual Agreements") including the Exclusive Equity Call Option Agreement, Exclusive Business Cooperation Agreement, Equity Pledge Agreement, Exclusive Asset Call Option Agreement, and Powers of Attorney, with NewBornTown Mobile Technology and its respective equity holders, which enable the Group to:

- irrevocably exercise equity holders' voting rights of NewBornTown Mobile Technology;
- exercise effective financial and operational control over of NewBornTown Mobile Technology;

1 GENERAL INFORMATION (CONTINUED)

- receive substantially all of the economic interest returns generated by NewBornTown Mobile Technology by way of technical and consulting services provided by Shandong NewBornTown;

- obtain an irrevocable and exclusive right to purchase all or part of the equity interests in NewBornTown Mobile Technology from the respective equity holders at a minimum purchase price permitted under the PRC laws and regulations; and

- obtain a pledge over the entire equity interests of NewBornTown Mobile Technology from its respective equity holders to secure performance of NewBornTown Mobile Technology's obligation under the Contractual Agreements.

Nevertheless, there are still uncertainties regarding the interpretation and application of current and future PRC laws and regulations. The directors of the Company, based on the advice of its legal counsel, consider that the use of Contractual Arrangements is currently enforceable in the PRC except for certain provisions and does not constitute a breach of the relevant laws and regulations. Accordingly, the subsidiaries controlled through Contractual Agreements were consolidated in the financial statements.

As a result of the Contractual Arrangements, the Group is considered to control NewBornTown Mobile Technology as it has rights to exercise power over NewBornTown Mobile Technology, receive variable returns from its involvement with NewBornTown Mobile Technology, and has the ability to affect those returns through its power over NewBornTown Mobile Technology. Consequently, the Company regarded NewBornTown Mobile Technology and its subsidiaries as controlled entities and consolidated the financial position and results of operations of these entities in the consolidated financial statements of the Group.

The Company's initial public offering of its shares ("Initial Public Offering" or "IPO") on the Main Board of The Stock Exchange of Hong Kong Limited has been completed on 31 December 2019 with issuance of 136,000,000 new shares with normal value of USD0.0001 each at an offer price of HKD1.68 per value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied throughout all years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial information have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The consolidated financial information have been prepared under the historical cost convention, as modified by the revaluation of financial instruments measured at fair value through profit and loss ("FVPL").

The Group has already adopted new standards, amendments to standards and interpretations, which are mandatory for the financial year beginning on 1 January 2019, on the financial information since 1 January 2018.

The Group applies all standards, amendment and interpretations to standards consistently throughout the years ended 31 December 2019 and 2018.

2.2 Changes in accounting policies

New standards, amendments not yet adopted

Certain new standards, amendments to standards and interpretations have been published that are not mandatory for the year ended 31 December 2019 and have not been early adopted by the Group. These are not expected to have a significant effect on the consolidated financial information of the Group in the current or future reporting periods and on foreseeable future transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting

2.3a Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

There are structured entities controlled by the Group under Contractual Arrangements as disclosed in Note 1. The Group has rights to exercise power over these structured entities, receives variable returns from its involvement in these structured entities, and has the ability to affect those returns through its power over these structured entities. As a result, they are presented as controlled structured entities of the Group.

The acquisition method of accounting is used to account for business combinations by the Group other than the business combination under common control (refer to Note 2.4).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive income, statements of changes in equity and balance sheets, respectively.

2.3b Associate

An associate is an entity in which the Group has significant influence but not control or joint control, over its management, including participation in the financial and operating policy decisions. Investments in associates are accounted for using the equity method of accounting (see Note 2.3c below), after initially being recognised at cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting (continued)

2.3c Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income ("OCI") of the investee in OCI. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.10.

2.3d Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in OCI in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in OCI are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in OCI are reclassified to profit or loss where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Business combinations

The acquisition method of accounting is used to account for the business combinations except for business combination under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity.

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Business combinations (continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.5 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Foreign currency translation

2.7a Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company is United States dollar ("USD"). The presentation currency of the Group is RMB.

2.7b Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other gain – net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVPL are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income ("FVOCI") are recognised in OCI.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Foreign currency translation (continued)

2.7c Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,

– income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

– all resulting exchange differences are recognised in OCI.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in OCI. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.8 Property and equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property and equipment (continued)

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and right-of-use assets, the lease term, if shorter, as follows:

	Estimated useful lives
Electronic equipment	3 years
Furniture and fixtures	3 years
Leasehold improvements	Shorter of estimated useful life and the lease term
Right-of-use assets	Shorter of estimated useful life and the lease term

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

2.9 Intangible assets

2.9a Initial recognition

(i) Goodwill

Goodwill is measured as described in Note 2.4. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Intangible assets (continued)

2.9a Initial recognition (continued)

(ii) Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

– it is technically feasible to complete the software so that it will be available for use,

– management intends to complete the software and use or sell it,

– there is an ability to use or sell the software,

– it can be demonstrated how the software will generate probable future economic benefits,

– adequate technical, financial and other resources to complete the development and to use or sell the software are available, and

– the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

(iii) Research and development

Research expenditure and development expenditure that do not meet the criteria in (ii) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2.9b Amortisation methods and periods

The management estimates the useful lives to reflect the Group's intention to derive future economic benefits from the use of these assets. The Group amortises intangible assets with an estimated useful life using the straight-line method over the following periods:

	Estimated useful lives
Software	3 – 10 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of non-financial assets

Goodwill are tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Other assets is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each year.

2.11 Investments and other financial assets

2.11a Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.11b Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investments and other financial assets (continued)

2.11c Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

– Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gain – net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

– FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gain – net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gain – net and impairment expenses are presented as separate line item in the statement of profit or loss.

– FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gain – net in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investments and other financial assets (continued)

2.11c Measurement (continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gain – net in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.11d Impairment

The Group has types of financial assets subject to new expected credit loss model of IFRS 9:

– accounts receivable and

– other financial assets at amortised cost.

Measurement of expected credit losses

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For accounts receivable, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1b for further details.

Impairment on other financial assets at amortised cost is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investments and other financial assets (continued)

2.11d Impairment (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating, if available;

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

Expected credit losses are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the expected credit loss amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Write-off policy

Financial assets are written off when the Group is satisfied that recovery is remote. Where loans or receivables have been written off, the Group continues to attempt to recover the receivable due. Where recoveries are made, the recovered amount is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Accounts receivable

Accounts receivable are amounts due from customers for services performed or goods sold in the ordinary course of business.

Accounts receivable are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the accounts receivable with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 2.11d for a description of the Group's impairment policies.

2.13 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are presented in current liabilities in the consolidated balance sheets.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Accounts and other payables

These amounts primarily represent liabilities for services provided to the Group prior to the end of financial year which are unpaid. Accounts and other payables are presented as current liabilities unless payment is not due within 12 months after the year. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Convertible redeemable preferred shares

Convertible redeemable preferred shares (the "Preferred Shares") issued by the Company are redeemable upon occurrence of certain future events and at the option of the holders. This instrument can be automatically converted into ordinary shares upon occurrence of a qualified initial public offering of the Company as detailed in Note 28.

The Group designated the Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognised as finance costs in the consolidated statements of comprehensive income.

Subsequent to initial recognition, the Preferred Shares are carried at fair value with changes in fair value recognised in the consolidated statements of comprehensive income, except for fair value changes related to the changes in the Company's own credit risk, which are presented separately in OCI.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet dates in countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Current and deferred income tax (continued)

(ii) Deferred income tax (continued)

Outside basis differences (continued)

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in OCI or directly in equity. In this case, the tax is also recognised in OCI or directly in equity, respectively.

2.18 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the years and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Bonus plans

The expected cost of bonuses is recognised as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

(iii) Pension obligations

The Group has to make contribution to staff retirement scheme managed by China local government authorities in accordance with the relevant rules and regulations. Contributions to these schemes are charged to the consolidated statements of comprehensive income as and when incurred. The Group has no legal or constructive obligations to pay further contributions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Revenue recognition

The Group provides mobile marketing services through self-developed technique to improve advertising effectiveness and related system technology development services ("Mobile advertising platform and related business") and provides advertising services through wide-ranging and diversified mobile applications to users ("Proprietary applications traffic monetisation business ").

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Revenue from providing services is recognised in the accounting period in which the services are rendered. Amounts collected in excess of revenue recognised are included as contract liabilities.

(i) Mobile advertising platform and related business

The Group generates revenue from the provision of comprehensive advertisement placement services to the advertisers. By agreeing specified actions, revenue is recognised once agreed actions are performed.

Before determining whether the revenue should be recognised on gross or net basis, the Group assesses if the Group controls the specified service before it is transferred to the customer. The indicators include but not limit to (a) whether the entity is primarily responsible for fulfilling the promise to provide the specified service; (b) whether the entity has inventory risk before the specified service has been transferred to a customer or after transfer of control to the customer; and (c) whether the entity has discretion in establishing the prices for the specified goods or service.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue recognition (continued)

(i) Mobile advertising platform and related business (continued)

In most transactions, the Group acts as the principal of these transactions and therefore reports revenue earned and costs incurred related to these transactions on a gross basis, when:

(a) the Group is the primary obligor for providing comprehensive advertisement placement services by contracting directly with the advertisers, creating the advertisements and determining which media publishers or network marketing alliance to use and what types of the advertisements to be placed. The Group takes the responsibility for fulfilment its obligation through delivering the specified services to the advertisers.

(b) the Group takes certain inventory risk by purchasing the advertising spaces in advance or committing the minimum purchase from the publishers. In some instances, the Group takes the risk of loss that the cost paid to the publishers cannot be compensated by the consideration obtained from the advertisers.

(c) the Group has the discretion on the pricing through negotiation and transaction separately with its customers and suppliers also retains credit risk.

In certain circumstances, the advertisers would designate the targeted publishers in the contract. The Group takes no responsibility on the marketing targets, but retains credit risk. The Group acts as an agent in these transactions, therefore, the revenue is recognised on a net basis by deducting the payment made to the media publishers from the consideration received from the advertisers.

The revenue is normally billed on monthly basis and a receivable is expected to be collected within the contracted credit term. For transactions which the Group acts as an agent, the Group bills the customers in gross amounts with credit terms, which are different from the bills from suppliers. As the Group has no legally enforceable right to set off the bill from the supplier against the bill to the customer, the Group records the payable and the receivable on gross basis.

The Group also recognises and bills the revenue from mobile advertising platform related system technology development services at a point in time or over time depending on the different rights to payments agreed in the contract.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue recognition (continued)

(ii) Proprietary applications traffic monetisation business

The Group generated revenue from the self-developed mobile applications mainly through providing advertising spaces to advertisers or their agencies for traffic monetisation. The revenue for providing advertising spaces is recognised once the control of the spaces is transferred to the advertisers.

The revenue is normally billed on monthly basis and a receivable is expected to be collected within the contracted credit term.

2.21 Leases

The Group leases properties for operation. Rental contracts are typically made for fixed periods with fixed lease payments. Lease terms are negotiated on an individual basis and do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is recorded in property and equipment, and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate. When determining the incremental borrowing rate, specific condition, term and currency to the contract, as well as the recent debt issuances and public available data for instrument with similar characteristics are considered.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and the lease payment made before the lease commencement.

2.22 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to cost are deferred and recognised as income in the profit or loss over the period necessary to match them with the expense that they are intended to compensate.

Government grants relating to the purchase of property and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.24 Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

– has control or joint control of the Group;

– has significant influence over the Group; or

– is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

– The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

– One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

– Both entities are joint ventures of the same third party;

– One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

– The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

– The entity is controlled or jointly controlled by a person identified in Note 2.24(i); or

– A person identified in Note 2.24(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (primarily foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the senior management of the Group.

3.1 Financial risk factors

3.1a Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities denominated in a currency other than the functional currency of the each of the group companies. Before the issuance of shares upon Initial Public Offering on 31 December 2019, the Group's exposure to foreign currency risk at each year end of all years presented was insignificant as each of the group entities did not held significant assets and liabilities denominated in a currency other the its functional currency.

As at 31 December 2019, the Company's cash and cash equivalents were mainly denominated in Hong Kong dollar ("HKD") received from the share issuance, and other receivable relating to the fund from Initial Public Offering and other payable relating to the accrued listing expense would be settled in HKD. As the functional currency of the Company is USD while the functional currency of the major subsidiaries is RMB, the Group's foreign exchange risk primarily arose from the cash and cash equivalents, other receivables and other payable denominated in HKD. If HKD had strengthened/weakened by 5% against RMB with all other variables held constant, the total equity would have been approximately RMB10,636,000 lower/higher as at 31 December 2019.

(ii) Interest rate risk

Financial assets/liabilities with variable interest rate expose the Group to cash flow interest-rate risk. And financial assets/liabilities with fixed interest rate expose the Group to fair value interest-rate risk. Other than interest-bearing cash and cash equivalents, restricted cash and lease liabilities, the Group has no other significant interest-bearing assets or liabilities. The directors of the Company do not anticipate there is any significant impact resulted from the changes in interest rate.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1b Credit risk

The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents, accounts receivable, other receivables, wealth management products ("WMP") carried at FVPL and other financial assets at amortised cost, including loans to third parties and restricted bank deposits.

(i) Risk management

Credit risk is managed on a group basis.

The Group is exposed to credit risk primarily in relation to its cash and cash equivalent and restricted bank deposits placed with banks, WMPs issued by banks, as well as accounts and other receivable. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage this risk, deposits are mainly placed with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions. Majority of the WMPs are issued by financial institutions investing in low risk underlying assets, which mainly consist of bank deposits, treasury bond, central bank bill, local government debt, corporate bond or debt with high credit ratings. Thus, the directors of the Company were of the view the expected credit loss related to cash and cash equivalent, restricted bank deposits and WMP was immaterial.

The Group generated revenue from advertisers or its agencies. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group performed credit evaluation which focus on the customer's past history of making payments and current ability to pay. The Group does not obtain collateral from customers. As at 31 December 2019 and 2018, approximately 52% and 52% of the Group's accounts receivable were due from the largest five customers. Given the strong business relationship established, the regular payment made according to contract and the financial capability of these customers, the management does not expect that there will be any significant credit risk from non-performance of these customers.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1b Credit risk (continued)

(ii) Impairment of financial assets

Accounts receivable

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all accounts receivable. Accounts receivable included amounts due from third parties with regular payment schedule and accounts due from third parties with increased credit risk.

And the recognition and measurement method of loss allowance for each category is measured separately:

– For accounts receivable due from customers with regular payment schedule, the Group calculates the expected credit loss by referring to the historical credit loss experience, combining with the current situation and the forecast of future economic conditions and measuring the accounts receivable aging and expected credit loss rate during the lifetime.

– For accounts receivable due from customers with different credit risks, such as the customers that the Group has renegotiated with specific payment schedule, the Group applies the individual identification method based on the characteristics of credit risk of each individual balance.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1b Credit risk (continued)

(ii) Impairment of financial assets (continued)

Accounts receivable (continued)

The balance of each category of accounts receivable as at 31 December 2019 and 2018 was as follows:

	Accounts receivable *RMB'000*	Allowance *RMB'000*	Net value *RMB'000*
31 December 2019			
Accounts receivable			
From customers with regular payment schedule	**155,959**	**(4,350)**	**151,609**
From customers with different credit risks	**21,715**	**(9,941)**	**11,774**
	177,674	**(14,291)**	**163,383**
31 December 2018			
Long-term accounts receivable			
From customers with different credit risks	9,489	(474)	9,015
Accounts receivable			
From customers with regular payment schedule	113,591	(2,046)	111,545
From customers with different credit risks	89,261	(17,669)	71,592
	212,341	(20,189)	192,152

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1b Credit risk (continued)

(ii) Impairment of financial assets (continued)

Accounts receivable (continued)

The loss allowance as at 31 December 2019 and 2018 was determined as follows for accounts receivable from customers with regular payment schedule:

	Less than 180 days *RMB'000*	181 days to 1 year *RMB'000*	1 year to 2 years *RMB'000*	2 years to 3 years *RMB'000*	Over 3 years *RMB'000*	Total *RMB'000*
31 December 2019						
Expected loss rate	**0.50%**	**2.00%**	**5.00%**	**75.00%**	**100.00%**	
Accounts receivable	**131,799**	**17,118**	**3,679**	**793**	**2,570**	**155,959**
Less: allowance	**(659)**	**(342)**	**(184)**	**(595)**	**(2,570)**	**(4,350)**
	131,140	**16,776**	**3,495**	**198**	**–**	**151,609**
31 December 2018						
Expected loss rate	0.50%	2.00%	5.00%	75.00%	100.00%	
Accounts receivable	102,001	4,027	6,028	1,524	11	113,591
Less: allowance	(510)	(81)	(301)	(1,143)	(11)	(2,046)
	101,491	3,946	5,727	381	–	111,545

Throughout all years presented, the management kept monitoring the recoverability of accounts receivable. As there was no significant negative information to indicate an increasing credit risk, the management kept the same credit loss rate during all years presented. If there is an indicator for a significant increase in credit risk, the management would reassess and revise the expected loss rates where appropriate during such period ended.

Accounts receivable is written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a bankrupt of a debtor.

Impairment losses on accounts receivable are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1b Credit risk (continued)

(ii) Impairment of financial assets (continued)

Other financial assets at amortised cost

Other financial assets at amortised cost mainly include loans to third parties. As no significant increase of credit risk since initial recognition, management considers that the expected credit loss is insignificant.

3.1c Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each year to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2019			
Accounts and other payable (excluding non-financial liabilities)	**113,951**	**–**	**113,951**
Lease liabilities	**3,463**	**3,146**	**6,609**
Bank overdraft	**48**	**–**	**48**
	117,462	**3,146**	**120,608**
As at 31 December 2018			
Accounts and other payable (excluding non-financial liabilities)	93,478	–	93,478
Lease liabilities	3,069	–	3,069
Bank overdraft	88	–	88
	96,635	–	96,635

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities divided by total assets. The Group aims to maintain its gearing ratio below 50%. The gearing ratios as at 31 December 2019 and 2018 were as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Total liabilities	**143,015**	105,883
Total assets	**777,560**	614,229
Gearing ratio	**18.39%**	17.24%

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair values

(i) Fair value hierarchy

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the year.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the year. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The following table presents the Group's asset that are measured at fair value.

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
As at 31 December 2019				
Assets				
Financial assets measured at FVPL				
– WMPs	**–**	**–**	**132,651**	**132,651**
– Equity interests of certain private companies	**–**	**–**	**187,356**	**187,356**
	–	**–**	**320,007**	**320,007**
As at 31 December 2018				
Assets				
Financial assets measured at FVPL				
– WMPs	–	–	197,963	197,963
– Equity interests of certain private companies	–	–	66,518	66,518
	–	–	264,481	264,481

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair values (continued)

(i) Fair value hierarchy (continued)

The changes in level 3 instruments for the years ended 31 December 2019 and 2018 are presented in Note 20.

There were no transfers between levels for recurring fair value measurements during all years presented.

(ii) Valuation process and valuation techniques used to determine level 3 fair value

The Group has a team that manages the valuation exercise of level 3 instruments for financial reporting purpose. The team manages the valuation exercise of level 3 instrument on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

(iii) Fair value measurements using significant unobservable inputs.

The valuation of level 3 instruments mainly included investment in WMPs issued by banks and financial institutions and equity investments in private companies. As these instruments are not traded in an active market, their fair value have been determined using various applicable valuation techniques.

All the WMPs will mature within one year with variable return rates indexed to the performance of underlying assets. The fair values were determined based on cash flow discounted assuming the expected return will be obtained upon maturity.

Market approach or income approach were adopted to determine the fair value of the equity interest in the two private companies.

(Expressed in RMB unless otherwise indicated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair values (continued)

(iii) Fair value measurements using significant unobservable inputs (continued)

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

	Significant unobservable inputs	Range of inputs As at 31 December 2019	2018	Relationship of unobservable inputs to fair values
Investment in WMP	Expected return rate	**2.69% – 4.8%**	2.69% – 7.5%	The higher the expected return rate, the higher the fair value
Investment in equity interests of certain private companies	Expected volatility	**47% – 57%**	46% – 58%	The higher the expected volatility, the lower the fair value
	Discount for lack of marketability ("DLOM")	**15% – 20%**	20%	The higher the DLOM, the lower the fair value
	Risk-free rate	**2.5%**	3%	The higher the risk-free rate, the higher the fair value
	Discount rate	**22%**	22%	The higher the discount rate, the lower the fair value
	Revenue growth rate	**3% – 25%**	3% – 35%	The higher the revenue growth rate, the higher the fair value
	Perpetual growth rate	**3%**	3%	The higher the perpetual growth rate, the higher the fair value

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair values (continued)

(iii) Fair value measurements using significant unobservable inputs (continued)

For investment in WMP, the fair value was RMB132,651,000 as at 31 December 2019 (2018: RMB197,963,000). The estimated carrying amount as at 31 December 2019 would have been RMB1,327,000 (2018: RMB1,980,000) higher/lower should the expected return rate used in discounted cash flow analysis be higher/lower by 1% from management's estimates.

For investment in equity interests of certain private companies valued using market approach, the fair value was RMB184,000,000 as at 31 December 2019 (2018: RMB63,700,000). The estimated carrying amount as at 31 December 2019 would have been RMB9,000,000 (2018: RMB3,150,000) higher/lower should the revenue growth rate analysis be higher/lower by 5% from management's estimates.

For investment in equity interests of certain private companies valued using income approach, the fair value was RMB3,356,000 as at 31 December 2019 (2018: RMB2,818,000). The estimated carrying amount as at 31 December 2019 would have been RMB140,000 (2018: RMB119,000) lower/higher should the discount rate used in discounted cash flow analysis be higher/lower by 1% from management's estimates. The estimated carrying amount as at 31 December 2019 would have been RMB369,000 (2018: RMB285,000) higher/lower should the revenue growth rate used in discounted cash flow analysis be higher/lower by 5% from management's estimates.

Major assumptions used in the valuation for preferred shares are presented in Note 28. As at 31 December 2019, the Preferred Shares have been converted into ordinary shares.

4 CRITICAL ESTIMATES AND JUDGMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Group's accounting policies.

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4 CRITICAL ESTIMATES AND JUDGMENTS (CONTINUED)

4.1 Gross versus net assessment in revenue recognition

As disclosed in Note 2.20, the Group provides advertising services to its customers, which involve the assessment of revenue recognition on a gross or net basis, i.e. principal versus agent assessment in different business models. The Group follows the accounting guidance for principal-agent considerations to assess whether the Group controls the specified service before it is transferred to the customer, the indicators of which including but not limited to (a) whether the entity is primarily responsible for fulfilling the promise to provide the specified service; (b) whether the entity has inventory risk before the specified service has been transferred to a customer; and (c) whether the entity has discretion in establishing the prices for the specified goods or service. The management considers the above factors in totality, as none of the factors individually are considered presumptive or determinative, and applies judgment when assessing the indicators depending on each different circumstances.

4.2 Impairment of accounts receivable and other financial assets

The Group follows the guidance of IFRS 9 when assessing the expected credit losses of accounts receivable and other financial assets. This determination requires significant judgment and estimation. In making this judgment and estimation, the Group evaluates, among other factors, the duration of accounts receivable and the financial health collection history of debtors and expected future change of credit risks, including the consideration of factors such as general economy measure, changes in macroeconomic indicators etc. Further details are included in Note 3.1b to the consolidated financial information.

4.3 Current and deferred income tax

The Group is subject to income taxes in different areas. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

4 CRITICAL ESTIMATES AND JUDGMENTS (CONTINUED)

4.4 Fair value of financial instruments

Fair value of financial assets, in the absence of an active market, is estimated by using appropriate valuation techniques. Such valuations were based on certain assumptions associated with the instruments, which are subject to uncertainty and might materially differ from the actual results. Further details are included in Note 3.3.

The Preferred Shares issued by the Company are not traded in an active market and the respective fair value is determined by using valuation techniques. The Group used the discounted cash flow method to determine the underlying equity value of the Company and adopted equity allocation model to determine the fair value of the preferred shares.

Key assumptions such as discount rate, risk-free rate and volatility are disclosed in Note 28.

4.5 Impairment of goodwill

The Group performs the impairment test for goodwill on an annual basis, by comparing the recoverable amount to the carrying amount. The recoverable amount is determined based on the value-in-use calculations by using the discounted cash flow method, which requires significant estimates and judgments relating to the growth rate, the gross margin and the discount rate. Additional information for the impairment assessment of goodwill is disclosed in Note 18.

5 SEGMENT INFORMATION

The Group's business activities are mainly in mobile marketing services and related service and are regularly reviewed and evaluated by the CODM. As a result of this evaluation, the Group is organised into two reporting segments according to the revenue streams of the Group. The revenue streams of the Group are mobile advertising platform and related business, and proprietary applications traffic monetisation business.

The CODM assesses the performance of the operating segments based on the gross profit/loss. The reconciliation of gross profit to profit before income tax is shown in the consolidated statements of comprehensive income. There were no separate segment assets and segment liabilities information provide to the CODM, as the CODM does not use this information to allocate resources or to evaluate the performance of the operating segments.

5 SEGMENT INFORMATION (CONTINUED)

The segment results for the years ended 31 December 2019 and 2018 are as follows:

	Mobile advertising platform and related business *RMB'000*	Proprietary applications traffic monetisation business *RMB'000*	Total *RMB'000*
2019			
Revenue	**146,031**	**243,654**	**389,685**
Cost of revenue	**(115,053)**	**(13,120)**	**(128,173)**
Gross profit	**30,978**	**230,534**	**261,512**
2018			
Revenue	183,762	92,924	276,686
Cost of revenue	(128,007)	(7,259)	(135,266)
Gross profit	55,755	85,665	141,420

As at 31 December 2019 and 2018, substantially all of the non-current assets of the Group were located in the PRC.

The major customers which individually contributed more than 10% of the total revenue of the Group for the years ended 31 December 2019 and 2018 are listed as below:

	Year ended 31 December	
	2019	2018
	%	*%*
Customer A	**19.2**	N/A
Customer B	**10.4**	N/A
Customer C	**N/A**	24.1

6 REVENUE FROM CONTRACTS WITH CUSTOMERS

An analysis of the Group's revenue by category for the years ended 31 December 2019 and 2018 was as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Recognised at a point in time		
Mobile advertising platform and related business	**146,031**	183,762
Proprietary applications traffic monetisation business	**243,654**	92,924
Total	**389,685**	276,686

The Group generally enters into service contracts with customers for a contract term less than one year. Therefore the Group has applied the practical expedient permitted under IFRS 15 not to disclose the transaction price allocated to the unsatisfied performance obligations.

7 EXPENSES BY NATURE

The details of cost of revenue, selling and marketing expenses, general and administrative expenses and research and development expenses are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Cost for advertising placement:		
– Recognised in cost of revenue	**86,557**	89,868
– Recognised in selling and marketing expenses	**114,223**	65,856
Employee benefit expense (Note 8)	**54,518**	47,943
Share-based compensation expenses (Note 30)	**36,847**	–
Server capacity expense	**16,711**	11,765
Consultancy and professional service fee	**706**	543
Technical and other service fee	**5,552**	9,992
Depreciation and amortisation	**4,492**	4,537
Travel expense	**3,603**	2,596
Office supplies expense	**421**	666
Meeting expense	**29**	14
Short-term lease expense	**87**	205
Listing expense	**35,407**	338
Auditor's remuneration	**1,300**	400
Utilities	**395**	143
Others	**4,889**	1,848
Total	**365,737**	236,714

8 EMPLOYEE BENEFIT EXPENSE

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**49,418**	42,844
Retirement costs: contributions to defined contribution plans	**5,006**	4,925
Dismissal compensation	**94**	174
Total employee benefit expense	**54,518**	47,943

As at 31 December 2019 and 2018, defined contribution plans payables were RMB380,000 and RMB436,000 respectively.

8a Five highest paid individuals

The five individuals whose emoluments were the highest in the Group did not include any director for the years ended 31 December 2019 and 2018, whose emoluments are reflected in the analysis shown in Note 12 for each of all years presented. The emoluments payable to the remaining 5 individuals are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Wages, salaries and bonus	**3,693**	3,306
Discretionary bonuses	**–**	–
Contributions to pension plans	**226**	200
Other social security costs, housing allowance and other allowance	**351**	260
	4,270	3,766

The emoluments fell within the following bands:

	Year ended 31 December	
	2019	2018
Emolument bands (in HKD)		
Nil – 500,000	**–**	–
500,001 – 1,000,000	**3**	2
1,000,001 – 1,500,000	**2**	1
1,500,001 – 2,000,000	**–**	1

9 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Impairment loss provided for the year related to accounts receivable	**3,299**	6,963

10 OTHER INCOME AND OTHER GAIN, NET

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Other income		
Write-back accounts payable	**698**	–
Government grants	**348**	58
Others	**347**	–
Total	**1,393**	58
Other gain – net		
Fair value change of financial assets measured at FVPL	**25,699**	31,704
Exchange gain	**3,024**	4,033
Donation	**(881)**	–
Others	**(4)**	(14)
Total	**27,838**	35,723

11 FINANCE INCOME

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Interest income from IPO subscriptions	**20,926**	–
Interest income from deposits	**241**	39
Total	**21,167**	39

12 BENEFITS AND INTERESTS OF DIRECTORS

(a) Executive directors' and Independent non-executive directors' emoluments

For the year ended 31 December 2019:

	Fees	Wages, salaries and bonus	Discretionary bonuses	Contributions to pension plans	Other social security costs, housing allowance and other allowance	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Liu Chunhe*	–	311	–	47	66	424
Li Ping**	–	359	–	49	74	482
Wang Kui**	–	592	–	50	76	718
Independent non-executive directors						
Pan Xiya***	–	7	–	–	–	7
Chi Shujin***	–	7	–	–	–	7
Liu Rong***	–	7	–	–	–	7
	–	1,283	–	146	216	1,645

12 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Executive directors' and Independent non-executive directors' emoluments (continued)

For the year ended 31 December 2018:

	Fees	Wages, salaries and bonus	Discretionary bonuses	Contributions to pension plans	Other social security costs, housing allowance and other allowance	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Liu Chunhe*	–	344	–	49	63	456
Li Ping**	–	365	–	45	57	467
Wang Kui**	–	580	–	55	70	705
Independent non-executive directors						
Pan Xiya***	–	–	–	–	–	–
Chi Shujin***	–	–	–	–	–	–
Liu Rong***	–	–	–	–	–	–
	–	1,289	–	149	190	1,628

* Mr. Liu Chunhe was appointed as a director of the Company on 12 September 2018. The amounts presented above represent the wages, salaries and bonus, contributions to pension plans, other social security costs, housing allowance and other allowance paid during 2018 and 2019.

** Mr. Li Ping and Mr. Wang Kui were appointed as directors of the Company on 22 June 2019. The amounts presented above represent the wages, salaries and bonus, contributions to pension plans, and other social security costs, housing allowance and other allowance paid during 2018 and 2019.

*** Mr. Pan Xiya, Mr. Chi Shujin and Mr. Liu Rong were appointed as directors on 11 December 2019.

12 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Director's retirement and termination benefits

No retirement or termination benefits have been paid to the Company's directors during 2018 and 2019.

(c) Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available Directors' services subsisted at the end of the year or at any time during 2018 and 2019.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans or other dealings are entered into by the Company in favour of directors, controlled bodies corporate by and connected entities with such directors during 2018 and 2019.

(e) Directors' material interests in transactions, arrangements or contract

Other than those disclosed in Note 34, no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during 2018 and 2019.

13 INCOME TAX EXPENSES

(a) Cayman Islands Income Tax

The Company is incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands and is not subject to Cayman Islands income tax.

(b) Hong Kong Income Tax

Hong Kong profits tax rate is 16.5% up to 1 April 2018 when the two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits in the first HKD2 million and 16.5% for any assessable profits in excess.

(c) PRC Enterprise Income Tax ("EIT")

The income tax provision of the Group in respect of its operations in the PRC was subject to statutory tax rate of 25% on the assessable profits for the years ended 31 December 2019 and 2018, based on the exiting legislation, interpretations and practices in respect therefore.

NewBornTown Network Technology has been qualified as "High and New Technology Enterprises" under the relevant PRC laws and regulations since 2017. Accordingly, NewBornTown Network Technology was entitled to a preferential income tax rate of 15% on its assessable profits for the years ended 31 December 2019 and 2018.

Shandong NewBornTown was accredited as a software enterprise under the relevant PRC laws and regulations since 2018. Accordingly, Shandong NewBornTown is exempt from EIT for two consecutive years for the years ended 31 December 2019 and 2018, followed by a 50% reduction in the statutory income tax rate of 25% for the next three years from 2020 to 2022.

According to the relevant laws and regulations promulgated by the State Council of the People's Republic of China, enterprises engaging in research and development activities were entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction"). The State Taxation Administration of the People's Republic of China announced in September 2018 that enterprises engaging in research and development activities would entitle to claim 175% of their research and development expenses as Super Deduction from 1 January 2018 to 31 December 2020. The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits during the year.

13 INCOME TAX EXPENSES (CONTINUED)

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current tax		
Current tax on profits for the year	**5,228**	–
Deferred income tax		
Changes in deferred tax assets/liabilities (Note 29)	**4,743**	8,873
Income tax expenses	**9,971**	8,873

13a Reconciliation of income tax expenses

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Profit before income tax	**78,386**	68,610
Tax at the PRC statutory tax rate of 25%	**19,597**	17,153
Effect of different tax rates in other jurisdictions	**6,023**	–
Effect of preferential tax rates	**(14,196)**	(6,884)
Effect of expenses not deductible for income tax purposes	**794**	34
Effect of tax losses for which no deferred income tax assets were recognised	**420**	299
Effect of super deduction of research and development expenses	**(2,667)**	(1,729)
Income tax expenses	**9,971**	8,873

14 EARNINGS PER SHARE

14a Basic

Basic earnings per share for the years ended 31 December 2019 and 2018 are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Net profit attributable to the owners of the Company	**68,415**	59,737
Weighted average number of ordinary shares in issue *(thousand)*	**834,701**	866,496
Basic earnings per share *(expressed in RMB per share)*	**0.082**	0.069

Note:

The weighted average number of ordinary shares in issue used for the calculation of basic earnings per share for the years ended 31 December 2019 and 2018 have been retrospectively the capitalisation issue. The ordinary shares which were issued and allotted by the Company in connection with Reorganisation, had been treated as if these shares were in issue since the beginning. The new shares of the Company issued on 14 May 2019 to the pre-IPO investors, the shares repurchased in June 2019 and the issuance of Initial Public Offering in December 2019 are accounted at time portion basis.

14b Diluted

For the years ended 31 December 2019 and 2018, there were no dilutive potential ordinary shares on the Company outstanding. Therefore, there was no dilution impact on weighted average number of shares on the Company.

15 DIVIDENDS

No dividends have been paid or declared by the Company or any companies now comprising the Group during all years presented.

16 PROPERTY AND EQUIPMENT

	Electronic equipment *RMB'000*	Furniture and fixtures *RMB'000*	Leasehold improvement *RMB'000*	Right-of-use asset *RMB'000*	Total *RMB'000*
Year ended 31 December 2018					
Opening net book amount	917	6	–	6,085	7,008
Additions	544	34	–	–	578
Depreciation charge	(532)	(12)	–	(3,191)	(3,735)
Closing net book amount	929	28	–	2,894	3,851
As at 31 December 2018					
Cost	2,284	94	745	6,382	9,505
Accumulated depreciation	(1,355)	(66)	(745)	(3,488)	(5,654)
Net book amount	929	28	–	2,894	3,851
Year ended 31 December 2019					
Opening net book amount	**929**	**28**	**–**	**2,894**	**3,851**
Additions	**177**	**6**	**–**	**6,618**	**6,801**
Depreciation charge	**(475)**	**(6)**	**–**	**(3,211)**	**(3,692)**
Closing net book amount	**631**	**28**	**–**	**6,301**	**6,960**
As at 31 December 2019					
Cost	**2,461**	**100**	**745**	**6,618**	**9,924**
Accumulated depreciation	**(1,830)**	**(72)**	**(745)**	**(317)**	**(2,964)**
Net book amount	**631**	**28**	**–**	**6,301**	**6,960**

16 PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation charges were expensed off (Note 7) in the following categories in the consolidated statements of comprehensive income:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Cost of revenue	**2,832**	3,011
General and administrative expenses	**727**	597
Research and development expenses	**133**	127
	3,692	3,735

During all years presented, the Group obtains right to control the use of properties through entering respective lease arrangements. The leased assets cannot be used as security for borrowing purposes.

17 INTANGIBLE ASSETS

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Software		
As at 1 January		
Cost	**8,003**	8,003
Accumulated amortisation	**(3,270)**	(2,468)
Net book amount	**4,733**	5,535
Year ended 31 December		
Opening net book amount	**4,733**	5,535
Amortisation charge	**(800)**	(802)
Closing net book amount	**3,933**	4,733

Amortisation charges were expensed off (Note 7) in the following categories in the consolidated statements of comprehensive income:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Cost of revenue	**800**	800
General and administrative expenses	**–**	2
	800	802

18 GOODWILL

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Cost and carrying amount:		
At the beginning of the year	**4,955**	4,727
Currency translation differences	**111**	228
At the end of the year	**5,066**	4,955

Impairment tests for goodwill

As at 31 December 2019 and 2018, the goodwill of the Group was generated from acquisition of Great Sailing Media Limited in 2015, which is included in the segment of mobile advertising platform and related business. The Group carries out annual impairment test on goodwill by comparing the recoverable amount to the carrying amount. The recoverable amount of the cash-generating unit is determined based on the value-in-use calculations by using the discounted cash flow method. The calculation used pre-tax cash flow projections based on financial budgets approved by management covering a five-year period with a terminal value related to the future cash flows extrapolated using the estimated growth rates stated below beyond the five-year period. The growth rates are estimated between 10% and 21% and between 10% and 25% for the impairment tests performed at 31 December 2019 and 2018, while for the years beyond the five-year period, the estimated continued growth rate to perpetuity is 3%. The gross margins are estimated around 29% for the impairment testes performed at 31 December 2019 and 2018, with reference to the historical average gross margin of the Company. The present value of cash flows is calculated by discounting the cash flow using pre-tax discount rate of 20% which was estimated by using the Weighted Average Cost of Capital ("WACC") method. The WACC was calculated by referring to public market date including risk-free rate, market return, beta of comparable public companies, and the specific risk of the Group's mobile advertising platform and related business.

A reasonably possible change in key assumptions used in the impairment test of goodwill would not likely cause the carrying amount to exceed its recoverable amounts as at 31 December 2019 and 2018.

(Expressed in RMB unless otherwise indicated)

19 SUBSIDIARIES

As at the date of this report and during all years presented, the Company has direct or indirect interests in the following subsidiaries:

Company Name	Place and date of Incorporation/ establishment	Principal activities	Issued and paid-in capital/ Registered capital	Percentage of attributable equity interest As at 31 December 2019
Solo X Technology	Hong Kong/ 30 October 2018	Investment holding	HKD10,000	100%
Newborn Town International ("赤子城國際企業有限公司")	Hong Kong/ 20 December 2013	Mobile advertising platform service and proprietary app traffic monetisation	HKD10,000	100%
Shandong NewBornTown ("山東赤子城網絡技術有限公司")	The PRC/ 30 August 2018	Mobile advertising platform service business	RMB10,500,000	100%
Great Sailing Media Limited ("航海時代傳媒有限公司")	Hong Kong/ 16 April 2013	Mobile advertising platform service business	HKD500,000	100%
NewBornTown Mobile Technology ("赤子城移動科技（北京）股份有限公司")	The PRC/ 15 August 2007	Investment holding	RMB58,183,695	100%
NewBornTown Network Technology ("赤子城網絡技術（北京）有限公司")	The PRC/ 28 February 2014	Proprietary app traffic monetisation	RMB300,000,000	100%

20 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	Notes	As at 31 December 2019 RMB'000	2018 RMB'000
Financial assets			
Financial assets at amortised cost	(a)		
Accounts and other receivable	21, 22	**256,331**	250,593
Cash and cash equivalents	25	**182,863**	80,628
Restricted bank deposits	24	**913**	894
Financial assets at fair value through profit and loss			
– Investment in WMPs	(b)	**132,651**	197,963
– Investment in equity interests of certain private companies	(c)	**187,356**	66,518
		760,114	596,596
Financial liabilities			
Financial liabilities at amortised cost			
Accounts and other payable (excluding non-financial liabilities)		**113,951**	93,478
Lease liabilities		**6,312**	2,999
Bank overdraft		**48**	88
		120,311	96,565

(a) As at 31 December 2019 and 2018, the fair values of the financial assets and financial liabilities at amortised cost approximated their respective carrying amounts.

(b) The WMPs were not principal guaranteed, and were therefore classified as financial assets as FVPL. The fair value measurement of these assets are disclosed in Note 3.3.

20 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

(c) The Group made investments in equity interest of certain private companies and the changes in the balances for the years ended 31 December 2019 and 2018 are as follows:

	Notes	Year ended 2019 RMB'000	2018 RMB'000
At the beginning of the year		**66,518**	41,485
Addition during the year	(i)	**100,000**	–
Fair value changes		**20,838**	25,033
At the end of the year		**187,356**	66,518

(i) In 2016, the Group made an investment of RMB17,900,000 in Beijing Duanji Network Technology Co., Ltd., a private company in the mobile internet industry, which was merged by Beijing Mico World Technology Co., Ltd. ("Mico") in 2017. After the merger, the equity interest held by the Group in Mico became 8.95%. In March 2019, the Group made an additional investment of RMB100,000,000 in Mico. Upon the completion of this investment, the Group's shareholding percentage over Mico became 16.77%. As the Group has no significant influence over Mico, the Group designated such investment as financial asset measured at FVPL. The fair value measurement of these assets is disclosed in Note 3.3.

21 ACCOUNTS RECEIVABLE

	As at 31 December 2019 RMB'000	2018 RMB'000
Current assets		
Gross carrying amount	**177,674**	202,852
Less: impairment provision *(Note 3.1)*	**(14,291)**	(19,715)
	163,383	183,137
Non – current assets		
Gross carrying amount	**–**	9,489
Less: impairment provision *(Note 3.1)*	**–**	(474)
	–	9,015
Total accounts receivable	**163,383**	192,152

In 2018, the Group entered into an agreement to renegotiate the payment schedule with one of its customers, pursuant to which, a portion of the total accounts receivable will be settled until April 2020, therefore the Group classified such balance as non-current assets as at December 2018.

21 ACCOUNTS RECEIVABLE (CONTINUED)

An aging analysis of the gross accounts receivable as at 31 December 2019 and 2018, based on date of recognition, is as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Up to 6 months	**131,799**	113,491
6 months to 1 year	**17,118**	5,289
1 year to 2 years	**13,275**	28,901
2 years to 3 years	**12,028**	57,326
Over 3 years	**3,454**	7,334
	177,674	212,341

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9. Movement in lifetime ECL that has been recognised for accounts receivable is as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
At the beginning of the year	**(20,189)**	(12,551)
Provision for impairment	**(3,299)**	(6,963)
Write off allowance	**9,531**	–
Currency translation impacts	**(334)**	(675)
At the end of the year	**(14,291)**	(20,189)

As at 31 December 2019 and 2018, the analysis of carrying amounts of accounts receivable denominated in different currencies is as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Denominated in USD	**158,523**	199,270
Denominated in HKD	**4,387**	–
Denominated in RMB	**14,764**	13,071
	177,674	212,341

22 OTHER RECEIVABLE

The Group

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
From other related parties	**–**	10,846
From other parties	**92,948**	47,595
	92,948	58,441

As at 31 December 2019 and 2018, the analysis of carrying amounts of other receivable denominated in different currencies is as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Denominated in RMB	**1,139**	37,623
Denominated in USD	**–**	9,285
Denominated in HKD	**91,809**	11,533
	92,948	58,441

As at 31 December 2018, other receivable primarily included loans granted to third parties, the balance of which have been settled in March 2019. As at 31 December 2019, other receivable primarily included the subscribed fund from Initial Public Offering which have been settled in January 2020.

23 OTHER CURRENT ASSETS

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Prepayment to suppliers	**1,487**	4,094

24 RESTRICTED BANK DEPOSITS

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Restricted bank deposits	**913**	894

The restricted bank deposits mainly comprised of bank deposits restricted as guarantee for bank overdraft.

25 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Bank deposits at call	**181,805**	79,821
Cash in a payment platform	**1,058**	807
	182,863	80,628

For the years ended 31 December 2019 and 2018, the average interest rates of bank deposits at call were 0.05% and 0.07% respectively.

As at 31 December 2019 and 2018, the analysis of carrying amounts of cash and cash equivalents denominated in different currencies is as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Denominated in RMB	**2,565**	1,251
Denominated in USD	**29,617**	42,947
Denominated in JPY	**416**	–
Denominated in HKD	**150,246**	36,226
Denominated in EUR	**19**	204
	182,863	80,628

26 ACCOUNTS PAYABLE

Aging analysis of the accounts payable as at 31 December 2019 and 2018 based on the date of recognition are as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Up to 3 months	**60,796**	63,213
3 months to 6 months	**15,938**	5,863
6 months to 1 year	**63**	2,158
1 year to 2 years	**2,376**	10,163
2 years to 3 years	**6,109**	7,160
More than 3 years	**4,656**	839
	89,938	89,396

Accounts payable are usually paid within 1 year of recognition.

As at 31 December 2019 and 2018, the analysis of carrying amounts of accounts payable denominated in different currencies is as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Denominated in USD	**82,683**	88,894
Denominated in RMB	**7,255**	502
	89,938	89,396

27 OTHER PAYABLE

The Group

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Accrued listing expense	**22,913**	–
Employee benefits payable	**5,635**	4,723
Refundable advances from customers	**332**	3,601
Other tax payables	**2,927**	281
Others	**768**	481
	32,575	9,086

Other payable is unsecured and is usually paid within 1 year of recognition.

28 CONVERTIBLE REDEEMABLE PREFERRED SHARES

In April 2019, Shanghai Haitong Xinxi Investment Center (Limited Partnership) ("Haitong Xinxi"), one of the then shareholders of NewBornTown Mobile Technology, entered into a share transfer agreement with Jiaxing Fuqiang Ruiyi Equity Investment Limited Partnership ("China Fuqiang"), an independent third party, pursuant to which Haitong Xinxi transferred 484,864 shares, representing approximately 0.83% of the equity interest, in NewBornTown Mobile Technology to China Fuqiang at a consideration of RMB10 million. Upon the completion of such transaction, a shareholders agreement was entered into between NewBornTown Mobile Technology and its shareholders, pursuant to which, all the equity interests owned by China Fuqiang were converted from ordinary shares to convertible redeemable preferred shares (Series C Preferred Shares).

On 22 June 2019, as part of the Reorganisation, the Series C Preferred Shares held by China Fuqiang in NewBornTown Mobile Technology were re-designated into 2,078,286 preferred shares with par value of the Company USD0.0001 per share.

28 CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

The key terms of these preferred shares are summarised as follows:

(a) Conversion feature

These Preferred Shares shall automatically be converted into ordinary shares, at the conversion price upon the earlier of (i) the closing of a Qualified IPO ("QIPO"), and (ii) the prior written approval of the preferred shareholders. In the event of the automatic conversion of these preferred shares upon a QIPO as aforesaid, the person(s) entitled to receive the ordinary shares issuable upon such conversion of preferred shares shall not be deemed to have converted such preferred shares until immediately prior to the closing of such QIPO.

(b) Redemption feature

Upon the occurrence of certain events stipulated in the shareholders' agreement, such as the Group does not achieve a QIPO before 31 May 2020, holder of these preferred shares shall have the right to require and demand the Company to redeem all or any portion of its preferred shares, and the Company shall redeem these preferred shares held by the holder at a per share price equal to investment price paid by the holder plus uncompounded internal rate of return ("IRR") of 10%, including cash dividend has paid to the preferred shareholders as applicable, within 120 days from the date of the redemption notice given to the Company.

(c) Liquidation preferences

In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, the preferred shareholders shall be entitled to receive, prior and in preference to any distribution of any of the assets or funds legally available for distribution to its shareholders prior to and in preference to any distribution to the holders of ordinary shares, or any other class of series of shares by reason of their ownership of such shares, an amount equal to the sum of (i) total funds contributed to or invested in the Group, (ii) such amount which would give the preferred shareholders an uncompounded IRR of 10% on the preferred Shareholders' investments in the Group (including all accrued or declared but unpaid dividends thereon).

The Group does not bifurcate any embedded derivatives from the host instruments and designates the entire instruments as financial liabilities at fair value through profit or loss with the changes in the fair value recorded in the consolidated statements of comprehensive income.

The movement of these preferred shares is set out as below:

	RMB'000
At 1 January 2019	–
Issuance of Series C Preferred Shares	18,301
Changes in fair value	(7,434)
Converted into ordinary shares	(10,867)
At 31 December 2019	**–**

28 CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

On 31 December 2019, as disclosed in Note 30, all financial instruments with preferred rights were automatically converted into 7,220,800 ordinary shares (after the capitalization issue as mentioned in Note 30), the fair value of financial instruments with preferred rights was changed to RMB10,867,000 on 31 December 2019 as determined based on the quoted market price of the ordinary shares on the date of conversion and a fair value gain of RMB7,434,000 was recognised in the consolidated statement of comprehensive income for the year thereon.

The Group used the discounted cash flow method to determine the underlying share value of the Company and adopted equity allocation model to determine the fair value of these preferred shares as at the date of issuance and at the end of each year.

Key valuation assumptions used to determine the fair value of these preferred shares are as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Discount rate	**16%**	N/A
Risk-free rate	**2.32%-2.60%**	N/A
Volatility	**54%-55%**	N/A

Discount rate was estimated by weighted average cost of capital as of each valuation date. The directors estimated the risk-free rate based on the yield curve of China Government Bonds as of the valuation date. Volatility was estimated based on annualized standard deviation of daily stock price return of comparable companies for the period before valuation date and with similar span as time to exit. Probability weight under each of the redemption feature and liquidation preferences was based on the directors' best estimates. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of these preferred shares on each valuation date.

Changes in fair value of Preferred Shares were recorded in "Fair value changes of convertible redeemable preferred shares". Management considered that fair value changes in these Preferred Shares that are attributable to changes of its own credit risk are not significant.

29 DEFERRED INCOME TAX

Deferred income tax is calculated in full on temporary differences under the liability method using the tax rates at which are expected to be applied at the time of reversal of the temporary differences.

The amount of offsetting deferred income tax assets/liabilities is RMB1,633,000 and RMB3,396,000 for the years ended 31 December 2019 and 2018. The analysis of deferred income tax assets and liabilities before offsetting is as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Deferred income tax assets		
– to be recovered after 12 months	**1,633**	945
– to be recovered within 12 months	**–**	2,451
	1,633	3,396

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Deferred income tax liabilities		
– to be recovered after 12 months	**10,547**	7,567
– to be recovered within 12 months	**–**	–
	10,547	7,567

29a Deferred tax assets

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
The balance comprises temporary differences attributable to:		
Accrued operating expenses	**369**	–
Accumulated tax loss	**–**	2,451
Others	**1,264**	945
Total deferred tax assets	**1,633**	3,396

29 DEFERRED INCOME TAX (CONTINUED)

29a Deferred tax assets (continued)

Movements	Accrued operating expenses *RMB'000*	Accumulated tax loss *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 1 January 2018	538	8,035	90	8,663
(Charged)/credited to profit or loss	(538)	(5,584)	855	(5,267)
At 31 December 2018	–	2,451	945	3,396
Credited/(charged) to profit or loss	369	(2,451)	319	(1,763)
At 31 December 2019	**369**	**–**	**1,264**	**1,633**

Deferred income tax assets are recognised for deductible temporary differences to the extent that the realisation of the related tax benefits through future tax profit is probable.

As at 31 December 2019 and 2018, the Group did not recognise deferred income tax assets in respect of accumulated tax losses amounting to RMB956,000 and RMB1,194,000, respectively, which are expected to expire from 31 December 2023 to 31 December 2024.

29 DEFERRED INCOME TAX (CONTINUED)

29b Deferred tax liabilities

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
The balance comprises temporary differences attributable to:		
Fair value changes	**10,547**	7,567

	As at 31 December	
	2019	2018
Movement	***RMB'000***	*RMB'000*
Fair value changes		
As at 1 January	**7,567**	3,961
Credited to profit or loss	**2,980**	3,606
	10,547	7,567

As at 31 December 2018, the Group did not recognise deferred income tax liabilities in respect of undistributed retained earnings of the subsidiaries in PRC amounting to RMB32,373,000 as the Company is able to control the timing of the distribution of the retained earnings of these group companies and it is probable that the these group companies would not make such distribution in the foreseeable future.

30 SHARE CAPITAL/COMBINED CAPITAL

Share capital

	Note	Number of shares authorised for issue	Number of shares in issue	Share capital *USD'000*	Equivalent share capital *RMB'000*	Share premium *RMB'000*
As at 12 September 2018, incorporation of the Company		500,000,000	–	–	–	–
As at 31 December 2018		500,000,000	–	–	–	–
Conversion of ordinary shares to Preferred shares	(a)	–	–	–	–	(18,059)
Capital contribution from shareholders	(b)	–	163,257,608	16	113	(113)
Issuance of shares	(c)	–	84,099,998	8	58	498
Repurchase of shares	(d)	–	(18,125,688)	(2)	(12)	(83,025)
Capitalisation issue	(e)	2,500,000,000	627,547,282	63	437	(437)
Issuance of shares upon Initial Public Offering	(f)	–	136,000,000	14	95	204,577
Share issuance costs		–	–	–	–	(19,082)
Conversion of shares with preferred rights issued in December 2019	(f)	–	7,220,800	1	5	10,862
As at 31 December 2019		**3,000,000,000**	**1,000,000,000**	**100**	**696**	**95,221**

30 SHARE CAPITAL/COMBINED CAPITAL (CONTINUED)

Share premium

The share premium mainly comprises the portion of contributions from owners of the Group in excess of share capital.

Note (a)

The shares transferred to China Fuqiang were ordinary shares, which were then redeemable by Mr. Liu Chunhe, Mr. Li Ping and Mr. Ye Chunjian. From the prospective of the Company, it converted ordinary shares into preferred shares, which are redeemable by the Company. Balance of RMB18,059,000, being the fair value of the ordinary shares on the date of conversion were credited to capital reserve of the Company, while the fair value of the preferred shares amounting to RMB18,301,000 were credited to liability, and the difference amounting to RMB242,000 were debited to general and administrative expenses in accordance with IFRS 2 Share-based Payments, as the conversion had released Mr. Liu Chunhe, Mr. Li Ping and Mr. Ye Chunjian from the obligation of redemption, thus deemed to be economic benefits received by them. On 31 December 2019, the preferred shares were converted into share capital amounting RMB5,000, and capital reserves of RMB10,862,000.

Note (b)

The authorised share capital of the Company was USD50,000 divided into 500,000,000 Shares of par value of USD0.0001 each. On 22 June 2019, and the authorised share capital of the Company are reclassified and re-designated into the following 4 classes, including Ordinary Shares, Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares (Note 28).

Compared with Ordinary Shares, the Series A Preferred Shares and Series B Preferred Shares were granted certain special rights in relation to the Company. The key special rights for the shareholders of Series A Preferred Shares and Series B Preferred Shares are conversion rights, redemption rights and liquidation preferences.

These preferred shares have been automatically converted into ordinary shares at the date of Initial Public Offering on 31 December 2019 and the other special rights have been terminated at the same date.

Note (c)

In April 2019, Universe subscribed for 41,572 ordinary shares of the Company with a consideration of USD73,000 (equivalent to RMB0.5 million).

30 SHARE CAPITAL/COMBINED CAPITAL (CONTINUED)

Share premium (continued)

Note (d)

On 22 June 2019, the Company entered into share repurchase agreement with Phoenix Auspicious FinTech Investment L.P. to repurchase 6,880,990 shares of the Company, which were redeemable by Mr. Liu Chunhe, Mr. Li Ping and Mr. Ye Chunjian, at a consideration of RMB100,000,000. The consideration was settled on 26 June 2019 and paid by Newborn Town International, a subsidiary of the Company. The consideration paid by the Company was credited to cash and cash equivalent, while the fair value of the repurchased shares amounting to RMB63,395,000 were debited to share capital of RMB4,000, share premium of RMB56,524,000 and capital reserve of RMB6,867,000, and the difference amounted to RMB36,605,000 were debited to general and administrative expenses in accordance with IFRS 2 Share-based Payments, as the repurchase conducted by the Company had released Mr. Liu Chunhe, Mr. Li Ping and Mr. Ye Chunjian from the obligation of redemption, thus deemed to be economic benefits received by them.

On 26 June 2019, the Company entered into share repurchase agreement with Haitong Kaiyuan Investment Co., Ltd. to repurchase 5,622,349 shares of the Company at a consideration of RMB30,000,000. On 26 June 2019, the Company entered into share repurchase agreement with Shanghai Haitong Xinxi Investment Center (Limited Partnership) to repurchase 5,622,349 shares of the Company at a consideration of RMB30,000,000. All of these consideration was settled on 9 July 2019. Balance of RMB26,501,000 transferred out from the share premium and RMB33,491,000 transferred out from the capital reserve on the date of repurchase. As the consideration of repurchase was lower than the fair value of repurchased shares, no share-based compensation expenses were recognised by the Company.

Note (e)

On 11 December 2019, the authorised share capital of the Company was increased to USD300,000 divided into 3,000,000,000 shares of par value of USD0.0001 each, including (i) 2,581,151,162 Ordinary Shares, (ii) 173,794,516 Series A Preferred Shares, (iii) 237,833,522 Series B Preferred Shares, and (iv) 7,220,800 Series C Preferred Shares.

Pursuant to a written resolution passed on 11 December 2019, conditional on the share premium of the Company being credited as a result of the issue of shares pursuant to the global offering, the Company capitalised the sum of USD62,755 and allotted and issued a total of 627,547,282 shares credited as fully paid at par to the holders of shares whose names appear on the register of members of the Company at the close of business on the business day preceding to the listing date in proportion to their then existing shareholdings in the Company.

30 SHARE CAPITAL/COMBINED CAPITAL (CONTINUED)

Share premium (continued)

Note (f)

On 31 December 2019, the preferred rights of the 7,220,800 shares were terminated and converted into ordinary shares upon the successful Initial Public Offering of the Company.

On 31 December 2019, upon completion of the Initial Public Offering, the Company issued 136,000,000 new shares at par value of USD0.0001 each for cash consideration of HKD1.68 per share.

The total gross proceeds from the Initial Public Offering were approximately HKD228,480,000 (equivalent to RMB204,672,000). The respective share capital amount was approximately RMB95,000, and share premium arising from the issuance was approximately RMB185,495,000, net of the issuance costs. The issuance costs paid mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB19,082,000 were treated as a deduction against the share premium arising from the issuance.

Combined capital

The Group	Combined capital *RMB'000*
As at 1 January and 31 December 2018	58,184

As mentioned in Note 1 above, the consolidated financial information has been prepared as if the current group structure had been in existence throughout all years presented or since the respective dates of incorporation establishment of the combining companies, or since the date when the combining companies first came under the control of Newborn Town Inc., where there is a shorter period. Combined capital as at 31 December 2018 represents the combined share capital of the companies comprising the Group after elimination of inter-company transactions and balances.

31 OTHER RESERVES

The Group

	Statutory reserve *RMB'000*	Capital reserve *RMB'000*	Translation reserve *RMB'000*	Total other reserves *RMB'000*
As at 1 January 2018	1,095	423,688	(4,052)	420,731
Other comprehensive income	–	–	8,028	8,028
Appropriation to statutory reserve	2,380	–	–	2,380
As at 31 December 2018	3,475	423,688	3,976	431,139
Other comprehensive income	–	–	2,225	2,225
Reorganisation of the Group	–	58,184	–	58,184
Repurchase of shares *(Note 30 (d))*	–	(40,358)	–	(40,358)
As at 31 December 2019	**3,475**	**441,514**	**6,201**	**451,190**

Statutory reserves

The statutory surplus reserves mainly comprises the following:

In accordance with the Company Law of the PRC, domestic enterprises in Mainland China are required to transfer 10% of their profit after taxation, as determined under accounting principles generally accepted in the PRC ("PRC GAAP"), to the statutory surplus reserve until such reserve balance reaches 50% of the registered capital of such entities. Moreover, upon a resolution made by the shareholders, a certain percentage of domestic enterprises' profit after taxation, as determined under PRC GAAP, is transferred to the discretionary surplus reserve.

The statutory surplus reserves can be used to reduce previous years' losses, if any, and may be converted into paid-in capital, provided that the statutory reserve after such conversion is not less than 25% of the registered capital of relevant subsidiaries.

32 CASH FLOW INFORMATION

32a Cash generated from operations

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Profit before income tax		**78,386**	68,610
Adjustments for			
Depreciation and amortisation	7	**4,492**	4,537
Net impairment losses on financial assets	9	**3,299**	6,963
Finance income	11	**(21,167)**	(39)
Finance costs		**95**	219
Exchange gain	10	**(3,024)**	(4,033)
Share-based compensation expense	30	**36,847**	–
Fair value changes of convertible redeemable preferred shares	28	**(7,434)**	–
Fair value change of financial assets measured at FVPL	10	**(25,699)**	(31,704)
Change in operating assets and liabilities:			
Decrease/(increase) in accounts receivable		**25,725**	(48,180)
Decrease/(increase) in other current assets		**2,668**	(2,301)
Decrease/(increase) in other receivable		**30,910**	(16,101)
Increase in restricted bank deposits		**(19)**	(39)
Increase in accounts payable		**557**	20,592
Increase in other payable		**28,860**	3,115
Cash generated from operations		**154,496**	1,639

32 CASH FLOW INFORMATION (CONTINUED)

32b Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Cash and cash equivalents	**182,815**	80,540
Lease liabilities	**(6,312)**	(2,999)
Net debt	**176,503**	77,541

	Cash and cash equivalents	**Lease liabilities**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Net debt as at 1 January 2018	71,738	(6,123)	65,615
Cash flows	2,906	3,343	6,249
Non-cash movement	–	(219)	(219)
Effects of exchange rate changes	5,896	–	5,896
Net debt as at 31 December 2018	80,540	(2,999)	77,541
Cash flows	98,481	3,400	101,881
Non-cash movement	–	(6,713)	(6,713)
Effects of exchange rate changes	3,794	–	3,794
Net debt as at 31 December 2019	**182,815**	**(6,312)**	**176,503**

33 COMMITMENTS

Non-cancellable leases commitment

The Group leases some office under non-cancellable lease contract with lease term less than one year and has been exempted from recognition of right-of-use assets permitted under IFRS 16. The future aggregate minimum lease payment under the relevant non-cancellable lease contract are as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within 1 year	**77**	55

34 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the years presented. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

34a Names and relationships with related parties

The following individuals/companies are significant related parties of the Group that had transactions and/or balances with the Group during all years presented.

Individuals/Companies	Relationship
Directors (Liu Chunhe, Li Ping, Wang Kui)	Director of the Company

34 RELATED PARTY TRANSACTIONS (CONTINUED)

34b Transactions with related parties

The transactions with related parties are conducted in the ordinary course of the Group's business on terms comparable to the terms of transactions with other entities that are not related parties. The Group prices its services and goods based on commercial negotiations with reference to rules and regulations stipulated by related authorities of the PRC Government, where applicable. The Group has also established its procurement policies and approval processes for purchases of goods and services, which do not depend on whether the counterparties are related parties or not.

The following transactions occurred with related parties:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Collection on behalf of the Group		
Directors (Liu Chunhe, Li Ping, Wang Kui)	**14,171**	17,655

In 2018 and 2019, three directors of the Company entered into settlement arrangements with Newborn Town International to collect monetization payments on behalf of the Group from certain customers in relation to the monetization of certain mobile applications. They forwarded the relevant payments to the Group at the demand of the Group.

34c Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the year in relation to transactions with related parties:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Other receivable from related parties		
Directors (Liu Chunhe, Li Ping, Wang Kui)	**–**	10,846

34 RELATED PARTY TRANSACTIONS (CONTINUED)

34d Key management personnel remuneration

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Wages, salaries and bonus	**2,542**	2,355
Discretionary bonuses	**–**	–
Contributions to pension plans	**244**	249
Other social security costs, housing allowance and other allowance	**373**	325
Total employee benefit expense	**3,159**	2,929

The related party transactions in respect of Note 34b and 34c above also constitute connected transactions as defined in Chapter 14A of the Listing Rules.

35 EVENT OCCURRING AFTER THE REPORTING PERIOD

COVID-19 Outbreak

Up to the date on which this set of financial statements were authorised for issue, although the extent of the impacts of the COVID-19 outbreak on the global macro-economic conditions as a whole are still uncertain, the Group was not aware of any material adverse effects to the operation and the financial statements as a result of the COVID-19 outbreak. The Group will keep paying close attention to the development of the COVID-19 outbreak, performing further assessment of its impact and taking relevant measures.

Full exercise of the Over-Allotment Option

The Company announces that the Over-allotment Option has been fully exercised on 19 January 2020, in respect of an aggregate of 20,400,000 shares sold by one of the Company's shareholders, Pixel Perfect Tech Limited at HKD1.68 per share.

36 BALANCE SHEET AND OTHER RESERVES MOVEMENT OF THE COMPANY

(a) Balance Sheets of the Company

	Note	As at 31 December	
		2019	2018
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Investment in subsidiaries		**2,025,000**	–
Total non-current assets		**2,025,000**	–
Current assets			
Other receivable		**90,426**	–
Cash and cash equivalents		**123,259**	–
Total current assets		**213,685**	–*
Total assets		**2,238,685**	–*
LIABILITIES			
Current liabilities			
Other payable		**186,129**	–
Total liabilities		**186,129**	–
EQUITY			
Share capital	30	**696**	–*
Share premium	36(b)	**2,120,062**	–*
Other reserves	36(b)	**(42,912)**	–
Accumulated losses		**(25,290)**	–*
Total equity		**2,052,556**	–*
Total liabilities and equity		**2,238,685**	–*

* The amount is less than RMB1,000

The balance sheet of the Company was approved for issue by the Board of Directors on 30 March 2020 and were signed on its behalf:

Liu Chunhe
Director

Wang Kui
Director

As at 31 December 2019, other receivable primarily included the subscribed fund from Initial Public Offering which have been settled in January 2020. As at 31 December 2019, other payable primarily included amount due to a subsidiary for the repurchase of shares and the accrued listing expense.

36 BALANCE SHEET AND OTHER RESERVES MOVEMENT OF THE COMPANY (CONTINUED)

(b) Other reserves movement of the Company

	Share premium *RMB'000*	Capital reserve *RMB'000*	Translation reserve *RMB'000*	Total other reserves *RMB'000*
As at 12 September 2018, incorporation of the Company	–	–	–	–
As at 31 December 2018	–	–	–	–
Other comprehensive income	–	–	(2,554)	(2,554)
Capital contribution from shareholders	2,006,669	–	–	2,006,669
Issuance of ordinary shares	498	–	–	498
Repurchase of shares	(83,025)	(40,358)	–	(123,383)
Capitalisation issue	(437)	–	–	(437)
Issuance of shares upon Initial Public Offering	204,577	–	–	204,577
Share issuance costs	(19,082)	–	–	(19,082)
Conversion of preferred shares to ordinary shares	10,862	–	–	10,862
As at 31 December 2019	**2,120,062**	**(40,358)**	**(2,554)**	**2,077,150**

"AI"	artificial intelligence
"AGM"	the annual general meeting of the Company to be held on 15 June 2020
"Articles" or "Articles of Association"	the articles of association of our Company as amended from time to time
"ARPU"	the average amount of revenue, including the revenue from in-app purchase and mobile advertising, generated from each mobile device user for a particular period
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"Corporate Governance Code"	the "Corporate Governance Code and Corporate Governance Report" as contained in Appendix 14 to the Listing Rules
"China", "PRC" or "Mainland China"	the People's Republic of China, which for the purpose of this annual report only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Companies Law"	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Company", "our Company" or "the Company"	Newborn Town Inc. (赤子城科技有限公司), a company with limited liability incorporated in the Cayman Islands on 12 September 2018
"Consolidated Affiliated Entities"	the entities we control through the Contractual Arrangements, being NewBornTown Mobile Technology and NewBornTown Network Technology
"Contractual Arrangements"	a series of contractual agreements reached to consolidate our interests in the Consolidated Affiliated Entities entered into among WFOE, NewBornTown Mobile Technology and the PRC Equity Holders during the Reorganisation
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholders Group"	Mr. Liu Chunhe and Mr. Li Ping, together with their respective close associates, including Spriver Tech Limited and Parallel World Limited, a group of individuals acting in concert with each other, which constitute the controlling shareholder of our Company
"Director(s)"	the director(s) of our Company or any one of them
"Employee RSU Scheme"	the restricted share unit scheme of the Company adopted by our Board on 11 December 2019
"Employee RSU Trustee"	TMF Trust (HK) Limited, an independent and professional trustee appointed by our Company to act as the trustee of the Employee RSU Scheme

"Great Sailing"	Great Sailing Media Limited (formerly known as Mobile Box Limited), a company incorporated in Hong Kong with limited liability on 16 April 2013 and an indirect wholly-owned subsidiary of our Company
"Group," "our Group," or "the Group"	the Company and its subsidiaries from time to time
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"IFRS"	the International Financial Reporting Standards, amendments and interpretation issued from time to time by the International Accounting Standards Board
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	31 December 2019, the date on which the Company was listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited(as amended, supplemented or otherwise modified from time to time)
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"Management RSU Scheme"	the restricted share unit scheme of the Company adopted by our Board on 11 December 2019
"Management RSU Trustee"	TMF Trust (HK) Limited, an independent and professional trustee appointed by our Company to act as the trustee of the Management RSU Scheme
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"NewBornTown Mobile Technology"	NewBornTown Mobile Technology (Beijing) Holdings Co., Ltd. (赤子城移動科技（北京）股份有限公司), a company incorporated under the laws of the PRC with limited liability on 15 August 2007 and by virtue of the Contractual Arrangements, accounted for as our subsidiary

"NewBornTown Network Technology"	NewBornTown Network Technology (Beijing) Co., Ltd. (赤子城網絡技術（北京）有限公司), a company incorporated under the laws of the PRC with limited liability on 28 February 2014 and a direct wholly-owned subsidiary of NewBornTown Mobile Technology
"Nomination Committee"	the nomination committee of the Company
"Prospectus"	the prospectus of the Company dated 17 December 2019
"Relevant Period"	the period from the Listing Date and up to the date of this annual report
"Remuneration Committee"	the remuneration committee of the Company
"RMB"	Renminbi yuan, the lawful currency of China
"RSU"	a restricted share unit award granted to a participant under the RSU Scheme
"RSU Schemes"	the Employee RSU Scheme and the Management RSU Scheme
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US$0.0001 each
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed thereto in the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers issued by SFC, as amended or supplemented from time to time
"U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States
"We", "us" or "our"	our Company or our Group, as the context may require
"WFOE" or "Shandong NewBorn Town"	Shandong NewBornTown Network Technology Co., Ltd. (山東赤子城網絡技術有限公司), a company incorporated under the laws of the PRC with limited liability on 30 August 2018 and a direct wholly-owned subsidiary of Solo X Technology
"%"	per cent

赤子城科技有限公司 Newborn Town Inc.