

赤子城

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)

2020
INTERIM
REPORT
中期報告

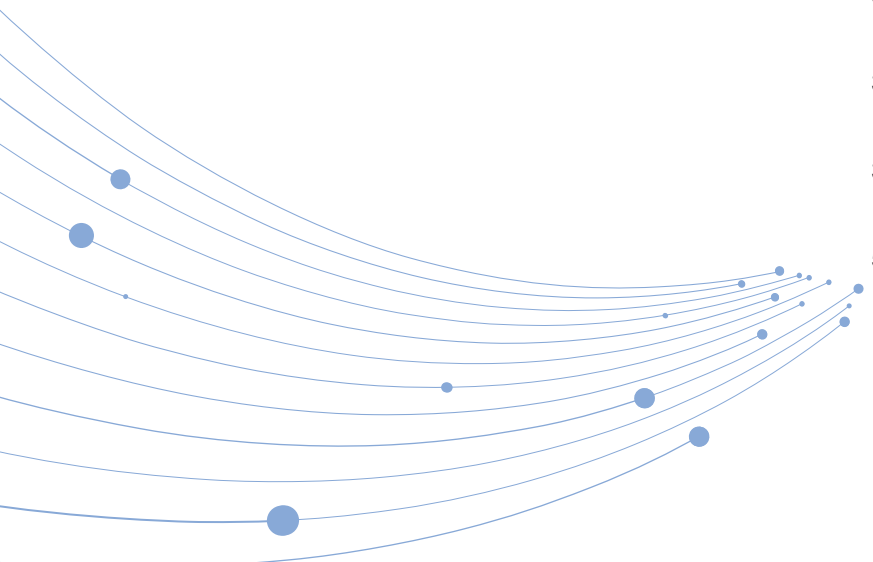
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CORPORATE INFORMATION

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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REGISTERED OFFICE

The offices of Maples Corporate Services Limited
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Ugland House
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Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road, Central
Central
Hong Kong

Industrial and Commercial Bank of China Limited
Beijing Academy of Sciences Sub-branch
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Beijing
PRC

COMPLIANCE ADVISER

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8 Connaught Place
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CORPORATE INFORMATION

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As to Cayman Islands law:

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26th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

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Maples Fund Services (Cayman) Limited
P.O. Box 1093
Boundary Hall, Cricket Square
Grand Cayman KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shop 1712-1716
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183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

09911

COMPANY'S WEBSITE

www.newborntown.com/en

FINANCIAL HIGHLIGHTS

- Revenue from contracts with customers for the six months ended 30 June 2020 amounted to RMB150.3 million, representing a decrease of 18.5% from RMB184.4 million recorded for the six months ended 30 June 2019.
- Gross profit for the six months ended 30 June 2020 amounted to RMB116.7 million, representing a decrease of 5.1% from RMB122.9 million recorded for the six months ended 30 June 2019.
- Profit for the period for the six months ended 30 June 2020 amounted to RMB3.4 million, representing a decrease of 70.9% from RMB11.7 million recorded for the six months ended 30 June 2019.
- Adjusted net profit for the six months ended 30 June 2020 amounted to RMB18.7 million, representing a decrease of 70.1% from RMB62.5 million recorded for the six months ended 30 June 2019.

	Six months ended 30 June	
	2020 <i>RMB'000</i> <i>(unaudited)</i>	2019 <i>RMB'000</i> <i>(audited)</i>
Revenue from contracts with customers	150,336	184,367
Gross profit	116,661	122,874
Profit before income tax	4,428	20,496
Profit for the period	3,416	11,726
Basic earnings per share (expressed in RMB per share) ⁽¹⁾	0.003	0.014
Diluted earnings per share (expressed in RMB per share) ⁽¹⁾	0.003	0.013
Profit for the period	3,416	11,726
<i>Add:</i>		
Share-based compensation expenses ⁽²⁾⁽³⁾	15,262⁽³⁾	36,847 ⁽²⁾
Listing expenses ⁽⁴⁾	–	15,230
<i>Less:</i>		
Fair value changes of convertible redeemable preferred shares ⁽⁴⁾	–	(91)
Tax effect ⁽⁵⁾	–	(1,168)
Adjusted net profit	18,678	62,544

FINANCIAL HIGHLIGHTS

Notes:

- (1) The weighted average number of ordinary shares in issue used for the calculation of basic and diluted earnings per share for the six months ended 30 June 2019 have been retrospectively adjusted for the capitalisation issue before listing.
- (2) In June 2019, the Company repurchased certain Series B Preferred Shares (as defined in the Prospectus) which the holders had a put option to sell to certain senior management members of the Company. A 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.
- (3) In May 2020, the Board approved the grant of an aggregate of 55,227,573 RSUs to certain employees and management pursuant to the RSU Schemes. Share-based compensation expenses was recognised based on the vesting period of the RSU Schemes, and amounted to RMB15,262,000 in the current period, tantamount to the economic benefits in relation to the benefit of the certain employees and management obtained from the Company. For further details, please refer to the announcement dated 28 May 2020 of the Company.
- (4) Such item is non-recurring as it is derived from a one-off event.
- (5) Including tax effects on listing expenses, which are calculated with a tax rate of 15%.

BUSINESS HIGHLIGHTS



STABLE GROWTH IN PROPRIETARY PRODUCTS

The cumulative number of users amounted to **1,130.0** million
Revenue amounted to RMB **137.5** million representing an increase of **20.1%** YOY



SIGNIFICANT INCREASE IN PROFITABILITY

The overall gross profit margin was **77.6%** representing an increase of **11.0%**



SIGNIFICANT INCREASE IN REVENUE FROM IN-APP PURCHASE

Revenue from in-app purchase increased by **864.9%** YOY accounting for **10.5%** of total revenue



EXPONENTIAL GROWTH IN GAME BUSINESS

The cumulative number of game users amounted to **89.1** million
The average monthly active users amounted to **8.2** million representing an increase of **57.7%** YOY



EXPANDING SOCIAL NETWORKING BUSINESS TERRITORY

The cumulative number of social networking users amounted to **127.1** million
The average monthly active users amounted to **8.9** million

Dear Shareholders,

For the first half of 2020, Newborn Town Inc. believes that it was a critical period to advance its strategic deployment in synchronisation with the changing global market. During the first half of 2020, the Company began to proceed with the “Traffic+” strategy, and strived to penetrate into the game and social networking segments by utilising the large-scale traffic ecosystem and accumulated abundant data. By tapping into the full-range capabilities developed over years of global market expansion, including insight, research and development, operation, user acquisition, and monetisation, we have expeditiously achieved successes towards new vertical segments.

Driven by the “Traffic + Games” and “Traffic + Social Networking”, the Company’s products have increasingly manifested such features as “long-duration, high-stickiness and high-frequency”. We continued to identify vertical user demands in the social networking and entertainment so as to further expand the user base and increase the monetisable values. On the other hand, we strived to scale up the traffic ecosystem by attracting new users with diversified content-based products. As a result, we witnessed an accelerating release of traffic potential, resulting in stable revenue growth in proprietary products, as well as a significant improvement in monetisation efficiency.

I hereby review the Company’s business development for the first half of 2020, and summarise strategies and outlook of the Company for the second half of 2020.

BUSINESS REVIEW

Further expansion of the traffic ecosystem resulted in the initial “Traffic+” effects

By implementing the “Traffic+” strategy in the game and social networking segments during the first half of 2020, we succeeded in the rapid and vertical extension of our traffic ecosystem, thereby achieving fast growth. Currently, our proprietary product portfolio has accumulated 1,130.0 million users, as a result of which, revenue from our proprietary products grew to RMB137.5 million, representing an increase of 20.1% as compared with the corresponding period in 2019.

In our commitment to implementing the strategies of “Traffic + Games” and “Traffic + Social Networking”, we reported further improvement in our traffic ecosystem values, based on which, our overall gross profit margin also grew to 77.6% in the midst of monetisation.

Benefiting from premium products continuously introduced under the “stay-at-home economy” model, such as game and social networking, our product portfolio has been increasingly diversified, while monetisation models expanded to in-app purchase, membership subscriptions, and advertising, among which, revenue from in-app purchase grew by 864.9%, accounting for 10.5% of total revenue.

CHAIRMAN'S STATEMENT

Exponential growth in game business

In recent years, we have introduced various popular games, including the multiplayer battle game Beetles.io, the archery themed game Archery Go, and the arcade game Tank Heroes. For the first half of 2020, we continued to scale up investments in research and development of the game segment. From light-core games in the early stage to mid-core games at the current stage, our product portfolio has further been upgraded with the life cycle extended.

For instance, Archery Go was once again entered into the list of “Top 20 Chinese Mobile Game Downloads in the United States” published by Sensor Tower during the first quarter of 2020. Archery Go was listed for three consecutive quarters beginning from the third quarter of last year. In addition, Archery Go topped the App Store game downloads list in 14 countries and regions, and remained a top-10 sports game in 102 countries and regions on the App Store. These records have manifested the popularity of this game in the overseas market and its relatively long life cycle.

Due to these popular games, our game user base has grown rapidly. For the first half of 2020, the cumulative number of game users amounted to 89.1 million. The average monthly active users amounted to 8.2 million, representing an increase of 57.7% as compared with the corresponding period in 2019.

Expanding social networking business territory

During the year, we explored the social networking business by introducing the audio and video social networking product 一呀. According to Google Play, this social networking app tapped into top 10 in terms of downloads in 9 countries and regions, top 10 in terms of sales in 6 countries and regions, and top 20 in terms of downloads in the global market.

In addition, we completed the consolidation of financial statement of Mico. According to the App Store, with a user base exceeding 100 million, Mico ranked first among the social networking apps in terms of downloads in 71 countries and regions, and was a top-10 social networking app in terms of sales in 79 countries and regions. Our consolidation of Mico has provided more momentum to our social networking business in terms of traffic, data, technology, and resources.

Mico focuses on the open-end social networking and entertainment, while 一呀 focuses on audio and video social networking. Due to their different user segmentation, the Company has preliminarily established a differentiated product portfolio in the social networking segment. For the first half of 2020, the Company reported a sum of 127.1 million cumulative users in the social networking apps with average monthly active users of 8.9 million.

Continuous upgrade of AI technologies

In line with the growing traffic ecosystem and extended product portfolio, the Company continued to accumulate data, as a result of which, Solo Aware, an artificial intelligence (“AI”) engine, also continued to improve in various aspects, including algorithm models and number of labelling. In particular, we witnessed a growth in the number of “heavy” users in the game and social networking segments, generating much more granular data that facilitated the advancement of the AI engine at a fast pace.

In applying the AI technology to diverse scenarios, including game and social networking products, we extensively uncovered the customisation requirements of users so that every user can enjoy a unique experience. With the upgrade of Solo Aware, for instance, 一呀 further improved its accuracy in connecting to users with matching features, significantly enhancing the social networking efficiency and experience of the users.

PERFORMANCE AND OUTLOOK

To achieve infinite traffic monetisation by continuing the expansion of the traffic ecosystem and deepening the implementation of the “Traffic+” strategy

We will closely keep abreast of the development trajectory of the mobile internet industry across the globe, while continuing to monitor new market opportunities in the process of implementing the “Traffic+” strategy. In doing so, we can take responsive actions based on market demands promptly. By deepening and identifying the differentiated demands of global users, we will develop popular and trendy products in a swift manner, which in return will continue to scale up our traffic ecosystem.

We will expedite the release of traffic potential, and continue to scale up the investments in the games and social networking products, business models of which have been vindicated. As a result, user stickiness and active hours will be improved, thereby increasing revenue and percentage of in-app purchase. In return, the growth of revenue and the profitability of the Company will be promoted.

By further consolidating and improving the positions of our products in the segment market and industry, we will expand our product coverage and improve penetration rate, as a result of which, the “global super traffic ecosystem” will manifest its scale effect, and thus realising the continuous growth of traffic and commercial values.

To build the presence of niche games by enriching game types and extending the life cycle

We will continue with the “Traffic + Games” strategy. On top of the current product operation, we will reinforce our efforts to develop the mid-core games, including the research and development of different types of games, such as sports competition-based type, puzzle-based type, education-based type, mixed type, so that the user base and market coverage will be expanded. Furthermore, we will secure the attractive values of the mid-core games at an accelerated pace.

Our game business will persist in the principle of niche products. By committing ourselves to improving the active hours and user stickiness of the products, we will extend the life cycle of games, while introducing more niche games. Furthermore, we will further optimise the operation and monetisation efficiency of the products, enrich the in-game payment scenarios, and expand in-app purchase scale and its percentage.

To achieve efficient monetisation by committing to social networking business and differentiated vertical product

As regards to social networking segment, given a good market response, we will accelerate the implementation of the “Traffic + Social Networking” strategy. To expand the user base, we will continue to optimise and iterate our existing products, and refine the operation of 一呀 and Mico. On the other hand, based on the differentiated segmentation requirements of global users, we will research and develop new vertical social networking products.

We will focus on and deepen the development of the open-end social networking sector in the global market. In response to the 5G technology momentum and the new era of social networking practice, we will stress the importance of new models of social networking via audio, video, and games, while exploring markets in the developed countries and emerging markets to carve out a global business presence.

In the midst of operating social networking products, we will persist in deepening the localisation strategy, which requires us to adapt to local user practices, strictly comply with local laws and regulations, and respect local religions, beliefs, culture and custom. In doing so, we will continue to expand our global market share in the open-end social networking sector.

Mr. Liu Chunhe

*Chairman of the Board and
Chief Executive Officer*

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

Our total revenue decreased by 18.5% to RMB150.3 million for the six months ended 30 June 2020 as compared to RMB184.4 million for the six months ended 30 June 2019. The following table sets forth a breakdown of our revenue by segments for the periods indicated:

	Six months ended 30 June				YoY Change
	2020		2019		
	<i>RMB'000</i> <i>(unaudited)</i>	<i>% of</i> <i>Total</i> <i>revenue</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>% of</i> <i>Total</i> <i>revenue</i> <i>(audited)</i>	
Proprietary app traffic monetisation business	137,465	91.4	114,460	62.1	20.1%
Traffic monetisation	121,640	80.9	112,820	61.2	7.8%
In-app purchase	15,825	10.5	1,640	0.9	864.9%
Mobile advertising platform and related business	12,871	8.6	69,907	37.9	-81.6%
Programmatic advertising platform and related business	12,871	8.6	69,787	37.9	-81.6%
Media buy business	–	–	120	0.0	-100.0%
Total	150,336	100.0	184,367	100.0	-18.5%

The revenue from proprietary app traffic monetisation business increased by 20.1% to RMB137.5 million for the six months ended 30 June 2020 as compared to RMB114.5 million for the six months ended 30 June 2019, primarily because (i) our continuous efforts in developing and launching new games apps and the upgrade of our existing apps enabled us to maintain and attract users, which further updated our product portfolio and extended the life cycle; (ii) the synergy effect of our increased promotion efforts and cross-marketing our apps also contributed to the growth of our user base; and (iii) we explored the social networking business by introducing the audio and video social networking products and had a rapid growth during the first half of 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

The revenue from mobile advertising platform and related business decreased by 81.6% to RMB12.9 million for the six months ended 30 June 2020 as compared to RMB69.9 million for the six months ended 30 June 2019, which primarily was affected by the global economic downturn and the novel coronavirus pandemic. We downsized the mobile advertising platform and related business to avoid the collection risk.

COST OF REVENUE

Our cost of revenue decreased by 45.2% to RMB33.7 million for the six months ended 30 June 2020, as compared to RMB61.5 million for the six months ended 30 June 2019. The following table sets forth a breakdown of our cost of revenue by nature for the periods indicated:

	Six months ended 30 June		2019		YoY Change
	2020				
	<i>RMB'000</i> <i>(unaudited)</i>	<i>% of</i> <i>Total</i> <i>revenue</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>% of</i> <i>Total</i> <i>revenue</i> <i>(audited)</i>	
Cost for advertising placement	6,356	4.2	39,020	21.2	-83.7%
Employee benefit expense	6,597	4.4	10,647	5.8	-38.0%
Share-based compensation expenses	9,287	6.2	–	–	100.0%
Server capacity expense	4,174	2.8	9,099	4.9	-54.1%
Intangible assets amortisation	400	0.3	400	0.2	0.0%
Payment handling costs	4,651	3.1	–	–	100.0%
Others	2,210	1.5	2,327	1.3	-5.0%
Total	33,675	22.5	61,493	33.4	-45.2%

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

	Six months ended 30 June		2019		YoY Change
	2020				
	<i>RMB'000</i> <i>(unaudited)</i>	<i>%</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>%</i> <i>(audited)</i>	
Proprietary app traffic monetisation business	21,180	62.9	6,386	10.4	231.7%
Mobile advertising platform and related business	12,495	37.1	55,107	89.6	-77.3%
Total	33,675	100.0	61,493	100.0	-45.2%

MANAGEMENT DISCUSSION AND ANALYSIS

The significant decrease in the cost of revenue for the six months ended 30 June 2020 as compared with the corresponding period in 2019 was primarily attributable to the downsize of mobile advertising platform and related business resulting from the global economic downturn and the novel coronavirus pandemic.

The cost of revenue for proprietary app traffic monetisation business increased by 231.7% to RMB21.2 million for the six months ended 30 June 2020 as compared to RMB6.4 million for the six months ended 30 June 2019, primarily due to payment handling costs incurred in the first half of 2020 resulted from the new social networking business and increase in the share-based compensation expenses.

The cost of revenue for mobile advertising platform and related business decreased by 77.3% to RMB12.5 million for the six months ended 30 June 2020 as compared to RMB55.1 million for the six months ended 30 June 2019.

GROSS PROFIT AND GROSS PROFIT MARGIN

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

	Six months ended 30 June						YoY Change in gross profit
	2020			2019			
	Gross profit (unaudited)	% (unaudited)	Gross profit margin (unaudited)	Gross profit (audited)	% (audited)	Gross profit margin (audited)	
	<i>(RMB'000, except percentages)</i>						
Proprietary app traffic monetisation business	116,285	99.7	84.6%	108,074	88.0	94.4%	7.6%
Mobile advertising platform and related business	376	0.3	2.9%	14,800	12.0	21.2%	-97.5%
Total	116,661	100.0	77.6%	122,874	100.0	66.6%	-5.1%

Our gross profit decreased by 5.1% to RMB116.7 million for the six months ended 30 June 2020 as compared to RMB122.9 million for the six months ended 30 June 2019. Our gross profit margin increased to 77.6% for the six months ended 30 June 2020 from 66.6% for the six months ended 30 June 2019, primarily because our proprietary app traffic monetisation business accounting for a higher proportion of our total gross profit as compared with the corresponding period in 2019.

The gross profit margin of our proprietary app traffic monetisation business decreased to 84.6% for the six months ended 30 June 2020 from 94.4% for the six months ended 30 June 2019, which was mainly driven by the payment handling costs of our social networking business and increase in the share-based compensation expenses. The decrease in the gross profit margin of our mobile advertising platform and related business to 2.9% for the six months ended 30 June 2020 from 21.2% for the six months ended 30 June 2019 was mainly because we downsized mobile advertising platform and related business, resulting in a decrease of revenue.

SELLING AND MARKETING EXPENSES

For the six months ended 30 June 2020, our selling and marketing expenses increased by 79.6% to RMB94.7 million as compared to RMB52.7 million for the six months ended 30 June 2019, primarily due to the increase of the promotion of our proprietary app traffic monetisation business.

GENERAL AND ADMINISTRATIVE EXPENSES

For the six months ended 30 June 2020, our general and administrative expenses decreased by 72.0% to RMB17.9 million as compared to RMB63.8 million for the six months ended 30 June 2019, primarily due to (i) a decrease of RMB15.2 million in listing expenses for the six months ended 30 June 2020; and (ii) a decrease of RMB30.9 million in our share-based compensation expenses.

OPERATING PROFIT

For the six months ended 30 June 2020, our operating profit decreased by 84.5% to RMB3.2 million as compared to RMB20.4 million for the six months ended 30 June 2019, primarily due to (i) an increase of RMB42.0 million in our selling and marketing expenses due to our increased promotional efforts in marketing our apps; (ii) a decrease of RMB17.1 million in our other gain due to decrease in the fair value change of financial assets measured at fair value through profit or loss; and (iii) a decrease of RMB46.1 million from one-off listing expenses and share-based compensation expenses in general and administrative expenses.

FINANCE INCOME, NET

For the six months ended 30 June 2020, the finance income increased to RMB1.3 million as compared to RMB0.03 million for the six months ended 30 June 2019. The increase was mainly due to the interest income from bank deposits.

FAIR VALUE CHANGES OF CONVERTIBLE REDEEMABLE PREFERRED SHARES

Upon the completion of the initial public 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 30 June 2020.

INCOME TAX

Income tax expenses decreased to RMB1.0 million for the six months ended 30 June 2020 as compared to RMB8.8 million for the six months ended 30 June 2019, mainly driven by the decrease of our taxable profits.

PROFIT FOR THE PERIOD

As a result of the foregoing, our profit for the period decreased by 70.9% to RMB3.4 million for the six months ended 30 June 2020 as compared to RMB11.7 million for the six months ended 30 June 2019.

NON-IFRS MEASURES

To supplement our unaudited condensed 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.

MANAGEMENT DISCUSSION AND ANALYSIS

We define adjusted net profit as profit for the period adjusted by share-based compensation expenses, listing expenses 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 table sets forth the reconciliations of our non-IFRS financial measures, net of tax effects on the adjustments, for the periods indicated, to the nearest measures prepared in accordance with IFRS:

	Six months ended 30 June	
	2020 <i>RMB'000</i> <i>(unaudited)</i>	2019 <i>RMB'000</i> <i>(audited)</i>
Profit for the period	3,416	11,726
<i>Add:</i>		
Share-based compensation expenses ⁽¹⁾⁽²⁾	15,262⁽²⁾	36,847 ⁽¹⁾
Listing expenses ⁽³⁾	–	15,230
<i>Less:</i>		
Fair value changes of convertible redeemable preferred shares ⁽³⁾	–	(91)
Tax effect ⁽⁴⁾	–	(1,168)
Adjusted net profit	18,678	62,544
Adjusted net profit growth	-70.1%	88.3%

Notes:

- (1) In June 2019, the Company repurchased certain Series B Preferred Shares (as defined in the Prospectus) of which the holders had a put option to sell to certain senior management members of the Company. A 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) In May 2020, the Board approved the grant of an aggregate of 55,227,573 RSUs to certain employees and management pursuant to the RSU Schemes. Share-based compensation expenses was recognised based on the vesting period of the RSU Schemes, and amounted to RMB15,262,000 in the current period, tantamount to the economic benefits in relation to the benefit of the certain employees and management obtained from the Company. For further details, please refer to the announcement dated 28 May 2020 of the Company.
- (3) Such item is non-recurring as it is derived from a one-off event.
- (4) Including tax effects on listing expenses, which are calculated with a tax rate of 15%.

CAPITAL STRUCTURE

We continued to maintain a healthy and sound financial position. Our total assets grew from RMB777.6 million as at 31 December 2019 to RMB1,167.0 million as at 30 June 2020, while our total liabilities increased from RMB143.0 million as at 31 December 2019 to RMB246.0 million as at 30 June 2020. Liabilities-to-assets ratio increased from 18.4% as at 31 December 2019 to 21.1% as at 30 June 2020. Liabilities-to-assets ratio is calculated as total liabilities divided by total assets.

FINANCIAL RESOURCES AND OPERATING CASH FLOW

We funded our cash requirements principally from capital contribution from Shareholders and cash generated from our operations.

As at 30 June 2020, our cash and cash equivalents was RMB371.7 million, and RMB105.7 million as at 30 June 2019.

Compared with RMB125.9 million for the six months ended 30 June 2019, the cash generated from operations for the six months ended 30 June 2020 decreased to RMB63.5 million.

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 30 June 2020, the fair value of such investments decreased to RMB120.6 million, compared with RMB132.7 million as at 31 December 2019. Such decrease was primarily due to the disposal and maturity of our investments.

CAPITAL EXPENDITURE

For the six months ended 30 June 2020, our capital expenditure primarily consisted of expenditures on property and equipment, including purchases of computers and other office equipment. The capital expenditure decreased from RMB0.2 million for the six months ended 30 June 2019 to RMB0.1 million for the six months ended 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENT

As at 31 December 2019, we held an equity interest of approximately 16.77% in Mico. Mico and its subsidiaries operates a social networking platform with users from more than 150 countries and regions. During the period of six months ended 30 June 2020, the fair value gain of investment in Mico amounted to RMB5.5 million and there is no dividend income incurred during the period. On 17 April 2020, NewBornTown Network Technology entered into the Equity Transfer Agreement with Phoenix Fortune, pursuant to which NewBornTown Network Technology has conditionally agreed to acquire, and Phoenix Fortune has conditionally agreed to sell, approximately 8.85% equity interest of Mico for a cash consideration of RMB100.0 million (the “**Acquisition**”). Upon completion of the Acquisition, NewBornTown Network Technology holds approximately 25.62% equity interest of Mico, and in aggregate approximately 15.97% equity interest of Mico owned by Tianjin Tonghe Chuangyuan Enterprise Management Consulting Centre (Limited Partnership) and Ningbo Meishan Bonded Port Tonghe Chuangyuan Enterprise Management Centre (Limited Partnership) (as the platforms for the employee stock ownership plan of Mico) directed by NewBornTown Network Technology as the executive partner. On 17 April 2020, we entered into the Convertible Loan Investment Agreement with Mico, pursuant to which NewBornTown Network Technology has conditionally agreed to provide Mico with a convertible loan of RMB50 million. The Acquisition was completed on 29 June 2020 and we had control over Mico and consolidated financial statements of Mico since then. For further details of the Acquisition, please refer to the announcement dated 19 April 2020 and circular dated 11 June 2020 of the Company.

As at 30 June 2020, the Group had an investment in equity interests of a private company, the fair value of this investment represented less than 5% of the total asset of the Group as at 30 June 2020. As at 30 June 2020, the Group did not hold any significant investment that accounted for more than 5% of the Group’s total assets as at 30 June 2020. Please refer to note 16(c) to the condensed consolidated interim financial information for further details.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

In addition to the Acquisition, we did not have any other investment, acquisition or disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2020.

PLEDGE OF ASSETS

As at 30 June 2020, 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 an expectation 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 30 June 2020, we did not have any material contingent liabilities.

FOREIGN EXCHANGE RISK MANAGEMENT

We operate our business internationally and our major receipts and payments are denominated in the U.S. dollar. 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 six months ended 30 June 2020.

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 be 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 life cycle 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 General Data Protection Regulation, 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

As at 30 June 2020, we had a total of 319 full-time employees, based in Beijing, Shenzhen and Jinan. Among all employees, 143 of them are in R&D department, representing 45% of the total fulltime employees. The number of employees employed by the Group varies from time to time depending on needs, and employees are remunerated with reference to market conditions and individual employees' performance, qualification and experience.

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 have established a systematic compensation system based on performance evaluation. We perform performance appraisal of employees regularly, 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.

OTHER INFORMATION

DIRECTORS

During the Relevant Period and up to the date of this interim 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 (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

CHANGE IN INFORMATION IN RESPECT OF DIRECTORS

During the Relevant Period and up to the date of this interim report, the Directors confirmed that no information is required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

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

As of the Latest Practicable Date, 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 interim 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.

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

As of the Latest Practicable Date, 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 ⁽²⁾
Haitong Kaiyuan ⁽³⁾	Beneficial owner, interest in a controlled corporation ⁽³⁾	116,365,832	11.64%
Haitong Xinxi ⁽³⁾	Beneficial owner ⁽³⁾	66,322,516	6.63%
Haitong Securities ⁽³⁾	Interest in a controlled corporation ⁽³⁾	116,365,832	11.64%
Phoenix Auspicious FinTech Investment L.P. ⁽⁴⁾	Beneficial owner ⁽⁴⁾	89,210,948	8.92%
Phoenix Wealth (Cayman) Asset Management Limited ⁽⁴⁾	Interest in a controlled corporation ⁽⁴⁾	89,210,948	8.92%
Phoenix Wealth (Hong Kong) Asset Management Limited ⁽⁴⁾	Interest in a controlled corporation ⁽⁴⁾	89,210,948	8.92%
Mr. Du Li ⁽⁴⁾	Interest in a controlled corporation ⁽⁴⁾	89,210,948	8.92%
Ningbo Meihua Shunshi Angel Capital Partnership Enterprise (Limited Partnership) ⁽⁵⁾	Beneficial owner ⁽⁵⁾	54,133,938	5.41%
Ningbo Plum Angel Investment Management Co., Ltd. ⁽⁵⁾	Interest in a controlled corporation ⁽⁵⁾	54,133,938	5.41%
Mr. Wu Shichun ⁽⁵⁾	Interest in a controlled corporation ⁽⁵⁾	54,133,938	5.41%

OTHER INFORMATION

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 interim report.
- (3) 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.
- (4) 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. under the SFO.
- (5) 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 interim 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.

RSU SCHEMES

Employee RSU Scheme

We adopted and revised the Employee RSU Scheme on 11 December 2019 and 28 May 2020 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 and the announcement dated 28 May 2020 of the Company for the amendments to the Employee RSU Scheme.

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 under the Employee RSU Scheme

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.

Details of the RSUs granted under the Employee RSU Scheme

On 28 May 2020, the Board approved the grant of an aggregate of 29,494,240 RSUs to 31 grantees pursuant to the Employee RSU Scheme. To the best of knowledge of the Directors, none of the grantees of RSUs is a connected person of the Company under Chapter 14A of the Listing Rules.

As at 30 June 2020, the aggregate number of Shares underlying the granted RSUs under the Employee RSU Scheme was 29,494,240, representing approximately 2.95% of the issued share capital of the Company as at 30 June 2020, and none of the granted RSUs under the Employee RSU Scheme has been vested. As at 30 June 2020, under the Employee RSU Scheme, 66,667 RSUs previously granted to a grantee were forfeited at the date of his resignation.

Details of movements in the RSUs under the RSU Schemes are also set out in note 23 to the condensed consolidated interim financial information.

Management RSU Scheme

We adopted and revised the Management RSU Scheme on 11 December 2019 and 28 May 2020 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 and the announcement dated 28 May 2020 of the Company for the amendments to the Management RSU Scheme.

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.

OTHER INFORMATION

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 under the Management RSU Scheme

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.

Details of the RSUs granted under the Management RSU Scheme

On 28 May 2020, the Board approved the grant of an aggregate of 25,733,333 RSUs to 5 grantees pursuant to the Management RSU Scheme. To the best of knowledge of the Directors, none of the grantees of RSUs is a connected person of the Company under Chapter 14A of the Listing Rules.

As at 30 June 2020, the aggregate number of Shares underlying the granted RSUs under the Management RSU Scheme was 25,733,333, representing approximately 2.57% of the issued share capital of the Company as at 30 June 2020, and none of the granted RSUs under the Management RSU Scheme has been vested or forfeited.

Details of movements in the RSUs under the RSU Schemes are also set out in note 23 to the condensed consolidated interim financial information.

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.

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

The Shares of the Company 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.

MAJOR CUSTOMERS AND SUPPLIERS

During the six months ended 30 June 2020, the Group's five largest customers in aggregate accounted for approximately 60.2% of the Group's total revenue. The Group's largest customer accounted for 27.6% of the Group's total revenue.

During the six months ended 30 June 2020, the Group's five largest suppliers in aggregate accounted for approximately 66.8% of the Group's total purchase. The Group's largest supplier accounted for 18.8% of the Group's total purchase.

During the six months ended 30 June 2020, 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.

BANK BORROWING

As at 30 June 2020, the Group did not have any short-term or long term bank borrowings. As of the Latest Practicable Date, we did not have any bank facilities.

AUDIT COMMITTEE

The Audit Committee, together with the external auditor, have reviewed the Group's unaudited interim condensed consolidated financial information for the Reporting Period. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

The Audit Committee was of view that the Company's unaudited interim condensed consolidated financial information was prepared in accordance with the applicable accounting standards.

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 adopted the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**"). The Corporate Governance Code has been applicable to the Company with effect from the Listing Date.

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.

Save as the above, the Company has complied with the principles and code provisions as set out in the Corporate Governance Code during the Relevant Period.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code during the Relevant Period.

INTERIM DIVIDEND

The Board has resolved that the interim dividend for the six months ended 30 June 2020 would not be declared.

OTHER INFORMATION

EVENT OCCURRING AFTER THE REPORTING PERIOD

On 17 August 2020, NewBornTown Network Technology, entered into an Equity Transfer Agreement with Mr. Ye Chunjian, pursuant to which Mr. Ye Chunjian has conditionally agreed to sell and NewBornTown Network Technology has conditionally agreed to acquire approximately 23.27% equity interest of Mico for the consideration of RMB262,997,528. Upon completion of the acquisition of the non-controlling interests, NewBornTown Network Technology will directly hold approximately 48.89% equity interest of Mico. This transaction will be accounted for as the transaction with non-controlling interest of a subsidiary.

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.

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 30 June 2020 were as follows:

	Budget <i>HK\$ million</i> (approximately)	Amount that had been utilised as at 30 June 2020 <i>HK\$ million</i> (approximately)	Remaining balance as at 30 June 2020 <i>HK\$ million</i> (approximately)	Proposed timetable for the use of unutilised net proceeds
To develop, expand and upgrade our Solo X product matrix	68.6	15.0	53.6	On or before 31 December 2022
To upgrade our Solo Math programmatic advertising platform	57.7	1.7	56.0	On or before 31 December 2022
To enhance the big data and AI capabilities of our Solo Aware AI engine	28.4	2.9	25.5	On or before 31 December 2022
To enhance our local service capabilities and build our global information distribution network	6.5	–	6.5	On or before 31 December 2022
To be used for working capital and other general corporate purposes	5.7	2.8	2.9	On or before 31 December 2022
Total	166.9	22.4	144.5	On or before 31 December 2022

Note: The remaining proceeds of approximately HK\$144.5 million are expected to be utilised on or before 31 December 2022, and is based on the Directors' best estimation of the future market conditions and thus subject to change.



羅兵咸永道

To the Board of Directors of Newborn Town Inc.

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 27 to 58, which comprises the interim condensed consolidated balance sheet of Newborn Town Inc. (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2020 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 26 August 2020

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2020

(Expressed in Renminbi ("RMB"))

		Unaudited Six months ended 30 June 2020 RMB'000	Audited 2019 RMB'000
Revenue from contracts with customers	7	150,336	184,367
Cost of revenue	8	(33,675)	(61,493)
Gross profit		116,661	122,874
Selling and marketing expenses	8	(94,709)	(52,736)
Research and development expenses	8	(11,220)	(9,512)
General and administrative expenses	8	(17,852)	(63,807)
Net impairment losses on financial assets		153	(438)
Other income		301	71
Other gain – net	9	9,820	23,923
Operating profit		3,154	20,375
Finance income		1,405	84
Finance cost		(131)	(54)
Finance income, net		1,274	30
Fair value changes of convertible redeemable preferred shares	23	–	91
Profit before income tax		4,428	20,496
Income tax expenses	10	(1,012)	(8,770)
Profit for the period		3,416	11,726
Profit attributable to:			
Owners of the Company		3,416	11,726
Non-controlling interests		–	–
Other comprehensive income, net of tax			
Items that maybe subsequently reclassified to profit or loss			
Currency translation differences		5,498	1,364
Total comprehensive income for the period		8,914	13,090
Total comprehensive income attributable to:			
Owners of the Company		8,914	13,090
Non-controlling interests		–	–
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic earnings per share	11a	0.003	0.014
Diluted earnings per share	11b	0.003	0.013

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

as at 30 June 2020
(Expressed in RMB)

	Note	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
ASSETS			
Non-current assets			
Property and equipment	13	7,655	6,960
Intangible assets	14	287,578	3,933
Goodwill	15	204,318	5,066
Financial assets measured at fair value through profit or loss	16c	3,356	187,356
Deferred tax assets	21	30,642	–
Other receivable	18	2,441	–
Total non-current assets		535,990	203,315
Current assets			
Other current assets	18	2,331	1,487
Accounts receivable	17	120,815	163,383
Other receivable	18	14,161	92,948
Financial assets measured at fair value through profit or loss	16	120,641	132,651
Cash and cash equivalents		371,744	182,863
Restricted bank deposits		1,294	913
Total current assets		630,986	574,245
Total assets		1,166,976	777,560

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

as at 30 June 2020
(Expressed in RMB)

	Note	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
LIABILITIES			
Current liabilities			
Accounts payable	19	135,768	89,938
Other payable	20	18,090	32,575
Lease liabilities		4,426	3,238
Contract liabilities		10,615	–
Bank overdraft		72	48
Tax payable		1,243	5,228
Total current liabilities		170,214	131,027
Non-current liabilities			
Deferred tax liabilities	21	74,522	8,914
Lease liabilities		1,220	3,074
Total non-current liabilities		75,742	11,988
Total liabilities		245,956	143,015
EQUITY			
Equity attributable to the owners of the Company			
Share capital	22	696	696
Share premium	22	95,221	95,221
Other reserves		471,950	451,190
Retained earnings		90,854	87,438
		658,721	634,545
Non-controlling interests		262,299	–
Total equity		921,020	634,545
Total liabilities and equity		1,166,976	777,560

The above interim condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2020

(Expressed in RMB)

	Attributable to owners of the Company					
	Share capital	Combined capital	Share premium	Other reserves	Retained earnings	Total equity
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January 2019	–	58,184	–	431,139	19,023	508,346
Profit for the period	–	–	–	–	11,726	11,726
Other comprehensive income	–	–	–	1,364	–	1,364
Total comprehensive income	–	–	–	1,364	11,726	13,090
Transaction with owners:						
Reorganisation of the Group	–	(58,184)	–	58,184	–	–
Conversion of ordinary shares to preferred shares	–	–	(18,059)	–	–	(18,059)
Capital contribution from shareholders	113	–	(113)	–	–	–
Issuance of ordinary shares	58	–	498	–	–	556
Repurchase of ordinary shares	(12)	–	(83,025)	(40,358)	–	(123,395)
Balance at 30 June 2019	159	–	(100,699)	450,329	30,749	380,538

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2020

(Expressed in RMB)

		Attributable to owners of the Company					Non-	Total
		Share	Share	Other	Retained	Sub-total	controlling	equity
Notes		capital	premium	reserves	earnings		interests	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Balance at 1 January 2020	696	95,221	451,190	87,438	634,545	–	634,545
	Profit for the period	–	–	–	3,416	3,416	–	3,416
	Other comprehensive income	–	–	5,498	–	5,498	–	5,498
	Total comprehensive income	–	–	5,498	3,416	8,914	–	8,914
	Transaction with owners:							
	Non-controlling interests on acquisition of a subsidiary	25	–	–	–	–	262,299	262,299
	Share-based compensation scheme:							
	value of employee services	23	–	–	15,262	15,262	–	15,262
	Balance at 30 June 2020	696	95,221	471,950	90,854	658,721	262,299	921,020

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2020

(Expressed in RMB)

		Unaudited Six months ended 30 June	Audited
	Note	2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations		63,517	125,947
Payment of income tax		(4,781)	(143)
Net cash inflow from operating activities		58,736	125,804
Cash flows from investing activities			
Purchase of Wealth Management Products ("WMP") measured at fair value through profit or loss		(309,691)	(290,181)
Maturity of WMPs measured at fair value through profit or loss		338,798	355,272
Additional investment in equity interest of a private company measured at fair value through profit or loss		–	(100,000)
Acquisition of a subsidiary, net of cash acquired	25	19,374	–
Purchase of property and equipment		(70)	(156)
Proceeds of loans repayments from third parties		–	36,240
Net cash inflow from investing activities		48,411	1,175
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		78,605	(1,154)
Repayment of lease liabilities (including interest paid)		(1,721)	(1,683)
Repurchase of shares		–	(100,000)
Net cash inflow/(outflow) from financing activities		76,884	(102,277)
Net increase in cash and cash equivalents		184,031	24,702
Cash and cash equivalents at beginning of period		182,815	80,540
Effects of exchange rate changes on cash and cash equivalents		4,826	494
Cash and cash equivalents at end of period		371,672	105,736
Including:			
Cash and cash equivalents		371,744	105,780
Bank overdraft		(72)	(44)

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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.

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 was completed on 31 December 2019 with issuance of 136,000,000 new shares with nominal value of USD0.0001 each at an offer price of HKD1.68 per value.

On 17 April 2020, NewBornTown Network Technology (Beijing) Co., Ltd. (“NewBornTown Network Technology”), a subsidiary of the Company, entered into the Equity Transfer Agreement with Beijing Phoenix Fortune Interconnection Investment Fund (Limited Partnership) (“Phoenix Fortune”), pursuant to which NewBornTown Network Technology has conditionally agreed to acquire, and Phoenix Fortune has conditionally agreed to sell, approximately 8.85% equity interest of Beijing Mico World Technology Co., Ltd. (“Mico”) for a cash consideration of RMB100,000,000. On the same date, NewBornTown Network Technology entered into the Convertible Loan Investment Agreement with Mico, pursuant to which NewBornTown Network Technology has conditionally agreed to provide Mico with a convertible loan of RMB50,000,000. On 29 June 2020, NewBornTown Network Technology completed the acquisition of Mico upon the completion of the Equity Transfer Agreement and Convertible Loan Investment Agreement. Accordingly, the Group, who owns 25.62% equity interest of Mico together with the approximately 15.97% equity interest of Mico owned by Tianjin Tonghe Chuangyuan Enterprise Management Consulting Centre (Limited Partnership) and Ningbo Meishan Bonded Port Tonghe Chuangyuan Enterprise Management Centre (Limited Partnership) (as the platforms for the employee stock ownership plan of Mico), both of which are directed by NewBornTown Network Technology as the executive partner, has control over Mico, and therefore, the Company consolidated the financial statements of Mico upon the completion of the transactions. More details of the acquisition are set out on Note 25.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1 GENERAL INFORMATION (CONTINUED)

The interim condensed consolidated financial information comprises the interim condensed consolidated balance sheet as at 30 June 2020, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six months ended 30 June 2020, and a summary of significant accounting policies and other explanatory notes (the “Interim Financial Information”). The Interim Financial Information is presented in Renminbi (“RMB”), unless otherwise stated.

The Interim Financial Information has not been audited but has been reviewed by the external auditor of the Company.

2 BASIS OF PREPARATION

The Interim Financial Information has been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim financial reporting”, issued by the International Accounting Standards Board (“IASB”).

The Interim Financial Information does not include all the notes of the type normally included in annual financial statements. Accordingly, it should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as set out in the 2019 annual report of the Group dated 30 March 2020 (the “2019 Financial Statements”).

3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in the preparation of the Interim Financial Information are consistent with those used in the preparation of the 2019 Financial Statements.

The following amended and revised standards are mandatory for the first time for the Group’s financial year beginning on 1 January 2020 and are applicable for the Group:

- Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” – “Definition of Material”
- Amendments to IFRS 3 “Business Combinations” – “Definition of a Business”
- Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures” – Interest rate benchmark reform
- Revised Conceptual Framework for Financial Reporting

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The adoption of the above amended and revised standards did not have any significant impact on the Group's Interim Financial Information.

In addition, the IASB also published a number of new standards and amendments to standards which are effective for the financial year beginning on or after 1 January 2021 and have not been early adopted by the Group. Management is assessing the impact of such standards and will adopt the relevant standards in the subsequent periods as required.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's policies on financial risk management were set out in the 2019 Financial Statements and there have been no significant changes in the financial risk management policies for the six months ended 30 June 2020.

4.2 Fair value estimation

(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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Fair value estimation (continued)

(i) Fair value hierarchy (continued)

The following table presents the Group's asset that are measured at fair value at 30 June 2020 and 31 December 2019.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 30 June 2020				
Assets				
Financial assets measured at FVPL				
– WMPs	–	–	120,641	120,641
– Equity interests of certain private companies	–	–	3,356	3,356
	–	–	123,997	123,997
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

The changes in level 3 instruments for the six months ended 30 June 2020 are presented in Note 16.

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Fair value estimation (continued)

(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 values 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Fair value estimation (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		Relationship of unobservable inputs to fair values
		As at 30 June 2020	As at 31 December 2019	
Investment in WMP	Expected return rate	4.0% – 4.8%	2.69% – 4.8%	The higher the expected return rate, the higher the fair value
Investment in equity interests of certain private companies	Expected volatility	47% – 57%	47% – 57%	The higher the expected volatility, the lower the fair value
	Discount for lack of marketability (“DLOM”)	15% – 20%	15% – 20%	The higher the DLOM, the lower the fair value
	Risk-free Rate	3.41%	2.5%	The higher the risk-free rate, the higher the fair value
	Discount rate	24%	22%	The higher the discount rate, the lower the fair value
	Revenue growth rate	3% – 15%	3% – 25%	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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

5 CRITICAL ESTIMATES AND JUDGMENTS

The preparation of Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2019 Financial Statements.

6 SEGMENT INFORMATION

The Group's business activities are mainly in mobile marketing services and related service and are regularly reviewed and evaluated by the chief operating decision maker ("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 interim condensed 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.

	Mobile advertising platform and related business RMB'000	Proprietary applications traffic monetisation business RMB'000	Total RMB'000
Six months ended 30 June 2020			
Revenue	12,871	137,465	150,336
Cost of revenue	(12,495)	(21,180)	(33,675)
Gross profit	376	116,285	116,661
Six months ended 30 June 2019			
Revenue	69,907	114,460	184,367
Cost of revenue	(55,107)	(6,386)	(61,493)
Gross profit	14,800	108,074	122,874

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

7 REVENUE FROM CONTRACTS WITH CUSTOMERS

	Unaudited Six months ended 30 June 2020 RMB'000	Audited 2019 RMB'000
<i>Recognised at a point in time</i>		
Mobile advertising platform and related business	12,871	69,907
Proprietary applications traffic monetisation business	133,360	114,460
<i>Recognised over time</i>		
Proprietary applications traffic monetisation business	4,105	–
Total	150,336	184,367

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.

8 EXPENSES BY NATURE

	Unaudited Six months ended 30 June 2020 RMB'000	Audited 2019 RMB'000
Cost for advertising placement:		
– Recognised in cost of revenue	6,356	39,020
– Recognised in selling and marketing expenses	93,569	51,164
Employee benefit expense excluding share-based compensation expenses	22,591	27,087
Share-based compensation expenses (Note 23)	15,262	36,847
Payment handling costs	4,651	–
Server capacity expense	4,309	9,099
Consultancy and professional service fee	2,396	806
Technical and other service fee	1,025	1,127
Depreciation and amortisation	2,222	2,248
Travel expense	577	1,776
Office supplies expense	171	265
Listing expense	–	15,230
Auditor's remuneration	1,080	–
Others	3,247	2,879
Total	157,456	187,548

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

9 OTHER GAIN – NET

	Unaudited Six months ended 30 June 2020 RMB'000	Audited 2019 RMB'000
Fair value change of financial assets measured at FVPL	6,247	23,301
Exchange gain	3,690	629
Others	(117)	(7)
Total	9,820	23,923

10 INCOME TAX EXPENSES

	Unaudited Six months ended 30 June 2020 RMB'000	Audited 2019 RMB'000
Current tax		
Current tax on profits for the period	409	4,479
Deferred income tax		
Changes in deferred tax assets/liabilities	603	4,291
Income tax expenses	1,012	8,770

11 EARNINGS PER SHARE

11a Basic

Basic earnings per share for the six months ended 30 June 2020 and 2019 were calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited Six months ended 30 June 2020 RMB'000	Audited 2019 RMB'000
Net profit attributable to the owners of the Company	3,416	11,726
Weighted average number of ordinary shares in issue (thousand)	1,000,000	862,600
Basic earnings per share (expressed in RMB per share)	0.003	0.014

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

11 EARNINGS PER SHARE (CONTINUED)

11b Diluted

Diluted earnings per share were calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the six months ended 30 June 2020, there were no dilutive potential ordinary shares of the Company outstanding.

For the six months ended 30 June 2019, diluted earnings per share was calculated by dividing the adjusted profit attributable to owners of the Company by the diluted weighted average number of ordinary shares calculation.

	Unaudited	Audited
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Net profit attributable to the owners of the Company	3,416	11,726
Adjustments of net profit		
Fair value changes of convertible redeemable preferred shares	–	(91)
Adjusted net profit attributable to the owners of the Company	3,416	11,635
Weighted average number of ordinary shares in issue (thousand)	1,000,000	862,600
Diluted equivalent shares arising from convertible redeemable preferred shares (thousand)	–	2,194
Weighted average number of ordinary shares for calculating diluted earnings per share (thousand)	1,000,000	864,794
Diluted earnings per share (expressed in RMB per share)	0.003	0.013

Note:

The weighted average number of ordinary shares in issue used for the calculation of basic and diluted earnings per share for the six months ended 30 June 2019 have been retrospectively adjusted for 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

12 DIVIDENDS

No dividend has been paid or declared by the Company or any companies now comprising the Group during all periods presented.

13 PROPERTY AND EQUIPMENT

	Electronic equipment <i>RMB'000</i>	Furniture and fixtures <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Right-of- use asset <i>RMB'000</i>	Total <i>RMB'000</i>
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
Period ended 30 June 2020					
Opening net book amount	631	28	–	6,301	6,960
Additions	64	6	–	–	70
Depreciation charge	(169)	(5)	–	(1,648)	(1,822)
Acquisition of a subsidiary (Note 25)	558	152	–	1,737	2,447
Closing net book amount	1,084	181	–	6,390	7,655
As at 30 June 2020					
Cost	3,083	258	745	8,355	12,441
Accumulated depreciation	(1,999)	(77)	(745)	(1,965)	(4,786)
Net book amount	1,084	181	–	6,390	7,655

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

13 PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation charges were expensed off (Note 8) in the following categories in the interim condensed consolidated statement of comprehensive income:

	Unaudited	Audited
	Six months ended 30 June	
	2020	2019
	RMB'000	<i>RMB'000</i>
Cost of revenue	1,150	1,354
General and administrative expenses	630	439
Research and development expenses	42	55
	1,822	1,848

During all periods presented, the Group obtains right to control the use of properties through entering respective lease arrangements.

14 INTANGIBLE ASSETS

	Software	Brand	User	Technology	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December 2019					
Cost	8,003	–	–	–	8,003
Accumulated depreciation	(4,070)	–	–	–	(4,070)
Net book amount	3,933	–	–	–	3,933
Period ended 30 June 2020					
Opening net book amount	3,933	–	–	–	3,933
Depreciation charge	(400)	–	–	–	(400)
Acquisition of a subsidiary (Note 25)	45	231,000	47,000	6,000	284,045
Closing net book amount	3,578	231,000	47,000	6,000	287,578
As at 30 June 2020					
Cost	8,048	231,000	47,000	6,000	292,065
Accumulated depreciation	(4,470)	–	–	–	(4,487)
Net book amount	3,578	231,000	47,000	6,000	287,578

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

14 INTANGIBLE ASSETS (CONTINUED)

Amortisation charges were expensed off (Note 8) in the following categories in the interim condensed consolidated statement of comprehensive income:

	Unaudited Six months ended 30 June	Audited
	2020 RMB'000	2019 <i>RMB'000</i>
Cost of revenue	400	400

15 GOODWILL

	Unaudited As at 30 June 2020 RMB'000
Cost and carrying amount:	
At the beginning of the period	5,066
Acquisition of a subsidiary (Note 25)	199,153
Currency translation differences	99
At the end of the period	204,318

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

16 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	Notes	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Financial assets			
Financial assets at amortised cost	(a)		
Accounts and other receivable	17, 18	137,417	256,331
Cash and cash equivalents	19	371,744	182,863
Restricted bank deposits		1,294	913
Financial assets at fair value through profit and loss			
Investment in WMPs	(b)	120,641	132,651
Investment in equity interests of certain private companies	(c)	3,356	187,356
		634,452	760,114
Financial liabilities			
Financial liabilities at amortised cost			
Accounts and other payable (excluding non-financial liabilities)		138,853	113,951
Lease liabilities		5,646	6,312
Bank overdraft		72	48
		144,571	120,311

- (a) As at 30 June 2020 and 31 December 2019, 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 4.2.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

16 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

- (c) The Group made investments in equity interest of certain private companies and the changes in the balances as at 30 June 2020 are as follows:

	Notes	As at 30 June 2020 RMB'000 (Unaudited)
As at 31 December 2019		187,356
Deduction during the period	(i)	(189,501)
Fair value changes		5,501
As at 30 June 2020		3,356

- (i) Prior to the completion of acquisition of Mico and its subsidiaries on 29 June 2020, the Group's shareholding percentage over Mico was 16.77%. Considering the Group had no significant influence or control over Mico, the Group designated such investment as financial asset measured at FVPL. Upon the completion of the acquisition, the Group obtained the control of Mico and consolidated the financial information of Mico as the Group's subsidiary. The business combination of Mico is disclosed in Note 25.

17 ACCOUNTS RECEIVABLE

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Current assets		
Gross carrying amount	133,143	177,674
Less: impairment provision	(12,328)	(14,291)
Total accounts receivable	120,815	163,383

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

17 ACCOUNTS RECEIVABLE (CONTINUED)

An aging analysis of the gross accounts receivable as at 30 June 2020 and 31 December 2019, based on date of recognition, is as follows:

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Up to 6 months	99,623	131,799
6 months to 1 year	15,944	17,118
1 year to 2 years	13,181	13,275
2 years to 3 years	1,424	12,028
Over 3 years	2,971	3,454
	133,143	177,674

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics. The expected credit losses also incorporate forward looking information.

18 OTHER RECEIVABLE AND OTHER CURRENT ASSETS

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Other receivable – current	14,161	92,948
Other receivable – non-current	2,441	–
Other current assets	2,331	1,487
	18,933	94,435

As at 31 December 2019, other receivable primarily included the subscribed fund from Initial Public Offering which have been settled in January 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

19 ACCOUNTS PAYABLE

Aging analysis of the accounts payable as at 30 June 2020 and 31 December 2019 based on the date of recognition are as follows:

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Up to 3 months	117,353	60,796
3 months to 6 months	3,850	15,938
6 months to 1 year	973	63
1 year to 2 years	973	2,376
2 years to 3 years	5,124	6,109
More than 3 years	7,495	4,656
	135,768	89,938

Accounts payable are usually paid within 1 year of recognition.

20 OTHER PAYABLE

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Employee benefits payable	12,528	5,635
Accrued listing expense	–	22,913
Refundable advances from customers	311	332
Other tax payables	2,477	2,927
Others	2,774	768
	18,090	32,575

Other payable is unsecured and is usually paid within 1 year of recognition.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

21 DEFERRED INCOME TAX (CONTINUED)

21a Deferred tax assets

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
The balance comprises temporary differences attributable to:		
Accrued operating expenses	582	369
Accumulated tax loss	17,477	–
Restricted shares granted	12,085	–
Others	2,346	1,264
Total deferred tax assets	32,490	1,633

Movements	Accrued operating expenses RMB'000	Accumulated tax loss RMB'000	Restricted shares granted RMB'000	Others RMB'000	Total RMB'000
At 31 December 2018	–	2,451	–	945	3,396
Credited/(charged) to profit or loss	1,339	(2,451)	–	33	(1,079)
As at 30 June 2019	1,339	–	–	978	2,317
At 31 December 2019	369	–	–	1,264	1,633
Credited to profit or loss	213	–	–	2	215
Acquisition of a subsidiary (Note 25)	–	17,477	12,085	1,080	30,642
At 30 June 2020	582	17,477	12,085	2,346	32,490

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 30 June 2020 and 31 December 2019, the Group did not recognise deferred income tax assets in respect of accumulated tax losses amounting to RMB2,442,000 and RMB956,000, respectively, which are expected to expire from 31 December 2023 to 31 December 2024.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

21 DEFERRED INCOME TAX (CONTINUED)

21b Deferred tax liabilities

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
The balance comprises temporary differences attributable to:		
Changes in fair value of financial assets	11,365	10,547
Intangible assets identified in acquisition of a subsidiary (Note 25)	65,005	–
Total deferred tax liabilities	76,370	10,547

Movements	Changes in fair value of financial assets RMB'000	Intangible assets identified in acquisition of subsidiary RMB'000	Total RMB'000
At 31 December 2018	7,567	–	7,567
Charged to profit or loss	3,212	–	3,212
As at 30 June 2019	10,779	–	10,779
At 31 December 2019	10,547	–	10,547
Charged to profit or loss	818	–	818
Acquisition of a subsidiary (Note 25)	–	65,005	65,005
At 30 June 2020	11,365	65,005	76,370

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

22 SHARE CAPITAL

Notes	Number of shares authorised for issue	Number of shares in issue	Share capital <i>USD'000</i>	Equivalent share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>
As at 31 December 2019 and 30 June 2020	3,000,000,000	1,000,000,000	100	696	95,221

Share premium

The share premium mainly comprises the portion of contributions from owners of the Group in excess of share capital.

23 SHARE-BASED PAYMENTS

On 11 December 2019, the Board of Directors of the Company approved and adopted the restricted share unit scheme to employees (“Employee RSU Scheme”) and the restricted share unit scheme to management (“Management RSU Scheme”) to incentivise employees, consultants, directors, senior management and officers for their contribution to the Company. On 28 May 2020, the Board of Directors further resolved to amend the forfeiture provisions of the Management RSU Scheme and the Employee RSU Scheme for the purpose of better attracting and incentivising participants of the RSU Schemes in the long term.

On 28 May 2020 (“Grant Date”), the Board of Directors resolved and approved the grant of 25,733,333 RSUs to 5 grantees pursuant to the Management RSU Scheme and the grant of 29,494,240 RSUs to 31 grantees pursuant to the Employee RSU Scheme (the “Grant”), subject to acceptance by the grantees. The total 55,227,573 RSUs granted to the grantees represented 55,227,573 underlying Shares, which amounted to approximately 5.52% of the issued share capital of the Company as at the Grant Date. The fair value of RSUs as at the Grant Date were HK\$91.1 million. The Shares underlying RSUs are issued to and held by the Management RSU Trustee and the Employee RSU Trustee in accordance with the RSU Schemes until the end of each vesting period, and will be transferred to the grantees upon satisfaction of the relevant vesting conditions as specified by the Board at the time of Grant. The first batch of the RSUs (being 25% of the total RSUs granted) vested on 20 July 2020, and the second to fourth batches of the RSUs (being 25% of the total RSUs granted respectively) will be vested on 20 July 2021, 20 July 2022 and 20 July 2023 respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

23 SHARE-BASED PAYMENTS (CONTINUED)

Movements in the number of RSUs granted to the Company's employees and management under RSU Scheme as below:

	Number of RSU	Weighted average grant date fair value per RSU (HK\$)
Outstanding as at 1 January 2020	–	–
Granted during the period	55,227,573	1.65
Forfeited during the period	(66,667)	1.65
Exercised during the period	–	–
Outstanding as at 30 June 2020	55,160,906	1.65

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date.

The total expenses recognised in the interim condensed consolidated statement of comprehensive income for RSUs granted under Employee RSU Scheme and Management RSU Scheme were RMB15,262,000 for the six months ended 30 June 2020.

24 COMMITMENTS

Non-cancellable leases commitment

The Group leases some offices 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:

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Within 1 year	105	77

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

25 BUSINESS COMBINATION

As described in Note 1, on 29 June 2020, NewBornTown Network Technology completed the acquisition of an additional 8.85% equity interest of Mico.

(a) Set forth below is the calculation of goodwill

	<i>RMB'000</i>
Purchase consideration:	
– Fair value of the acquirer's previously held equity interest on acquisition date	189,501
– Cash consideration	100,000
Total purchase consideration	289,501
Less: Fair value of identifiable net assets acquired (Note 25(b))	(90,348)
Goodwill	199,153

(b) The relevant fair values of major component of assets and liabilities arising from the business combination are on a provisional basis as follows:

	<i>RMB'000</i>
Cash and cash equivalents	119,374
Accounts receivable	59,017
Other receivable - current	12,798
Financial assets measured at fair value through profit or loss	14,698
Other current assets	423
Intangible assets	284,045
Property, plant and equipment	2,447
Deferred tax assets	30,642
Other receivable - non-current	2,441
Accounts payable	(87,538)
Other payable	(11,230)
Contract liabilities	(8,200)
Bank overdraft	(50)
Deferred tax liabilities	(65,005)
Lease liabilities	(1,215)
Non-controlling interests	(262,299)
Fair value of identifiable net assets acquired	90,348

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

25 BUSINESS COMBINATION (CONTINUED)

(c) Net cash inflow from acquisition of subsidiaries

	As at
	29 June 2020
Purchase consideration settled in cash	100,000
Less: cash and cash equivalents in the subsidiary acquired	(119,374)
Acquisition of the subsidiary, net of cash acquired	(19,374)

(d) Impact of acquisitions on the results of the Group

The operation results of the newly acquired businesses do not have significant impact on the interim condensed consolidated statement of comprehensive income for the six months ended 30 June 2020. The aggregated net assets of the newly acquired businesses mentioned above as at 30 June 2020 amounted to RMB90,348,000.

26 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.

(a) 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 periods/years presented.

Individuals/Companies	Relationship
Directors (Liu Chunhe, Li Ping, Wang Kui)	Director of the Company
Phoenix Fortune	Shareholder of the Company

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

26 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) 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:

	Unaudited	Audited
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
<i>Collection on behalf of the Group</i>		
Directors (Liu Chunhe, Li Ping, Wang Kui)	–	14,171

In 2019, three directors of the Company entered into settlement arrangements with Newborn Town International to collect monetisation payments on behalf of the Group from certain customers in relation to the monetisation of certain mobile applications. They forwarded the relevant payments to the Group at the demand of the Group.

The transaction with Phoenix Fortune as described in Note 1 and Note 25 also constituted as the related party transaction of the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

26 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management personnel remuneration

	Unaudited Six months ended 30 June 2020 RMB'000	Audited 2019 RMB'000
Wages, salaries and bonus	1,200	1,236
Discretionary bonuses	–	–
Contributions to pension plans	19	131
Other social security costs, housing allowance and other allowance	150	173
Total employee benefit expense	1,369	1,540

The related party transactions in respect of Note 26(b) and 26(c) above also constitute connected transactions as defined in Chapter 14A of the Listing Rules.

27 EVENT OCCURRING AFTER THE REPORTING PERIOD

Acquisition of Non-controlling Interests of Mico

On 17 August 2020, NewBornTown Network Technology, entered into an Equity Transfer Agreement with Mr. Ye Chunjian, pursuant to which Mr. Ye Chunjian has conditionally agreed to sell and NewBornTown Network Technology has conditionally agreed to acquire approximately 23.27% equity interest of Mico for the consideration of RMB262,997,528. Upon completion of the acquisition of the non-controlling interests, NewBornTown Network Technology will hold approximately 48.89% equity interest of Mico. This transaction will be accounted for as the transaction with non-controlling interest of a subsidiary.

“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“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
“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
“Convertible Loan Investment Agreement”	the convertible loan investment agreement entered into between NewBornTown Network Technology, Mr. Ye Chunjian and Mico on 17 April 2020
“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
“Equity Transfer Agreement”	the equity transfer agreement in relation to Beijing Mico World Technology Co., Ltd. entered into between NewBornTown Network Technology and Phoenix Fortune on 17 April 2020
“Group,” “our Group,” or “the Group”	the Company and its subsidiaries from time to time
“Haitong Kaiyuan”	Haitong Kaiyuan Investment Co., Ltd. (海通開元投資有限公司), a limited liability company established under the laws of the PRC on 23 October 2008
“Haitong Securities”	Haitong Securities Co., Ltd. (海通證券股份有限公司), a joint stock limited company incorporated in the PRC with limited liability and listed on the Shanghai Stock Exchange (stock code: 600837) and the Stock Exchange (stock code: 6837)
“Haitong Xinxi”	Shanghai Haitong Xinxi Investment Center (Limited partnership) (上海海桐信兮投資中心(有限合夥)), a limited partnership established under the laws of the PRC on 8 July 2015
“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
“Latest Practicable Date”	18 September 2020, being the latest practicable date prior to the printing of this interim report for the purpose of ascertaining certain information contained herein
“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)

DEFINITION

“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
“Mico”	Beijing Mico World Technology Co., Ltd. (北京米可世界科技有限公司) (formerly known as Beijing Zhongluo Technology Co., Ltd. (北京眾絡科技有限公司)), a company incorporated under the laws of the PRC with limited liability
“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
“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
“Nomination Committee”	the nomination committee of the Company
“Phoenix Fortune”	Beijing Phoenix Fortune Interconnection Investment Fund (Limited Partnership) (北京鳳凰祥瑞互聯投資基金(有限合夥)), a limited partnership established under the laws of the PRC
“PRC”	the People’s Republic of China, which for the purpose of this interim report only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated 17 December 2019
“Relevant Period” or “Reporting Period”	the period from the Listing Date and up to the date of this interim 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
“SFO”	the Securities and Futures Ordinance
“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
“%”	per cent

