赤子城
newborntown

Newborn Town Inc.

赤子城科技有限公司

Stock Code : 9911

(Incorporated in the Cayman Islands with limited liability)

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. LIU Chunhe (Chairman and Chief Executive Officer)
Mr. LI Ping
Mr. WANG Kui (resigned on 1 April 2021)
Mr. YE Chunjian (appointed on 1 April 2021)
Mr. SU Jian (appointed on 1 April 2021)

Independent Non-executive Directors

Mr. PAN Xiya
Mr. CHI Shujin
Mr. LIU Rong (resigned on 1 April 2021)
Mr. HUANG Sichen (appointed on 1 April 2021)

JOINT COMPANY SECRETARIES

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

AUTHORISED REPRESENTATIVES

Mr. WANG Kui (resigned on 1 April 2021)
Mr. LI Ping (appointed on 1 April 2021)
Mr. AU-YEUNG Wai Ki, Joseph

AUDIT COMMITTEE

Mr. CHI Shujin (Chairman)
Mr. LIU Rong (resigned on 1 April 2021)
Mr. HUANG Sichen (appointed on 1 April 2021)
Mr. PAN Xiya

REMUNERATION COMMITTEE

Mr. LIU Rong (Chairman) (resigned on 1 April 2021)
Mr. WANG Kui (resigned on 1 April 2021)
Mr. HUANG Sichen (Chairman) (appointed on 1 April 2021)
Mr. YE Chunjian (appointed on 1 April 2021)
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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Central
Hong Kong

REGISTERED OFFICE

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Central
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Beijing Academy of Sciences Sub-branch
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Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Maples Fund Services (Cayman) Limited
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HONG KONG SHARE REGISTRAR

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Hong Kong

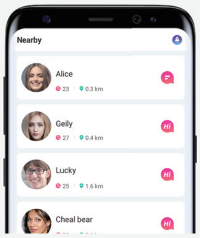
STOCK CODE

09911

COMPANY'S WEBSITE

www.newborntown.com/en/

BUSINESS HIGHLIGHT



Yiyo — Video social networking platform

MICO — Open social networking platform

YoHo — Audio social networking platform

RAPID INCREASE IN TOTAL REVENUE

Total revenue

RMB**1.18** billion

increased by **203.2**% YoY

SIGNIFICANT INCREASE IN PROFIT FOR THE YEAR

Profit for the year

RMB**0.11** billion

increased by **67.1**% YoY

RAPID INCREASE IN REVENUE FROM VALUE-ADDED SERVICES

Revenue from value-added services

RMB**0.66** billion

increased by **5,549.8**% YoY

SIGNIFICANT INCREASE IN REVENUE FROM TRAFFIC MONETISATION

Revenue from traffic monetisation

RMB**0.52** billion

increased by **38.6**% YoY

SUFFICIENT CASH FLOWS

Net cash inflow from operating activities

RMB**295.7** million

increased by **68.5**% YoY

INCREASE IN INVESTMENTS IN R&D

Investments in R&D

RMB**58.5** million

increased by **188.8**% YoY

	Year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from contracts with customers	**1,181,593**	389,685	276,686	181,842	136,852
Gross profit	**752,489**	261,512	141,420	70,374	70,903
Profit before income tax	**130,180**	78,386	68,610	36,776	55,980
Profit for the year	**114,343**	68,415	59,737	31,981	41,215
Non-IFRS measures[(1)]					
Adjusted net profit[(2)]	**154,858**	109,442	60,024	31,095	41,215

Notes:

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

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

	As at 31 December				
	2020	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets	**505,469**	203,315	89,072	63,457	51,250
Current assets	**762,695**	574,245	525,157	454,761	469,957
Total assets	**1,268,164**	777,560	614,229	518,218	521,207
LIABILITIES					
Current liabilities	**409,487**	131,027	101,712	74,638	86,510
Non-current liabilities	**71,669**	11,988	4,171	2,999	1,320
Total liabilities	**481,156**	143,015	105,883	77,637	87,830
EQUITY					
Total equity	**787,008**	634,545	508,346	440,581	433,377
Total liabilities and equity	**1,268,164**	777,560	614,229	518,218	521,207

Dear Shareholders,

In 2020, under the influence of COVID-19 epidemic, the need of social networking and entertainment from global users have increased significantly and there is a phenomenal growth in "stay-at-home economy". In order to ride on the changes of the global market, the Company launched the "Traffic+" strategy. Leveraging on the sizable traffic ecology previously accumulated and the deployment in social networking industry over the years, we strived to develop comprehensively in the open social networking segment and actively explored games and other diversified business, delivering a rapid and significant growth.

2020 has become a critical year for the Company to achieve breakthrough growth. With the development of "Traffic+" strategy, especially the "Traffic + Social Networking" strategy, the Company has achieved continuous expansion in the scale of its core social networking products, continuous improvement in stickiness, increasingly refinement in global deployment, steady enhancement in monetisation efficiency and significant growth in revenue. Overall speaking, the Company has continued to enhance its market shares and competitiveness in the global open social networking segment.

Being a leader in the overseas internet platform industry of China, the Company will maintain its position in the global market and focus on the social networking business while keep expanding our boundary, exploring market opportunities and uncovering greater values.

I hereby present the Group's financial position and operating highlights for 2020, review the business development in 2020, and summarise strategies and outlook of the Company for 2021.

BUSINESS REVIEW

1. Unlock the value of traffic ecology

In 2020, through implementing "Traffic+" strategy in social networking and game segments, our traffic ecology continued to expand. Besides, rapid growth is realised through refined operations and the effect of organic growth is obvious.

Through comprehensively unlocking the value of traffic ecology, our user scale, revenue and net profit have achieved rapid growth. Currently, the scale of revenue increased to RMB1.18 billion, representing an increase of 203.2% year on year.

Benefiting from premium products continuously launched in the social networking, game and other segments, our monetisation models upgraded to in-app purchase, such as live broadcast rewards, chat duration purchase, member subscription, advanced function purchase and other diversified methods, which have steadily enhanced the user value. In 2020, revenue from value-added service business of the Group significantly grew by 5,549.8% to RMB0.66 billion, accounting for 55.6% of total revenue.

2. Breakthrough in social networking business

In 2020, we strived to implement the "Traffic + Social Networking" strategy, develop open social networking business and expand to global social networking market through Yiyo, MICO, YoHo and other products. With the benefit of "stay-at-home economy", the audio and video social networking business of the Company achieved rapid growth.

Among the social networking products of the Company, MICO focuses on live-streaming social networking, which includes rich live-streaming ecosystem and various functions such as group video chat. It has developed into a mainstream social networking platform in Middle East, North America, South Asia, Southeast Asia, etc.. Yiyo and YoHo focus on video chat and group voice chat, respectively, and their user scale and revenue maintain a rapid growth.

Currently, MICO ranks first among the social networking apps of App Store in terms of downloads in 71 countries and regions, and is a top-10 social networking app of Google Play in terms of sales in 86 countries and regions. Yiyo is a top-10 social networking app of Google Play in terms of sales in 14 countries and regions. YoHo is a top-10 social networking app of Google Play in terms of sales in 31 countries and regions.

In 2020, the scale of social networking business of the Company achieved a breakthrough, with a cumulative number of 183 million downloads for its social networking products and 11.36 million average monthly active users. The user stickiness and active hours have also maintained a steady growth.

We expanded our market and enlarged global coverage through implementing in-depth localized operation. The Company initially developed in the emerging markets such as the Middle East, Southeast Asia, India, Pakistan and secured early benefits and established entry barriers. Our social networking products also achieved a rapid and solid growth in mature market. In 2020, we achieved breakthrough development in North American market, with MICO as a top-20 social networking product of App Store and Google Play in terms of sales in the United States. At the same time, the Company has started to expand into Japan, Korea and Europe markets to further seize the market shares of high-valued regions. The foundation of global social networking of the Company is well established.

3. Steady expansion towards diversified businesses

The Company explored opportunities for diversified development and expanded to diversified business such as game business while taking social networking business as its core. In 2020, we enlarged our investment in the research and development of game segment to further upgrade the product types by launching integrated type and decryption type of games that are obviously "mid-core" in general, so as to extend the life cycle of products.

We strived to refine premium mid-core games, such as decryption type, integrated type, etc., with beautiful visuals, simple interface design, classic and interesting rules and strong immersion. During the process of continuous researching and developing premium games, the Company continued to enhance the research and operation capacity of its game team. At the same time, the synergies between game business and social networking business gradually appeared.

Through launching these popular games, the scale of our game user has increased rapidly. In 2020, the game products of the Company have a cumulative number of 152 million downloads and 11.51 million average monthly active users, representing an increase of 154% year on year.

4. Continuous upgrade of AI technology

In line with the expansion in traffic ecology of the Company and extension in product types, the amount of data we continued to accumulate became bigger and the Solo Aware, an artificial intelligence engine, has also continued to improve and upgrade in various aspects including algorithm models and labelling, which supported in the research and operation of products. Products like Yiyo, MICO and YoHo can conduct activities like matching of social network and recommendation of content more precisely.

In addition, the continuous refinement of our middle platform has significantly enhanced our research and development, promotion, operational efficiency, which continuously enhanced the efficiency of human resources of the Company.

STRATEGY AND OUTLOOK

1. Continuous efforts in social networking and creating superior products

Unlike the social networking industry of acquaintance which fragmented by giant market leaders, the open social networking market is full of opportunities. It is expected that products of platform with billions of users will keep emerging, thus causing upheaval changes in the historical landscapes of the industry. We will continue to plough deeply into the open social networking sector, and create world-leading open social networking products, in order to enable more users to enjoy quality experiences in social networking.

We will keep optimizing core products, Yiyo, MICO, YoHo, and continue to expand the market scale, improve the user stickiness and duration of use, enrich the form of monetisation and improve the efficiency of monetisation, whereby promoting the growth in revenue and enhancement in profitability of the Company.

We will closely monitor the market trend and focus on the new models of social networking via video, audio and games, while meeting the segmented demands of different countries and different groups, so as to allow the ongoing penetration of global markets and establish our position as the top-tier overseas platform of social networking.

2. Enriching the audio and video ecology and improving the efficiency in monetisation

Leveraging on the characteristics such as reality, high efficiency, realtime and high interaction, etc., audio and video are regarded as the trendy social networking products in the future. We will keep addressing to the social networking habits of the younger generation worldwide in the era of 5G, as well as increasing our investment in research and development of the audio and video social networking products, so as to take the lead in the future.

We will continue to optimise audio and video functions of our products for social networking, in order to enrich the ecology of community, improve the user stickiness and increase the duration per user with quality contents. In addition, we will, based on the current ecology of social networking, explore new opportunities in the field of audio and video, such as live streaming sales and celebrity marketing, etc.

The improvement of duration per user will effectively drive the improvement of monetisation efficiency. In addition, under the model of audio and video social networking, models such as more functional pay points and live streaming rewards can be incorporated naturally. These will facilitate our further expansion of revenue from social networking products.

3. Advancing business diversification while exploring new opportunities

We will keep advancing the strategy of "Traffic + Games" so as to steadily develop the game business. On top of operating current products, stronger efforts will be made on the layout of middle and high-core game product portfolio to expand the user base and market coverage. We will stick to the policy of providing niche products, extending the life cycle of games while creating more hot games.

Meanwhile, we will closely monitor overseas market opportunities and explore diversified businesses such as cross-border e-commerce, etc.

Going overseas is an inevitable path in order to expand the scale of internet products in the future. We will maintain close cooperation with various overseas companies, while identifying outstanding overseas teams as well as making timely investments in and acquisitions of quality products and teams.

4. Optimising the global layout and entering the high value markets

Currently, there is still extensive room for growth in markets such as the Middle East, Latin America, India, Pakistan, Southeast Asia, etc. Our Company will explore deeply in these regions, in order to capture these emerging markets and the young user groups.

In addition, we will focus on exploring mature markets. While continuing to plough deeply into the Northern American market, we will also enter high value markets such as Europe, Japan, Korea, etc., so that our global social networking coverage can be optimised continuously.

During the process of market exploration, we will keep strengthening the operating capacity of localization, and consolidating the upper and lower streams industrial resources, so as to fortify the competition barriers for the Company's products in various regions of the world.

5. Continuing to upgrade AI engines and middle platforms

We will keep increasing investments in research and development, and optimising our AI engine-Solo Aware, where algorithm models and the number of labels will continue to improve, whereby extensively uncovering the customisation requirements of users to further improve its accuracy in the efficiency of social networking matching, thus facilitating products research and operation.

Meanwhile, we will also keep upgrading the middle platform system, where efficient integration of data, algorithms, infrastructure and development framework, etc. will be conducted continuously, with a view to increasing the speed of research and development, strengthening data management and reducing development cost, whereby drawing up an efficient and standardized procedure in aspects such as resource allocation, etc.

REVENUE

Our total revenue increased by 203.2% to RMB1,181.6 million for the year ended 31 December 2020 as compared to RMB389.7 million for the year ended 31 December 2019. The following table sets forth a breakdown of our revenue by segments for the years indicated:

	Years ended 31 December				
	2020		2019		
	RMB'000	***% of Total revenue***	*RMB'000*	*% of Total revenue*	*YoY Change*
Value-added service business	**657,520**	**55.6**	11,638	3.0	5,549.8%
In-app purchase	**657,520**	**55.6**	11,638	3.0	5,549.8%
Traffic monetisation business	**524,073**	**44.4**	378,047	97.0	38.6%
In-app traffic monetisation business	**511,202**	**43.3**	232,016	59.5	120.3%
Mobile advertising platform and related business	**12,871**	**1.1**	146,031	37.5	-91.2%
Total	**1,181,593**	**100.0**	389,685	100.0	203.2%

The revenue from value-added service business increased by 5,549.8% to RMB657.5 million in 2020 as compared to RMB11.6 million in 2019, primarily because (i) our monetisation mode has been upgraded to multiple ways, such as live broadcast rewards, chat duration purchase, member subscription, advanced function purchase, etc; (ii) we explored the global social networking business market by introducing a number of high quality audio and video social networking products and recorded a rapid growth during the year 2020.

The revenue from traffic monetisation business increased by 38.6% to RMB524.1 million in 2020 as compared to RMB378.0 million in 2019, which primarily because (i) our increased research and development investment in the game field, and our continuous efforts in developing and launching new games apps, and the upgrade of our existing apps, which further update our product portfolio and extend the life cycle; (ii) Solo Aware AI engine has assisted our products fine operation and has been of benefit to the growth of in-app traffic monetisation business.

The decrease in the performance-based advertising services was primarily because we scaled down the development of the mobile advertising platform and related business in view of the outbreak of novel coronavirus pandemic and global economic downturn.

COST OF REVENUE

Our cost of revenue increased by 234.8% to RMB429.1 million for the year ended 31 December 2020, as compared to RMB128.2 million for the year ended 31 December 2019. The following table sets forth a breakdown of our cost of revenue by nature for the years indicated:

	Years ended 31 December				
	2020		2019		
	RMB'000	***% of Total revenue***	*RMB'000*	*% of Total revenue*	*YoY Change*
Cost for advertising placement	**6,913**	**0.6**	86,557	22.2	-92.0%
Employee benefit expense	**39,154**	**3.3**	20,211	5.2	93.7%
Intangible assets amortisation	**20,783**	**1.8**	800	0.2	2,497.9%
Server capacity expense	**20,344**	**1.7**	16,711	4.3	21.7%
Share-based compensation expenses	**25,475**	**2.2**	–	0.0	100.0%
Payment handling cost	**82,732**	**7.0**	2,539	0.7	3,158.5%
Revenue sharing to streamer	**211,032**	**17.9**	–	0.0	100.0%
Goodwill impairment	**5,029**	**0.4**	–	0.0	100.0%
Technical and other service fee	**7,437**	**0.6**	–	0.0	100.0%
Others	**10,205**	**0.9**	1,355	0.4	653.1%
Total	**429,104**	**36.4**	128,173	33.0	234.8%

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

	Years ended 31 December				
	2020		2019		
	RMB'000	***%***	*RMB'000*	*%*	*YoY Change*
Value-added service business	**361,080**	**84.1**	3,687	2.9	9,693.3%
Traffic monetisation business	**68,024**	**15.9**	124,486	97.1	-45.4%
Total	**429,104**	**100.0**	128,173	100.0	234.8%

The significantly increase in the cost of revenue from 2019 to 2020 was primarily attributable to we vigorously promoted the social networking business by introducing the audio and video social networking products, which was in line with the performance of our "Traffic + Social Networking" strategy.

The cost of revenue for value-added service business increased 97 times to RMB361.1 million in 2020 as compared to RMB3.7 million in 2019, primarily due to the revenue sharing to streamer of our social networking business and increase in the payment handling cost, which enabled us to maintain and attract users.

The cost of revenue for traffic monetisation business decreased by 45.4% to RMB68.0 million in 2020 as compared to RMB124.5 million in 2019, primarily due to the downsize of mobile advertising platform and related business.

GROSS PROFIT AND GROSS PROFIT MARGIN

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

	Years ended 31 December						
	2020			2019			
	Gross profit	***%***	***Gross Profit margin***	*Gross profit*	*%*	*Gross Profit margin*	*YoY Change in gross profit*
			(RMB'000,	*except percentages)*			
Value-added service business	**296,440**	**39.4**	**45.1%**	7,951	3.0	68.3%	3,628.3%
Traffic monetisation business	**456,049**	**60.6**	**87.0%**	253,561	97.0	67.1%	79.9%
Total	**752,489**	**100.0**	**63.7%**	261,512	100.0	67.1%	187.7%

Our gross profit increased by 187.7% to RMB752.5 million for the year ended 31 December 2020 as compared to RMB261.5 million for the year ended 31 December 2019 which was mainly because we explored the social networking business, which had a rapid growth of gross profit during the year.

Our gross profit margin decreased to 63.7% in 2020 from 67.1% in 2019. The gross profit margin of our value-added service business decreased to 45.1% for the year ended 31 December 2020 from 68.3% for the year ended 31 December 2019, which was mainly driven by the revenue sharing to streamer of our social networking business and increase in the payment handling cost. The increase in the gross profit margin of our traffic monetisation business to 87.0% for the year ended 31 December 2020 from 67.1% for the year ended 31 December 2019 was mainly because we shrink mobile advertising platform and related business, which recorded a lower gross profit margin.

SELLING AND MARKETING EXPENSES

Our selling and marketing expenses increased by 301.1% to RMB483.5 million in 2020 as compared to RMB120.5 million in 2019, primarily due to the increase in the cost for advertising placement for our proprietary app monetisation business as we continued our promotional efforts in marketing our apps in the global market.

GENERAL AND ADMINISTRATIVE EXPENSES

Our general and administrative expenses decreased by 42.8% to RMB55.3 million as compared to RMB96.8 million in 2019, primarily due to (i) a decrease of RMB35.4 million in listing expenses in 2020; (ii) a decreased of RMB21.3 million in our share-based compensation expenses; and (iii) an increase of RMB12.9 million in employee benefit expenses and consultant and professional service fee in 2020.

OPERATING PROFIT

For the year ended 31 December 2020, our operating profit increased by 164.8% to RMB132.1 million as compared to RMB49.9 million in 2019, primarily due to (i) an increase of RMB491.0 million in our gross profit; (ii) an increase of RMB363.0 million in our selling and marketing expenses due to our increased promotional efforts in marketing our apps; (iii) a decrease of RMB41.4 million in general and administrative expenses; (iv) an increase of RMB38.3 million in research and development expenses; and (v) a decrease of RMB47.0 million in our other gain due to decrease in the fair value change of financial assets measured at FVPL and exchange gain.

FINANCE INCOME/(COST), NET

For the year ended 31 December 2020, the finance income decreased to RMB(1.9) million as compared to RMB21.1 million in 2019. It was mainly due to the higher interest income arising from the application monies locked-up during the initial public offering in 2019.

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 our prospectus dated 17 December 2019, were converted into ordinary shares. Therefore, no convertible redeemable preferred shares were recognised as at 31 December 2020.

INCOME TAX

Income tax expense increased to RMB15.8 million in 2020 as compared to RMB10.0 million in 2019, mainly driven by the increase of our taxable profits.

PROFIT FOR THE YEAR

As a result of the foregoing, our profit for the year increased by 67.1% to RMB114.3 million in 2020 as compared to RMB68.4 million in 2019.

NON-IFRS MEASURES

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

We define adjusted net profit as profit for the 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 years indicated, to the nearest measures prepared in accordance with IFRS:

	Years ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Profit for the year	**114,343**	68,415
Add:		
Share-based compensation expenses[(1)] [(2)]	**40,775**[(2)]	36,847[(1)]
Listing expenses[(3)]	**–**	35,407[(3)]
Less:		
Interest income from the application monies locked-up during the initial public offering	**–**	(20,926)
Fair value changes of convertible redeemable preferred shares[(3)]	**–**	(7,434)
Tax effect[(4)]	**(260)**	(2,867)
Adjusted net profit	**154,858**	109,442
Adjusted net profit growth	**41.5%**	82.3%

Notes:

(1) 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.

(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 RMB39,045,000 in the current period, equivalent to the economic benefits certain employees and management obtained from the Company. For further details, please refer to the announcement dated 28 May 2020 of the Company. A subsidiary of the Company has recognised share-based compensation expenses amounting to RMB1,730,000 in relation to awards granted in 2018 pursuant to its share incentive plan.

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

(4) Including tax effects on listing expenses and share-based compensation expenses recognised by the subsidiary, 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 RMB1,268.2 million as at 31 December 2020, while our total liabilities increased from RMB143.0 million as at 31 December 2019 to RMB481.2 million as at 31 December 2020. Liabilities-to-assets ratio increased from 18.4% at the end of 2019 to 37.9% at the end of 2020.

FINANCIAL RESOURCES AND OPERATING CASH FLOW

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

As at 31 December 2020, our cash and cash equivalents was RMB431.0 million, compared with RMB182.8 million as at 31 December 2019.

Compared with RMB154.5 million in 2019, the cash generated from operations in 2020 increased to RMB298.7 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 31 December 2020, the fair value of such investments increased to RMB178.0 million, compared with RMB132.7 million as at 31 December 2019. Such increase was primarily due to the increase in our purchase of wealth management products and funds.

CAPITAL EXPENDITURE

As at 31 December 2020, our capital expenditure primarily consisted of expenditures on property and equipment, including purchases of computers and other office equipment. The capital expenditure increased from RMB0.2 million in 2019 to RMB2.1 million in 2020, primarily due to the increase in the purchase of vehicle, computers and other electronic devices during the year ended 31 December 2020.

SIGNIFICANT INVESTMENT

As at 31 December 2019, we held an equity interest of approximately 16.77% in Mico. 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, please refer to the announcement dated 19 April 2020 and circular dated 11 June 2020 of the Company.

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 a consideration of RMB262,997,528. Upon completion of the acquisition, NewBornTown Network Technology will hold approximately 48.89% 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. For further details, please refer to the announcement dated 17 August 2020 of the Company.

As at 31 December 2020, the Group had an investment in equity interest of certain private company, the fair value of this investment represented less than 5% of the total asset of the Group as at 31 December 2020. As at 31 December 2020, the Group did not hold any significant investment that accounted for more than 5% of the Group's total assets as at 31 December 2020. Please refer to note 20(c) to the consolidated financial statements for further details.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed in this annual report, we have made an equity investment accounted by equity method amounting to RMB3.0 million.

PLEDGE OF ASSETS

As at 31 December 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 31 December 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 year ended 31 December 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 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.

- 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 AND REMUNERATION POLICIES

As at 31 December 2020, we had a total of 424 full-time employees, based in Beijing, Shenzhen, Guangzhou and Jinan. Among all employees, 181 of them are in R&D department, representing 43% of the total full-time 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.

With a view to nurturing and retaining talents, the Group has formulated systematic recruitment procedures and offered competitive benefits and training opportunities. The remuneration policy and overall package of the employees are periodically reviewed by the Group. Employees will be rated according to their appraisals, which in turn affect the performance bonus and share awards they receive.

As of the Latest Practicable Date, the brief information of the Directors and senior management of the Group is as follows.

DIRECTORS

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

The following table sets out information of the Directors.

Name	Age	Position	Date of Appointment as Director
Mr. LIU Chunhe	35	Executive Director and Chairman	12 September 2018
Mr. LI Ping	31	Executive Director	22 June 2019
Mr. YE Chunjian	29	Executive Director	1 April 2021
Mr. SU Jian	46	Executive Director	1 April 2021
Mr. PAN Xiya	64	Independent Non-executive Director	11 December 2019
Mr. CHI Shujin	36	Independent Non-executive Director	11 December 2019
Mr. HUANG Sichen	33	Independent Non-executive Director	1 April 2021

EXECUTIVE DIRECTORS

Mr. LIU Chunhe (劉春河), former name Liu Zhonghua (劉中華), aged 35, is the founder of the Group. He currently serves as the Chairman of the Board, executive Director and the chief executive officer of our Company. He also holds directorships in various subsidiaries of the Company, including NewBornTown Mobile Technology, NewBornTown Network Technology, Shandong NewBornTown, Solo X Technology Limited, Newborn Town International Enterprise Limited and Great Sailing. Mr. Liu has been the Chairman and Manager of Beijing Newborn Town Group Ltd. (北京赤子城集團有限公司) since July 2020. He is responsible for the overall management, strategies planning and decision-making of our Company. Mr. Liu Chunhe, as a member of the Controlling Shareholders Group, acts in concert with Mr. Li Ping, consisting of the Controlling Shareholders Group of our Company.

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

Mr. LI Ping (李平), aged 31, is a co-founder, an executive Director and chief operating officer of our Company. He joined the Group in July 2011 and is responsible for overall operation and management of our business. Mr. Li Ping also holds directorships in NewBornTown Mobile Technology and Great Sailing. Mr. Li has been a director of Beijing Fantasy Dream Technology Co., Ltd.(北京奇幻夢想科技有限公司)since December 2020, an executive director and general manager of Hainan NewBornTown Network Technology Co., Ltd.(海南赤子城網絡技術有限公司) since January 2021 and a director of Beijing Newborn Town Group Ltd. (北京赤子城集團有限公司) since January 2021. Mr. Li Ping, as a member of the Controlling Shareholders Group, acts in concert with Mr. Liu Chunhe, consisting of the Controlling Shareholders Group of our Company.

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

Mr. YE Chunjian (葉椿建), aged 29, is an Executive Director and the Chief Technology Officer of our Company. He joined our Group in June 2014 and is responsible for the research and development of the social networking business. He has been serving as a founding partner of Beijing Mico World Technology Co., Ltd. (北京米可世界科技有限公司) since February 2017, and its director and manager since June 2018, an executive director and general manager of Hainan Jidu Kongjian Internet Technology Co., Ltd. (海南幾度空間網絡科技有限責任公司) since January 2019, a director of Beijing Newborn Town Group Ltd. (北京赤子城集團有限公司) since January 2021, and an executive director and manager of Xiaoshitou Online (Beijing) Technology Co., Ltd. (小石頭在綫（北京）科技有限公司) since February 2021.

Mr. YE graduated from Beijing University of Technology (北京工業大學) in July 2014 with a bachelor's degree in engineering.

Mr. Su Jian (蘇鑒), aged 46, is an executive director of the Company and the chief executive officer of Beijing Mico World Technology Co., Ltd. (北京米可世界科技有限公司). He joined the Group in May 2014 and is responsible for the overall management, strategies planning and decision-making of Beijing Mico World Technology Co., Ltd. He has been serving as the chief executive officer of Beijing Mico World Technology Co., Ltd. since May 2014, the chairman of the board and general manager of Shenzhen Yike Technology Co., Ltd. (深圳一刻科技有限公司) since June 2016, an executive director and general manager of Shenzhen Leyuyou Internet Technology Co., Ltd. (深圳樂娛游網絡科技有限公司) since April 2018, a director of Beijing Mico World Technology Co., Ltd. since October 2020 and a director of Beijing Newborn Town Group Ltd. since January 2021.

Mr. SU graduated from Zhengzhou University of Light Industry (鄭州輕工業大學) in July 1997 with a bachelor's degree in engineering.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. PAN Xiya (潘細亞), aged 64, was appointed as an independent non-executive Director of our Company in December 2019. He is responsible for providing independent advice and judgement to our Board.

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

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

Mr. CHI Shujin (池書進), aged 36, was appointed as an independent non-executive Director of our Company in December 2019. He is responsible for providing independent advice and judgement to our Board. Mr. Chi Shujin is a director and the CFO of Beijing Siwei Zaowu Information Technology Holdings Co., Ltd. (北京思維造物信息科技股份有限公司) since September 2017.

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

Mr. HUANG Sichen (黃斯沉), aged 33, was appointed as an independent non-executive Director of our Company in April 2021. He is responsible for providing independent advice and judgment to our Board. He has extensive experience in financial management, corporate governance and investment of high-tech enterprises. Mr. HUANG has been serving as a director of Beijing Zhenghe Island Information Technology Co., Ltd. (北京正和島信息科技有限公司) since July 2011, a managing partner of Beijing Prestige Angel Investment Management Co., Ltd. (北京貴格天使投資管理有限公司) since November 2014, the chairman of the board and general manager of Beijing Beetle Sports International & Investment Co., Ltd. since March 2015, a director of Shangkequan (Beijing) Cultural Communication Co., Ltd. (尚客圈（北京）文化傳播有限公司) since September 2015, a director of Beijing Youluqianxing Technology Development Co., Ltd. (北京有路前行科技發展有限公司) since May 2017, and a founding partner of Fenrir Partners Group Limited since March 2020.

Mr. HUANG graduated from the University of Southern California in May 2010 with a double bachelor's degree in accounting and commerce. Mr. HUANG qualified as a chartered financial analyst (CFA) in June 2011.

SENIOR MANAGEMENT

Ms. LYU Xiaonan (呂曉楠), aged 39, has been the finance director of our Group since February 2018, primarily responsible for the Group's financial operations.

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

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

Mr. HAN Tao (韓濤), aged 38, has been the product director of our Group since December 2018, primarily responsible for overall product research and development and management of relevant department. He previously served as an Android app developer of the Group from December 2014.

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

JOINT COMPANY SECRETARIES

Mr. SONG Pengliang (宋朋亮), aged 33, was appointed as our joint company secretary on 27 May 2019. He has been the senior investment manager of NewBornTown Network Technology since March 2018.

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

Mr. AU-YEUNG Wai Ki, Joseph (歐陽偉基), aged 57, was appointed as our joint company secretary on 27 May 2019.

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

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is a leading Internet offshore company in China. Based on the traffic ecology of over 1.2 billion global users, the Company has promoted its "Traffic+" strategy and created a number of quality products in the fields of social networking and games.

The Company is committed to leveraging the Internet and artificial intelligence technologies to continuously expand its services and enrich the lives of global users, making it the largest Internet offshore company in China.

The activities and particulars of the Company's subsidiaries are shown under note 19 to the consolidated financial statements. An analysis of the Group's revenue and operating profit for the year by principal activities is set out in the section headed "Management Discussion and Analysis" on pages 10 to 13 in this annual report.

RESULTS OF OPERATIONS

The financial results of the Group for the year ended 31 December 2020 are set out on pages 10 to 17 in this annual report.

FINANCIAL SUMMARY

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

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2020.

BUSINESS REVIEW

A review of the Group's business for the year ended 31 December 2020, which includes a discussion of the principal risks and uncertainties faced by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group since the end of the financial year ended 31 December 2020, and an indication of likely future developments in the Group's business can be found in the sections headed "Chairman's Statement" on pages 6 to 9, "Management Discussion and Analysis" on pages 10 to 18 and "Corporate Governance Report" on pages 41 to 54 in this annual report. In addition, a discussion on relationships with its key stakeholders is included in the section headed "Management Discussion and Analysis".

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

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2020, as far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material aspects.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

For details of the Company's environmental policies and performance, and the important relationship between the Company and its employees, customers and suppliers, please refer to the environmental, social and governance report of the Company for the year ended 31 December 2020 published on the website of the Stock Exchange and the website of the Company according to the Listing Rules.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

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

The Group will gradually utilise the net proceeds in accordance with the intended purposes and expected timeline as disclosed in the Prospectus. The breakdown of the intended use and amount utilised as at 31 December 2020 were as follows:

	Budget	**Amount that had been utilised as at 31 December 2020**	**Remaining balance as at 31 December 2020**	**Proposed timetable for the use of unutilised net proceeds**
	HK$ million (approximately)	*HK$ million* (approximately)	*HK$ million* (approximately)	
To develop, expand and upgrade our Solo X product matrix	68.6	21.3	47.3	On or before 31 December 2022
To upgrade our Solo Math programmatic advertising platform	57.7	1.8	55.9	On or before 31 December 2022
To enhance the big data and AI capabilities of our Solo Aware AI engine	28.4	9.2	19.2	On or before 31 December 2022
To enhance our local service capabilities and build our global information distribution network	6.5	0.0	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	35.1	131.8	On or before 31 December 2022

Note:

Please refer to the relevant announcement issued by the Company on 24 March 2021 for the latest development on the use of proceeds.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2020, the Group's five largest customers in aggregate accounted for approximately 55.96% of the Group's total revenue. The Group's largest customer accounted for 16.83% of the Group's total revenue.

During the year ended 31 December 2020, the Group's five largest suppliers in aggregate accounted for approximately 38.19% of the Group's total purchase. The Group's largest supplier accounted for 12.63% of the Group's total purchase.

During the year ended 31 December 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.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2020 are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2020 are set out in note 28 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year ended 31 December 2020 are set out in notes 36(b) and 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company's distributable reserves were approximately RMB2,041.8 million.

BANK BORROWING

As at 31 December 2020, the Group did not have any short-term or long term bank borrowings and had no outstanding utilised or utilised banking facilities.

LOAN AND GUARANTEE

During the year ended 31 December 2020, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, senior management of the Company, the controlling Shareholders (as defined under the Listing Rules) or their respective connected persons.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS

As of the Latest Practicable Date, the Board currently consists of the following seven Directors:

Executive Directors:

Mr. LIU Chunhe (Chairman and Chief Executive Officer)
Mr. LI Ping (Executive Director and Chief Operating Officer)
Mr. WANG Kui (Executive Director and Chief Financial Officer) (resigned on 1 April 2021)
Mr. YE Chunjian (Executive Director and Chief Technology Officer) (appointed on 1 April 2021)
Mr. Su Jian (Executive Director and Mico Chief Executive Officer) (appointed on 1 April 2021)

Independent Non-executive Directors:

Mr. LIU Rong (resigned on 1 April 2021)
Mr. CHI Shujin
Mr. PAN Xiya
Mr. HUANG Sichen (appointed on 1 April 2021)

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

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

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENTS

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

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

Mr. YE Chunjian and Mr. SU Jian respectively entered into a service contract with the Company on 1 April 2021. Each service contract was for an initial fixed term of three years (subject to re-nomination and re-election by the Company in Annual General Meeting), until termination.

Mr. PAN Xiya and Mr. CHI ShuJin respectively entered into a letter of appointment with the Company for a term of three years commencing from the Listing Date (subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association),until terminated.

Mr. HUANG Sichen has entered into a letter of appointment with the Company on 1 April 2021. He will hold office for a period of three years commencing from 1 April 2021(subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association),until terminated.

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

EMOLUMENT OF DIRECTORS AND SENIOR MANAGEMENT

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

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

For the year ended 31 December 2020, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments for the year ended 31 December 2020.

Except as disclosed above, no other payments have been made or are payable, for the year ended 31 December 2020, by our Group to or on behalf of any of the Directors.

MANAGEMENT CONTRACTS

Other than the Directors' service contracts and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the year ended 31 December 2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no transactions, arrangements or contracts of significance subsisted in which a Director or an entity connected with a Director was materially interested, whether directly or indirectly, during or at the end of 31 December 2020.

PERMITTED INDEMNITY PROVISIONS

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

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

As of the 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)、(5)	Interest in a controlled corporation(3)	233,806,646	23.41%
	Concert party(5)	306,928,420	30.73%
Mr. Li Ping(4)、(5)	Interest in a controlled corporation(4)	73,121,774	7.32%
	Concert party(5)	306,928,420	30.73%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 998,850,000 Shares in issue as of the Latest Practicable Date.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As of the 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)	63,725,832	6.38%
Haitong Securities(3)	Interest in a controlled corporation(3)	63,725,832	6.38%
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%
TMF Trust (HK) Limited(5)	Trustee(5)	50,688,151	5.06%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 998,850,000 Shares in issue as of the Latest Practicable Date.

(3) Haitong Kaiyuan is wholly owned by Haitong Securities. Haitong Securities is therefore deemed to be interested in all the Shares held by Haitong Kaiyuan 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) TMF Trust (HK) Limited is an independent and professional trustee appointed by the Company to act as the trustee of the Employee RSU Scheme and the trustee of the Management RSU Scheme.

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

CONTRACT WITH CONTROLLING SHAREHOLDERS

Save as disclosed in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and the controlling shareholders (as defined under the Listing Rules) of the Company or any of its subsidiaries during the year ended 31 December 2020 or subsisted at the end of the year and no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries was entered into during the year ended 31 December 2020 or subsisted at the end of the year.

NON-COMPETITION UNDERTAKINGS

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

Each of Mr. Liu Chunhe and Mr. Li Ping has confirmed in writing to the Company of their compliance with the Deed of Non-competition for disclosure in this annual report during the financial year of 2020. No new business opportunity was informed by them as at 31 December 2020. The independent non-executive Directors have reviewed the implementation of the deed of non-compete undertaking and are of the view that the non-competition undertakings have been complied with by Mr. Liu Chunhe and Mr. Li Ping for the year ended 31 December 2020.

RETIREMENT BENEFITS SCHEME

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

RSU SCHEMES

Employee RSU Scheme

We adopted 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

The Board approved the grant of an aggregate of 30,451,573 RSUs to 36 grantees pursuant to the Employee RSU Scheme on 28 May 2020 and 24 March 2021 respectively. 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 31 December 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 31 December 2020, and the aggregate number of shares involved in RSUs vested under the Employee RSU Scheme was 7,382,000. Up to the Latest Practicable Date, under the Employee RSU Scheme 2,188,001 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 31 to the consolidated financial statements.

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.

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 31 December 2020, the aggregate number of Shares underlying the granted RSUs under the Management RSU Scheme was 25,733,333, representing approximately 2.58% of the issued share capital of the Company as at 31 December 2020, and none of the granted RSUs under the Management RSU Scheme has been forfeited. The aggregate number of shares involved in RSUs vested under the Management RSU Scheme was 6,438,000.

Details of movements in the RSUs under the RSU Schemes are also set out in note 31 to the consolidated financial statements.

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

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

EQUITY-LINKED AGREEMENT

No equity-linked agreement will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares, were entered into by the Company during the year ended 31 December 2020 or subsisted as of the end of 2020.

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

The Shares have been listed on the Stock Exchange since the Listing Date. During the Relevant Period, the Company or any member of the Group repurchased a total of 1,150,000 shares of the Company's listed securities and the repurchased shares were cancelled.

PRE-EMPTIVE RIGHTS

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

CONNECTED TRANSACTIONS

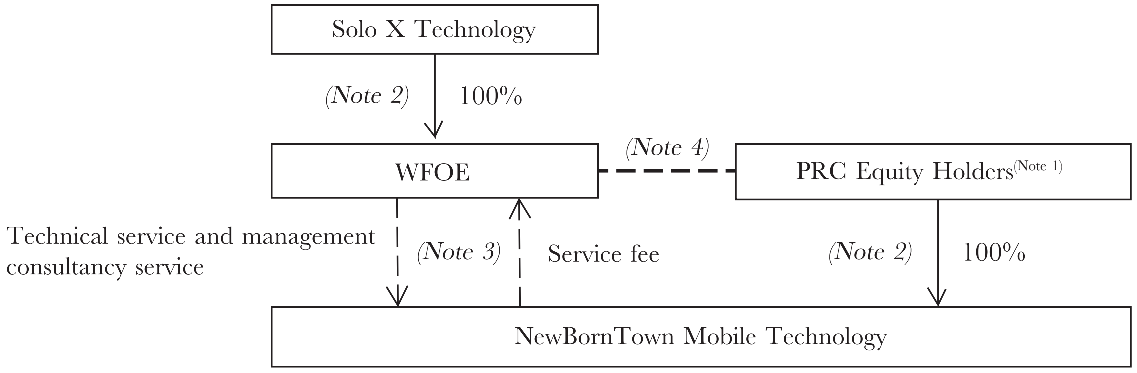
Non-exempted Continuing Connected Transactions

Contractual Arrangements

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

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

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



Notes:

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

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

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

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

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

Exclusive Business Cooperation Agreement

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

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

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

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

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

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

(f) providing business management consultation;

(g) providing marketing and promotional services;

(h) providing customer order management and customer services;

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

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

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

Exclusive Option Agreements

(a) Exclusive Equity Call Option Agreement

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

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

(b) Exclusive Assets Call Option Agreement

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

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

Equity Pledge Agreement

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

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

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

Powers of attorney

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

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

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

(c) to execute any written resolutions; and

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

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

Save as disclosed above, there were no other new contractual arrangements entered into, renewed and/or re-entered into between WFOE, the PRC Equity Holders and other related parties during the year ended 31 December 2020.

There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the year ended 31 December 2020. For the year ended 31 December 2020, none of the Contractual Arrangements had been unwound on the basis that none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. As of 31 December 2020, the Group had not encountered interference or encumbrance from any PRC governing bodies in operating the businesses through the Consolidated Affiliated Entities under the Contractual Arrangements.

The revenue and profit for the year of the Consolidated Affiliated Entities subject to the Contractual Arrangements amounted to approximately RMB1,181.6 million and RMB114.3 million for the year ended 31 December 2020, respectively. The total assets and total liabilities of the Consolidated Affiliated Entities subject to the Contractual Arrangements amounted to approximately RMB1,268.2 million and RMB481.2 million as at 31 December 2020, respectively.

Qualification requirements

Updates in Relation to the Qualification Requirements

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

Efforts and Actions Undertaken to Comply with the Qualification Requirements

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

(a) had applied for the registration of 22 trademarks in Hong Kong;

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

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

Reasons for Adopting the Contractual Arrangements

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

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

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

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

Risks Relating to the Contractual Arrangements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Waivers from the Stock Exchange

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

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

For the year ended 31 December 2020, the independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that:

(a) the transactions carried out during the year ended 31 December 2020 had been entered into in accordance with the relevant provisions of the Contractual Arrangements;

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

(c) any new contracts entered into, renewed and/or re-entered into between the Group and the Consolidated Affiliated Entities during the year ended 31 December 2020 are fair and reasonable, or advantageous to the Shareholders, so far as the Group is concerned and in the interests of the Company and the Shareholders as a whole; and

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

The Company's auditor has confirmed in a letter in accordance with the Hong Kong Standard on Assurance Engagement 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA, under the requirements of Rule 14A.56 of the Listing Rules, to the Board that the transactions carried out pursuant to the Contractual Arrangements during the year ended 31 December 2020 had received the approval of the Board, had been entered into, in accordance with the relevant provisions of the Contractual Arrangements, and that no dividends or other distributions had been made by the Consolidated Affiliated Entities to the holders of their equity interests which were not otherwise subsequently assigned or transferred to the Group.

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

Further details on related party transactions for the year ended 31 December 2020 are set out in note 34 to the consolidated financial statements.

DONATIONS

For the year ended 31 December 2020, the charitable and other donations made by the Group amounted to RMB0.1 million.

MATERIAL LEGAL PROCEEDINGS

For the year ended 31 December 2020, there is no legal proceeding individually or jointly by the Group, which would have a material adverse impact on our business, financial position or business performance and has not yet been adjudicated or poses a threat to us or any of our Directors.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend the vote at the AGM to be held on 31 May 2021, the registers of members of the Company will be closed from 26 May to 31 May 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on 25 May 2021.

SUBSEQUENT EVENTS

As of the Latest Practicable Date, details for subsequent events are set out on page 178 in this annual report.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PUBLIC FLOAT

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

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2020 have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the AGM.

By order of the Board
LIU Chunhe
Chairman

Beijing, 24 March 2021

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

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

BOARD

Responsibilities

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

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

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

BOARD COMPOSITION

As of the Latest Practicable Date, the Board comprised four executive Directors and three independent non-executive Directors as set out below:

Executive Directors:

Mr. LIU Chunhe *(Chairman and Chief Executive Officer)*
Mr. LI Ping
Mr. YE Chunjian (appointed on 1 April 2021)
Mr. SU Jian (appointed on 1 April 2021)

Independent Non-executive Directors:

Mr. PAN Xiya
Mr. CHI Shujin
Mr. HUANG Sichen (appointed on 1 April 2021)

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

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

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

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

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

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

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

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

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

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

The Directors as at 31 December 2020 confirmed that they had complied with such requirements for the period under review.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

BOARD MEETINGS

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

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

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

The Company has fully complied with the requirement under the code provision A.1.1 of the Corporate Governance Code of convene Board meetings at least four times a year at approximately quarterly intervals for the twelve months ended 31 December 2020.

During the year ended 31 December 2020, the Board held five meetings to discuss and approve (among others) the overall strategies and policies of the Company and to review and approve the Annual Report 2019, the Annual Results Announcement for the year 2019, the Interim Report 2020 and the Announcement of Interim Results for the year 2020 of the Company, etc.

The table below sets forth the attendance details of each director to the Board meetings for the year ended 31 December 2020.

Directors	**Number of Board meetings to attend**	**Number of Board meetings attended**
Mr. LIU Chunhe	5	5
Mr. LI Ping	5	5
Mr. WANG Kui (resigned on 1 April 2021)	5	5
Mr. PAN Xiya	5	5
Mr. CHI Shujin	5	5
Mr. LIU Rong (resigned on 1 April 2021)	5	5

In 2020, the Company convened and held two general meetings, i.e. the annual general meeting 2019 held on 15 June 2020 and the extraordinary general meeting 2020 held on 29 June 2020. All directors have attended the general meetings twice.

DELEGATION BY THE BOARD

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

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

CORPORATE GOVERNANCE FUNCTION

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

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

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

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

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

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

The Company was complied with the relevant Corporate Governance Code provisions from the Listing Date to 31 December 2020.

BOARD COMMITTEES

Audit Committee

The Audit Committee currently comprises three members, Mr. CHI Shujin (Chairman), Mr. PAN Xiya and Mr. HUANG Sichen, all of whom are independent non-executive Directors. Among which, Mr. LIU Rong has resigned as the member of the Audit Committee of the Board on 1 April 2021, and Mr. HUANG Sichen has been appointed as the member of the Audit Committee of the Board on 1 April 2021.

The principal duties of the Audit Committee include the following:

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

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

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

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

    (i) any changes in accounting policies and practices;

    (ii) major judgmental areas;

    (iii) significant adjustments resulting from the audit;

    (iv) the going concern assumptions and any qualifications;

    (v) compliance with accounting standards; and

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

(e) regarding paragraph (d) above:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

During the year ended 31 December 2020, the Audit Committee held three meetings to review (among others) the Annual Report 2019, the Annual Results Announcement for the year 2019, the Interim Report 2020, the Announcement of Interim Results for the year 2020, and the audit planning report for the year 2020 issued by the Company's external auditor, etc. The Audit Committee has also examined the risk management and internal control system of the Company.

The table below sets forth the attendance details of each member of the Audit Committee to meetings for the year ended 31 December 2020.

Directors	Number of Board meetings to attend	Number of Board meetings attended
Mr. PAN Xiya	3	3
Mr. CHI Shujin	3	3
Mr. LIU Rong (resigned on 1 April 2021)	3	3

The major duties of the Audit Committee are to review and oversee the financial reporting process, risk management and internal control system of the Group and independently advise on the effectiveness of the abovementioned, to monitor the audit procedures and perform other functions and obligations assigned by the Board.

Nomination Committee

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

The principal duties of the Nomination Committee include the following:

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

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

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

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

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

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

Nomination Policy

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

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

Board Diversity Policy

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

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

During the year ended 31 December 2020, the Nomination Committee held one meeting to review the structure of the Board, the board diversity policy, the independence of Independent Non-executive Directors, and to review and advise the Board on the approval for appointment of Executive Directors and re-election of the retired directors.

The table below sets forth the attendance details of each member of the Nomination Committee to meetings for the year ended 31 December 2020.

Directors	Number of Board meetings to attend	Number of Board meetings attended
Mr. PAN Xiya	1	1
Mr. CHI Shujin	1	1
Mr. LI Ping	1	1

The Nomination Committee is responsible for reviewing and evaluating the composition of the Board and the independence of Independent Non-executive Directors, as well as making recommendations to the Board on the appointment and dismissal of directors.

Remuneration Committee

The Remuneration Committee currently comprises three members, including one executive Director namely Mr. YE Chunjian and two independent non-executive Directors namely Mr. HUANG Sichen (Chairman) and Mr. PAN Xiya. Among which, Mr. LIU Rong has resigned as the Chairman of the Remuneration Committee of the Board on 1 April 2021, and Mr. WANG Kui has resigned as the member of the Remuneration Committee of the Board on 1 April 2021. Mr. HUANG Sichen has been appointed as the Chairman of the Remuneration Committee of the Board on 1 April 2021, and Mr. YE Chunjian has been appointed as the member of the Remuneration Committee of the Board on 1 April 2021.

The principal duties of the Remuneration Committee include the following:

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

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

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

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

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

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

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

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

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

During the year ended 31 December 2020, the Remuneration Committee held one meeting to review the remuneration of directors and the senior management, as well as the remuneration policy and framework of directors and the senior management, and to advise the Board on the approval of remuneration for the newly appointed Executive Directors.

The table below sets forth the attendance details of each member of the Remuneration Committee to meetings for the year ended 31 December 2020.

Directors	Number of Board meetings to attend	Number of Board meetings attended
Mr. PAN Xiya	1	1
Mr. LIU Rong (resigned on 1 April 2021)	1	1
Mr. WANG Kui (resigned on 1 April 2021)	1	1

The major duties of the Remuneration Committee are to establish and review the remuneration policy and structure in respect of directors and the senior management, and to make recommendations to the Board on the arrangement of employees' benefits.

Remuneration Policy

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

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

REMUNERATION OF DIRECTORS

Please refer to note 12(a) to the financial statements for details of the remuneration of members of the Board for the year ended 31 December 2020.

Pursuant to code provision B.1.5 of the Corporate Governance Code, the annual remuneration of the members of senior management, including those members of senior management who are also the executive Directors, by band for the year ended 31 December 2020 is set out below:

Annual Remuneration (HK$)	Number of individuals
Nil - 2,500,000	3
2,500,001 - 5,000,000	2
5,000,001 - 10,000,000	–
10,000,001 - 20,000,000	–

Further details of the remuneration for the year ended 31 December 2020 are set out in note 8 to the consolidated financial statements contained in this annual report.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2020 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code for the year ended 31 December 2020.

RISK MANAGEMENT AND INTERNAL CONTROL

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

RISK MANAGEMENT

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

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

During the year ended 31 December 2020, the Company adopted dynamic risk management processes including risk identification, risk analysis, risk assessment, risk response, risk monitoring, and risk reporting in response to identifying significant risks of the Company. Regular meetings were held between the executive Directors and senior management to review and monitor the business and financial performance against the targets, the progress of certification and contract receipts from customers, the efficiency in the use of the Group's resources in comparison to the budgets, and operational matters to ensure the Group has complied with the regulations that have material impact on the Group's business. The aim is to enhance the communication and accountability of the Directors and management so that significant strategic, financial, operational and compliance risks or potential deviations are identified and dealt with in proper and timely manner and that, significant issues are reported back to the Board for their attention.

During the year ended 31 December 2020, the Board has reviewed the effectiveness of the internal control and risk management systems of the Group to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards. The review covered all material controls, including financial, operational and compliance controls and risk management functions. The review was conducted through discussions with the management of the Company, its external and internal auditors and the assessment performed by the Audit Committee. The Board believes that the existing risk management and internal control systems are adequate and effective, in particular, for financial reporting and Listing Rules compliance as well as for resolving internal control defects (if any).

DIVIDEND POLICY

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

EXTERNAL AUDITORS

PricewaterhouseCoopers ("PwC") are appointed as the external auditors of the Company upon the recommendation of the Audit Committee.

An analysis of the remuneration paid to the external auditors of the Company, PwC, in respect of audit services and non-audit services for the year ended 31 December 2020 is set out below:

Service Category	**Fee Paid/Payable** *RMB'000*
Audit Services	3,609
Non-audit Services	448
Total	4,057

JOINT COMPANY SECRETARIES

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONSHIP

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

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

SHAREHOLDERS' RIGHTS

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

PUTTING FORWARD ENQUIRIES TO THE BOARD

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

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

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

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

CHANGE IN CONSTITUTIONAL DOCUMENTS

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

1. REPORT DESCRIPTION

1.1 About the Report

Newborn Town Inc. ("**the Company**") and its subsidiaries' (collectively referred to as "**Newborn Town**" or "**we**") issued the Environmental, Social and Governance (ESG), which aims to disclose to its stakeholders the ESG management and performance in 2020.

The Report is prepared in compliance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") set out in Appendix 27 to the Rules Governing the Listing of Securities released by The Hong Kong Stock Exchange Limited ("**Listing Rules**") ("**HKEX**"). It is recommended that this Report be read in conjunction with the section entitled Corporate Governance Report as contained in the 2020 Annual Report of Newborn Town Inc.

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

1.2 Scope of the Report

Unless otherwise specified, the content of this Report details the sustainable operation and corporate responsibility of the Group's core business in the environmental and social aspects from 1 January to 31 December 2020 ("**the reporting period**" or "**this year**"). Key environmental performance indicators for major operating locations in China were collected to report our ESG performance.

1.3 Source of Information and Reliability Guarantee

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

1.4 Access and Respond to the Report

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

2. ESG CONCEPT

2.1 ESG Management

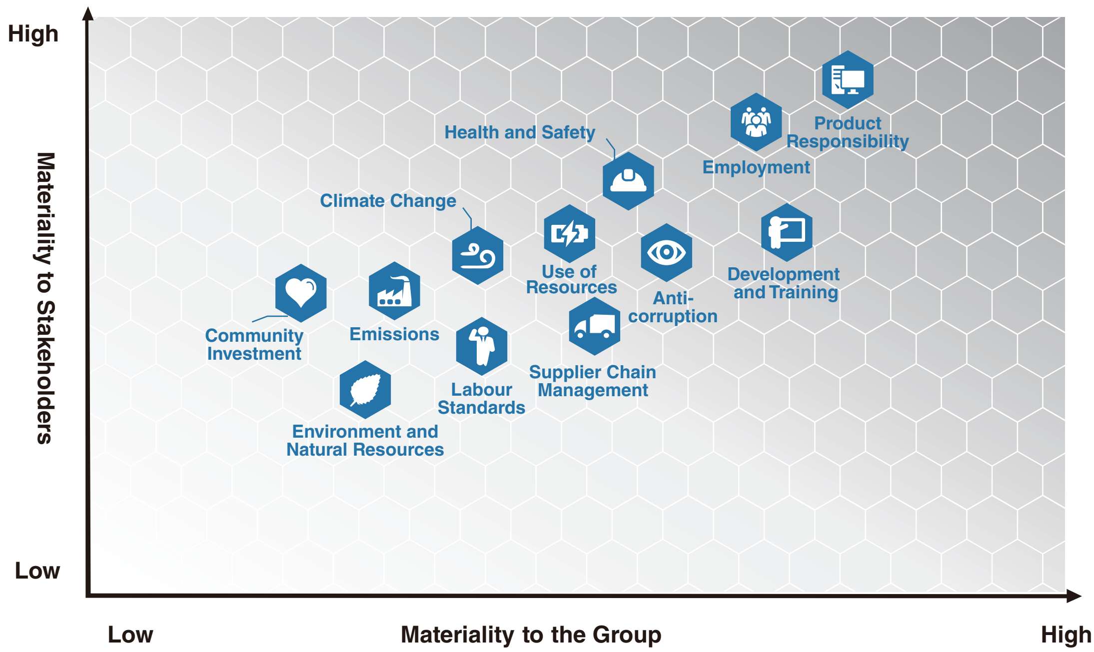
Based on our "Traffic+" strategy, we have deeply devoted in the fields of Game and Social Networking, focusing on both domestic and overseas markets with a global perspective. We are committed to becoming the largest Internet platform in China's To-go Overseas industry. Meanwhile, we actively fulfil our social responsibilities, progressively promote the integration of ESG management into our daily operations. We continuously improve our ESG performance from multiple dimensions such as adhering to compliance operations, focusing on product and service quality, listening to users, ensuring information security, promoting green office, and focusing on community investment. The Group looks forwards to working with all stakeholders to help the sustainable development of the industry, environment as well as our society.

2.2 Stakeholder Engagement

We focus on the communication and feedback with stakeholders. We have established a good communication mechanism and diversified communication channels with stakeholders. We take the concerns of stakeholders into our consideration and actively improve our ESG management.

Throughout the year, the Group continue to identify and respond actively to ESG issues of concerns to stakeholders. Our stakeholders include government and regulators, shareholders and investors, employees, users, suppliers, media and communities. Based on the evaluation of stakeholders' ESG concerns, the materiality assessment of these concerns is presented as follows.

Stakeholders	Communication Channels	Top Concerns on ESG
Government and regulators	Official correspondence, policy consultation, on-site supervision, information disclosure, etc.	Product responsibility, anticorruption, climate change
Shareholders and investors	Shareholders' meetings, internal announcements, announcements and circulars, corporate events, etc.	Product responsibility, anticorruption, use of resources, climate change
Employees	Communication meetings, internal announcements, skills training, employee wellbeing activities, employee feedback mechanisms, corporate events, etc.	Employment, Labour Standards, health and safety, development and training
Users	Customer service feedback, user feedback activities, membership service, exhibition activities, satisfaction survey	Product responsibility
Suppliers	Supplier strategic cooperation negotiation, cooperation agreement, regular communication and business meetings, etc.	Supplier management, anticorruption
Media & NGO	Social media, press conferences, news interviews, advertising, etc.	Product responsibility, climate change
Community	Public welfare activities, employment promotion, community activities, poverty alleviation projects, etc.	Community investment, employment



3. ENVIRONMENTAL PROTECTION

The Group actively undertakes its environmental protection responsibilities and strictly abides by environmental laws and regulations such as the Environmental Protection Law of the People's Republic of China and the Energy Conservation Law of the People's Republic of China. We actively advocate the green office, promote the paperless intelligent office mode, enhance staff awareness of environmental protection, and constantly implement energy saving and emission reduction measures to reduce the environmental footprint.

3.1 Resource Conservation

The main resources we use in our daily operations are electricity, paper and water. In order to improve the efficiency of resource use, we have formulated a policy on Energy Saving Management System to guide the rational use of resources, including conservation measures in water resources, electricity and office supplies. We actively carry out training and activities on resources conservation and energy-training, promote water and energy conservation, and constantly enhance such awareness of employees.

The Group's resource conservation measures of this year are as follows:

Resource Conservation Measures

Water resource conservation
Strengthen daily inspection, maintenance and management of water facility, to timely prevent water waste.

Promote paperless green office
Use online office system for office work. Use electronic documents as far as possible. Encourage double-sided printing and recycle use of paper.

Reduce consumption of office materials
Recyclable resources such as paper, packaging materials, etc., are collected and handled by the third-party recycler for recycling. We reduce the use of ballpoint pens and encourage to refill pens rather than use new ones if they are not damaged. We monitor the use of office suppliers, and we will continue to use office supplies that are still available.

Reduce energy consumption of office facility
Use electrical equipment such as computers, printers, and copiers in an energy-saving manner, and turn off the equipment or lighting after work to avoid long-term standby. We do not leave lights on for a long time, and we replace and use incandescent lamps and energy-saving lamps. We use natural light in office areas as far as possible.

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

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

Indicators	Data of 2020
Total energy consumption (3) (MWh)	**219.67**
Density of energy consumption (MWh/m^2)	**0.038**

(1) The energy consumption of the Group is mainly electricity consumed by office operations. The statistical scope of energy and resource consumption covers the Group's main offices in Beijing, Ji'nan, and Shenzhen.

(2) The water consumed by the Group is mainly from municipal water supply. We have no issues in obtaining suitable water resources. Given that we share the water facilities with other companies in the office, it is impractical to measure the water consumption separately from municipal water supply. A2.2 – water consumption in total and intensity is not disclosed in this Report. Since our operations do not involve the production of physical products, the key performance indicator A2.5 – Finished Product Packaging Material does not apply to the Group and is not disclosed in this Report.

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

3.2 Emissions Control

Based on our main operations, our emissions mainly are greenhouse gases (GHG) [1], hazardous waste (such as used toner cartridges) and non-hazardous waste (such as office waste, kitchen waste, etc.). The Group is committed to improving the management of energy consumption and reducing greenhouse gas emissions. We comply with the Waste Environmental Pollution Management Measures and other relevant laws and regulations, and we have formulated the Waste Management System to provide scientific guidance and regulations for waste management.

General waste will be collected and processed by the property management. We collect the recyclable resources from general waste and transfer them to designated locations for disposal or recycling. For hazardous waste, used toner cartridges of each department are collected for centralised treatment by qualified recycling suppliers.

Waste Management Measures

Appoint personnel to be responsible for waste disposal
Each department appoints a designated personnel to be responsible for waste disposal, and the administrative group is designated to centralise disposal of hazardous waste.

Specify waste recycling and disposal workflow
Each department has the designated personnel to notify the administrative group for further waste disposal management upon approval. The administrative group will collect waste from departments and verify the waste for any violation of workflow and engage with qualified third parties and suppliers for waste disposal and recycling.

Announcement of waste disposal
The administrative group is responsible for keeping records of the waste disposal and disclosing waste to better manage the waste disposal process and increase transparency of waste handling process.

Key Performance Indicators: Emissions [2]

Indicators	Data of 2020
Total GHG emissions [3] (Scope 1 and 2) [4] (tonnes)	**139.16**
Total GHG emissions (Scope 1) (tonnes)	**6.54**
Total GHG emissions (Scope 2) (tonnes)	**132.61**
GHG emission density (tonnes/m^2)	**0.024**
Hazardous waste (tonnes)	**0.17**
Density of hazardous waste (tonnes/m^2)	**0.00003**
Non-hazardous waste (tonnes)	**32.67**
Density of non-hazardous waste (tonnes/m^2)	**0.0057**

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

(2) The statistical scope of emissions covers the Group's main offices in Beijing, Ji'nan, and Shenzhen.

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

(4) GHG emissions (Scope 1) arise mainly from the consumption of "direct energy" by the Group's operation; GHG emissions (Scope 2) arise mainly from the consumption of "indirect energy" (purchased or obtained electricity) by the Group's operation.

4. RESPONSIBLE OPERATION

The Group regards honesty and responsible operation as the foundation of enterprise development and aims to create a responsible business environment with honesty and integrity. We focus on continuously providing our users with high-quality and healthy products, building a fair and transparent cooperative relationship with our supplier partners, and prohibiting any corruption.

4.1 Product Responsibility

The Group constantly improves the quality of the products by exercising strict control over the content of our products. In the meantime, we actively communicate with our users, listen to their feedbacks, respect and protect the intellectual property rights of relevant parties, and ensure compliant advertising.

(I) Products Upgrade and Innovation

(1) Game Apps

- Establish innovation team, conduct market research to analyse the popular competitive products, and further develop product innovation integrating with our technical advantages while maintaining original unique features;

- Conduct user research, build user portraits, and refine according to the user's preference of game materials;

- Constantly optimise the content considering user's behaviour when playing games. For example, adjust tolerable levels of difficulty on games to best accommodate users' expected levels in which many users choose to quit the game and assist users to accomplish these levels smoothly, enrich the varieties of game props and rewards to enhance the overall user experience;

- Enrich the game content by launching "Festival Events" and other themes. Release "Festival Specials" game elements to constantly bring user a sense of freshness;

- Balance the user experience and the effective use of advertising spot, explore and optimise the size and form of advertising spot, and remove advertisement that may affect user experience;

- Constantly troubleshoot possible defects in the App, explore optimisation opportunities, improve product functionality, and update product versions.

(2) Social Apps

- We customise Apps to users around the world, so that users could improve local social life and feel the warmth when using our social Apps. We have Apps with automated translation functions. We offer multilingual and structure App contents with cultures based on countries/regions where we release our Apps, adding beauty filters and dynamic emojis, as well as incorporating with local festivals and events;

- We value user experience. We aim to launch users' more favourite features and constantly promote enhance product operation driven by analysis of the user's behavioural preferences within our Apps;

- We dedicate to maintaining product stability and ensuring the smoothness of Apps operations. Our monitoring mechanism can provide early warning when network conditions are unstable and provides further assist for our operation staff to solve network anomalies on time.

(II) Product Content Management

(1) Content Management for Games Apps

- The types of our game products include merge games, puzzle solving and strategy games. No inappropriate game types are involved;

- The Group identifies and complies with the product content requirements of the application launching platform. We also establish a content reviewing mechanism to avoid display of inappropriate content;

- We clarify the target age group when the App is launched and restrict the release of Apps and contents to users who are unsuitable based on their age;

- We also establish an in-game advertising review system to strictly comply with the advertising material standards for our application launching platform. All advertising materials will be reviewed by the business unit for authenticity, accuracy and appropriateness of contents.

(2) Content Management for Social Apps

- We adhere to our operating principles and develop training session to our employees in product content, to provide users with appropriate products;

- Identify and comply with the product content requirements of the product lunching platform, establish a monitoring mechanism of content, clarify the definition of inappropriate content, and standardise measures concerning disposal of identified inappropriate content;

- Use professional image identification software to identify videos and images of the product and conduct manual review, where necessary Use keywords searching to ban inappropriate content in texts;

- Set up reporting channel for users to encourage users to report inappropriate content, establish customer services and operations team to timely handle complaints.

(III) Information Security Management

The Group recognises the importance of user information security protection as our key mission and establishes legal team in regions where we launch our products. We cooperate with professional legal consulting team, identify and strictly abide by local laws and regulations on information security and privacy protection, such as the Cyber Security Law of the People's Republic of China, Measures for the Determination of the Collection and Use of Personal Information by Apps in Violation of Laws and Regulations, Information Technology – Personal Information Security Specification from People's Republic of China, the Federal Trade Act from United States and the General Data Protection Regulation (GDPR) from European Union, etc. The Group timely tracks updates and revisions of information security laws and regulations, communicates with relevant business units on time in the event of changes in laws and regulations, so as to ensure compliance operations. Our practices for information security protection are as follows:

Information Security Protection

Privacy Policy
Formulate product privacy in accordance to laws and regulations, including on how we collect and use information, how user manage their information, how we protect personal information and deal with information from minors, as well as data transmission and revisions in regulations.

Awareness Establishment
Provide employees with training on information security, enhance employees' awareness of information security, and require all employees, contractors, and agents to strictly abide by the Non-Disclosure Agreement stipulated in the contract.

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

Firewall Defence
Build firewall to enable proactive protection against potential cyber threats.

Authorisation Management
Prevent unauthorised personnel from accessing our systems.

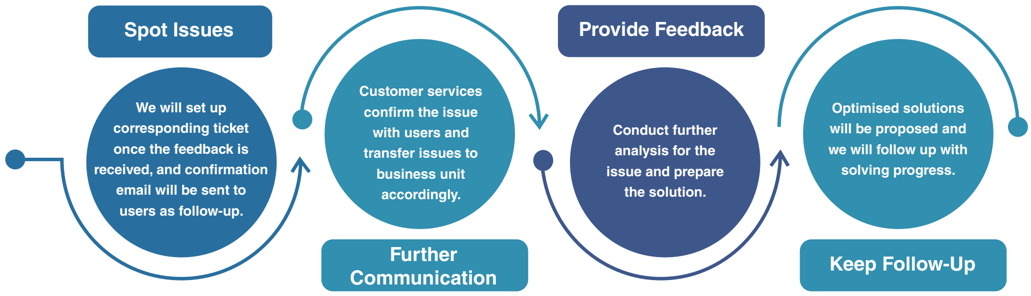
Compliance Requirement
Ensure the launch of Apps in the European Union has met the compliance requirements of the GDPR regulations, and user's consent has been obtained prior to use of data.

In addition, the Group has developed incident management measures to deal with information security related emergencies. We continuously identify and assess potential risk of leakage and constantly improve the safeguard control measures to prevent possible leakage, damage or loss of information. When an information leakage incident occurs, the Group will immediately take corresponding remedial actions, analyse the root causes, reduce negative impact and promptly inform users in accordance with the provisions of relevant laws and regulations. Such cases may also be reported to the relevant authorities where necessary. No major information security incidents occurred in the Group this year.

(IV) *Customer Feedback and Feedback Management*

The Group has established a professional customer service team, set up smooth communication channels, and actively responded to customer feedback.

Customers can make complaints or provide feedback through the corresponding portal in the App, leaving messages on App's launching platform, sending emails or our online customer services. The customer service team will promptly respond and issues that cannot be resolved immediately be transferred to the business team for proposed solutions and follow up actions with customers. Complaints and inquiries will be documented in the system so that customer issues can be tracked and resolved efficiently.



(V) *Intellectual Property (IP) Rights Protection*

The Group understands that IP rights are important assets of the Group and regards IP rights as the cornerstone of our business. We strictly abide by laws and regulations on the protection of IP rights, such as the Copyright Law of the People's Republic of China, the Patent Law of the People's Republic of China, and the Trademark Law of the People's Republic of China. In order to effectively protect our own IP rights and respect the IP rights of others, we have formulated the Intellectual Property Protection Management System, which clearly defines management responsibilities, the scope, legal ownership and the remuneration of IP rights. We have also engaged IP specialists to manage our IP rights related issues.

To better implement our protection of IP rights, we enter into confidentiality and related protection agreements with our partners. We dedicate to properly procuring software and equipment with legitimate IP rights. Such commitment not only aims to protect our legitimate rights and interests, but also to avoid IP rights infringement of others. In addition, we actively develop IP-related training to further enhance employees' awareness of IP risks. In trademark management, the Group actively evaluates, applies for and protects the Group's trademarks. The Group employs IP specialists to be responsible for trademark management and develops a trademark protection system. We timely register our trademarks and cooperates with third-party professional suppliers to ensure the timeliness and accuracy of trademark applications. In addition, before applying for a trademark, the Group will commission an external agency to conduct evaluation analysis to identify trademark risks and attain trademark registration to reduce the risk of trademark infringement.

As of the end of 2020, the Group owned 295 intellectual property rights, 79 trademark rights, 179 copyrights, 6 patent rights and 31 domain names.

(VI) Advertising Compliance Management

We strictly abide by the laws and regulations related to advertisements of the jurisdictions where we launch our apps, such as the Advertising Law of the People's Republic of China, Interim Measures for the Administration of Internet Advertising from People's Republic of China and the Federal Trade Act from the United States. The Group has also developed the internal Advertising Policy, to manage and control advertising activities in avoiding any deceptive, misleading or inaccurate information. We monitor contents of advertisement to avoid displaying inappropriate content to customers or underage, and also to prevent infringe copyright, trademarks and other legal rights owned by other parties. We continuously monitor compliance with our advertising policies on our application launching platform in releasing our Apps.

We have policies of requiring clear legal contractual terms for advertising promotion to ensure that the information provided by both parties is complete, authentic and accurate, to avoid violations of laws and regulations.

4.2 Supplier Management

The Group consistently adopts responsible operating standards for suppliers around the world, and continuously monitors the responsible operating performance of suppliers in their operating location. We have established and standardised supplier acceptance and assessment system while incorporating the evaluation of environmental and social risk management performance into the supplier assessment. The Group is committed to building a long-term cooperative relationship that is mutually beneficial, honest and transparent, and can lead the development of the industry together with our suppliers or business partners.

The Group's main suppliers or business partners are advertising agencies, cloud service providers, and advertising channel providers. In the process of supplier selection, the Group evaluates their service quality, past services experiences, and reputations as well as its code of conduct. We also consider the performance of social responsibility of suppliers. For instance, in cooperating with advertising agencies, we consider whether the advertising platforms are accredited with qualification as well as reputation of the agencies. Agents shall strictly abide by the Group's management system for advertising to ensure the safety and compliance of advertising materials. We would terminate cooperation when a breach of contract occurs. For cloud service providers, we consider their energy saving practices and information protection capabilities.

In addition, the Group requires suppliers to establish, and implement user information protection measures, and at the same time, to manage and control the potential information security risks and avoid the risk of information leakage to the greatest extent. In cooperation with suppliers, the Group assures a transparent procurement process, adheres to the principle of fair competition, and prohibits any form of commercial bribery.

In 2020, the Group has a total of 128 suppliers, including 88 in mainland China, 31 in Hong Kong, Macao and Taiwan, and 9 overseas.

4.3 Anti-corruption

The Group is committed to creating an honest and fair business environment. The Group strictly abides by laws and regulations pertaining to anti-corruption, anti-money laundering, anti-bribery and anti-unfair competition such as the Anti-Money Laundering Law of the People's Republic of China, Criminal Law of the People's Republic of China, and the Anti-Unfair Competition Law of the People's Republic of China. Any direct or indirect form of bribery, money laundering and other commercial illegal acts and commercial fraud are strictly prohibited.

We have formulated the Regulations on the Management of Anti-Fraud and Reporting Mechanisms, which clearly define fraud, behaviours of fraud and anti-fraud responsibilities. Our Finance Department is responsible for organising and executing cross-departmental anti-fraud assessment. Each business department undertakes the anti-fraud measures to effectively prevent the risk of anti-fraud. Employees of the Group can report fraud through email and other channels, and the Legal Department, Human Resources Department and other relevant departments will jointly conduct follow up investigation according to the priority of reported incidents. During the investigation process, we strictly protect the identity of the informant, and upon investigation is completed, we will inform the results to the informant.

To enhance employees' understanding and awareness of anti-corruption, we entered into the Anti-Commercial Bribery Agreement in our labour contracts with every employees, where the commercial bribery, property, and rebates are explained in detail, Employees are explicitly required to adhere to the principle of integrity, and shall not give, ask for or accept any financial benefits such as commissions, brokerages, securities, gifts or possessions in any way. In case of violation of relevant agreements, the Group has the right to unilaterally terminate the labour contract with the employee. If a criminal offense is constituted, we have the right to undertake legal proceedings. We also have a clear Employee Handbook, which sets out the best business practices, code of ethics and professional conduct, and guidelines for fraud and corruption prevention, to be complied with by our employees.

In addition, in order to further inspire employees to firmly maintain our honest business environment as well as effectively protect the rights and interests of the Group and employees themselves, we regularly organise legal and anti-corruption training sessions on law and regulations and anti-corruption topics, including anti-money laundering, anti-terrorist financing training, etc. The training covers all staff including management.

Besides, we send emails with topics related to anti-commercial bribery to all employees, and invite professionals to provide lectures on these topics to the management and board of directors on a regular basis, so as to enhance the awareness on anti-commercial bribery of employees and senior executives. Our goal is to prohibit any possibilities for corruption, bribery or fraud.

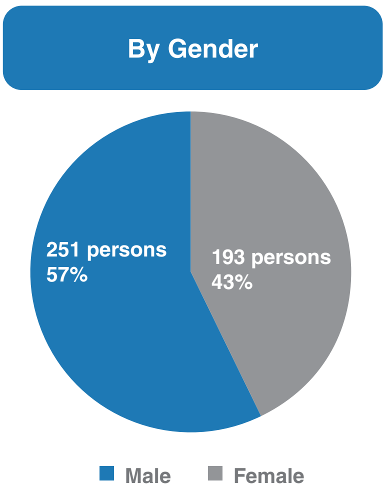
In 2020, we did not find any case of major violation of corruption, bribery, fraud or money laundering related to the Group and its employees.

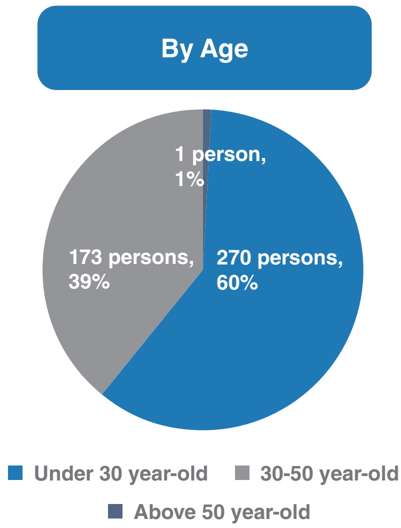
5. EMPLOYEE WELLBEING

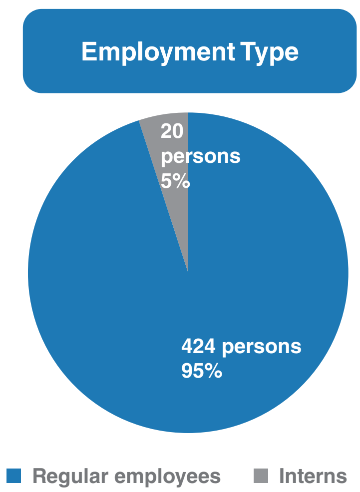
Employees are our most valuable asset and are important driving force for the sustainable development of enterprises. We are committed to creating a fair, safe, healthy and comfortable work environment for each employee, adequately respecting and protecting the legitimate rights and interests of our employees and striving to create opportunities and provide broad developing platform for the personal growth of employees.

5.1 Employment

The Group firmly adheres to the principle of legal and fair employment, safeguarding equality in employment decisions and being against discrimination. We strive to create a fair and diversified working environment, protect the health and safety of employees, focus on the growth and development of employees, and actively communicate with employees to understand their aspirations.







As of 31 December 2020, the Group had a total of 444 employees (including 20 interns).

(I) Legal Employment

We strictly abide by relevant laws and regulations such as the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Social Insurance Law of the People's Republic of China, and the Law of the People's Republic of China on the Protection of Women's Rights and Interests. To ensure employees' legitimate rights and interests are protected, and child labour and forced labour are strictly prohibited. We have formulated the Employee Handbook according to relevant laws and regulations to systematically standardise the management processes of employee recruitment, on-boarding and resignation, remuneration, benefits, and promotions. The employees' working hours, job description, salary and benefits, and working conditions are clearly stipulated in the labour contract.

In terms of employee recruitment and resignation management, we conduct employees' recruiting process in accordance with relevant laws and regulations. We do not discriminate job applicants due to race, age, gender, marital status, social class, and religious beliefs during the recruiting process. When employees propose to resign, we will conduct exit resignation procedures for employees in accordance with relevant laws and regulations.

(II) Salary and Benefits

The Group provides employees with competitive compensation and benefits to motivate employees. We have established a systematic compensation system based on performance evaluation to ensure all employees get fair remuneration. We perform performance assessment of employees on a quarterly basis, and comprehensively evaluate employee performance in terms of work attitude, outcome, task completion, and corporate culture recognition.

We provide all employees with pensions, work injury insurance, maternity insurance, unemployment insurance, medical insurance, and housing fund. In addition, we provide employees additional commercial medical insurance, accident insurance and child medical insurance to protect the health and safety of employees and their families. We provide a diversified welfare system for employees. Employees enjoy annual leave, paid sick leave, maternity leave and other legal holidays as prescribed by relevant laws and regulations. We understand the needs of employees in order to provide them with more benefits, including major holiday benefits and employee birthday benefits. For instance, we provide female employees with fully paid menstrual leave to actively protect the physical and mental health of female employees. We purchase insurance for business travel employees to provide better benefits and protection.


Mid-Autumn Festival benefits and birthday greeting cards

(III) Employee Activities

In order to enrich employees' lives, create a relaxed corporate culture, and help them relieve work pressure, we organise sports and fitness activities every month on a regular basis.

In addition to the Group's group activities, the Group has established a team building fund to encourage each department to carry a variety of team building activities, such as dine-together, group traveling, etc., to further enhance the cohesion of our employees.

This year, we also organised activities for all employees to watch movies.

(IV) Employee Communication

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

5.2 Employee Health and Safety

We have always been committed to providing employees with a healthy and safe working environment and continued to invest in the protection of our employees' health and safety.

The Group strictly abides by the Work Safety Law of the People's Republic of China and other relevant laws and regulations, paying attention to the safe use of electricity, water and firefighting equipment in the workplace during daily operations. We strive to enhance employees' awareness of response to environmental emergencies and conduct fire drills twice a year.

We comply with the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases and have formulated relevant occupational health and safety management policies to regulate occupational health and safety issues in workplace. We conduct promoting safety awareness events and training for employees on a regular basis, topics of which cover occupational hazards and work environment safety. Free medical examination is also provided every year for our employees.

This year, we carried out office decoration and repairing work in our Beijing office. We selected environmentally friendly materials and hired a professional design team. By carefully considering the color matching and purchasing tables and chairs with ergonomic character, we aim to provide employees with a more comfortable workplace with leisure area to relax.

We promote the concept of healthy living and encourage employees to participate in outdoor sports. In each September, we organise large-scale outdoor hiking activities, regularly organise badminton, basketball and other team building activities every month. On the basis of ensuring the safety of employees, we encourage employees to exercise and relax. Besides, we provide hot ginger tea and cold prevention medicine during the flu season.

Large-scale outdoor hiking activities

In the past three years (including this year), the Group had no work-related injuries, accidents or deaths occurred.

5.3 Development and Training

The Group is devoted to the growth and development of employees. We are committed to cultivating talents through a comprehensive training system to provide employees with clear career development channels. Besides, we 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, thereby helping employees improve their skills and competitiveness. We adopt a diversified training model to facilitate employees to acquire the knowledge they need, such as the lecture on promotion and implementation of the Company's system and introduction on the Group's culture. Meanwhile, we have also set up departmental training to improve each department's professional skills, such as confidentiality awareness training for R&D personnel, business personnel, and other groups.

In terms of management training, in 2020, the Group included management skills training specifically for the management to further enhance the management's capability to lead team and complete the task efficiently.

Employee training

We create a relaxing training mode to better help our new employees to adapt to the new environment and posts. Through various group activities, new employees are gradually familiar with our corporate culture, working systems, benefits and are gradually establishing a sense of belonging.

5.4 Epidemic Protection

Faced with the outbreak of COVID-19 in early 2020, the Group actively responded to government calls and requirements to implement measures in protecting employees' health and safety. Based on our own operations, we convened remote emergency management meetings during the epidemic to formulate implement a number of response measures such as extending holiday, sharing epidemic prevention knowledge, arranging remote online work mode for all employees, real-time monitoring of employees' health conditions, etc. Emergency procurement of protective materials including masks, disinfection supplies and thermometers was conducted to ensure adequate medical protection supplies for employees to resume to work.

We also implemented the Guidelines for Epidemic Prevention and Safety in the Group, which detailed the epidemic prevention requirements, including how to prevent epidemic while employees' entering and leaving the workplace, requirements of office area safety management, instructions of holding remote meetings, procurement of emergency material and emergency response plans.

In order to cautiously conduct regular epidemic control during normal operation, the Group regularly takes and monitors employees body temperature, i.e. before access to office, during office hours. At the same time, administrative personnel conduct temperature monitoring during daily time, and would take registration for employees with higher body temperature above normal, arrange them to stay at home or arrange them to the nearest fever clinic. During daily work, we ensure 4 to 5 time a day sufficient airflow ventilation in office. Cleaning staff disinfects office, conference room, and bathroom more than 2 times a day. In addition, we actively strengthen the promotion and education of epidemic prevention and require all departments to convey the knowledge to everyone and guide our employees to actively implement prevention measures.

6. GIVING BACK TO THE SOCIETY

As a responsible corporate citizen, while pursuing our development, we focus on community demands, actively give back to society, and establish communication mechanism with local community. We establish a long-term relationship with the community and carry out various public welfare activities according to their demands, contributing to the harmonious development of the community.

6.1 Public Donations and Giving Back to the Society

Since our establishment in September 2009, the Group has been supporting the community, being enthusiastic about public welfare, and giving back to the society. Along with our growth and development, the Group has also taken the initiative to undertake more social responsibilities.

On 29 June 2020, we actively responded to the call of the Organisation Department of Chaoyang District Committee to carry out the charity donation with the theme of "Never forget why you started and carry on with aspiration – to celebrate the 99th anniversary of the founding of the Party".

Donations by the Group

On 4 August 2020, the party branch of the Group established "The Group's Student Aid Fund", to provide education support and poverty alleviation. Through the Student Aid Fund, we helped those students who have excellent character and talent in studying but lack of financial support, thereby promoting the educational development. In 2020, we helped a total of 4 students. We are determined to care and help these students to develop in a proper condition and to achieve their goals.

The "Student Aid Fund" is devoted to poverty alleviation through education

6.2 Poverty Alleviation

The Group actively participates to the support poverty alleviations. We actively carry out targeted assistance activities. After New Year's Day on 2 January 2020, we took the initiative to visit Fuping County in Shaanxi Province. We purchased 568 kilograms of Fuping dried persimmon cakes through "Procurement for Poverty Alleviation" to support local economic development. On 19 August 2020, Shandong NewBornTown Network Technology Co., Ltd. donated 20,000 yuan to Qingkouao village and Chayuanping village in Maoping town of Longshan county for the development of poverty alleviation work of the village. On 27 August 2020, Shandong NewBorn Town Network Technology Co., Ltd. donated 10 laptops to Longshan County in Xiangxi through the Ganshiqiao Street in Shizhong District of Jinan to help the local community for poverty alleviation.

Procurement of Fuping Persimmon to support local development

6.3 Provide the Community with Warmth

In January 2020, we launched a series of activities of “Providing the community with warmth” to visit elder party members. On 6 January 2020, we sent rice, flour, grain, oil and other gifts to the community’s elder party members. In the afternoon of 20 January 2020, Shandong NewBornTown Network Technology Co., Ltd. went to Yinhuchi Community, Luoyuan sub-district administrative office, Shizhong District, Jinan City, to carry out community activities. We sent 10 well-prepared “Spring Festival Gift Packages” to the community residents.

Visiting elder party members with Chinese New Year gifts

On 13 December 2020, Shandong NewBornTown Network Technology Co., Ltd. carried out the activity of “Caring passing warmth, poverty alleviation showing hearts”. 15 barrels of peanut oil with a total value of more than 2,000 RMB were presented to 15 elder party members and veterans in Laopo Village, Xinglong Street, Shizhong District, Jinan City, Shandong Province, with our care and warm.

Poverty alleviation activities

6.4 Fighting the Epidemic

On 28 January 2020, facing the outbreak of COVID-19 pandemic, we immediately called on all employees to donate more than 160,000 RMB to the public account of the Epidemicity Prevention Headquarters of Hubei Huanggang Central Hospital. On 7 February 2020, we invited the Party Committee of Maizidian Street and Xiaguangli Community to support the frontline workers by organising staff members to provide assistance to the epidemic prevention and control of Xiaguangli Community. We assisted to supervise returning personnel in orderly conducting community registration and temperature test.

Our employees volunteering to help Xiguangli community

On 25 February 2020, we donated 800 masks to the frontline workers in the sub-district administrative office, communities and police stations which encountered shortage of supply of epidemic prevention materials.

Donating epidemic prevention materials

On 7 March 2020, we set up the "Newborn Town Anti-Epidemic Team". More than 20 volunteers signed up to support the fight against the epidemic in Ganshiqiao Sub-district of Jinan City, Shandong Province, helping community workers to assist maintain statistical records. On the afternoon of 12 March 2020, Shandong NewBornTown Network Technology Co., Ltd. donated anti-epidemic materials and presented a banner to the sub-district administrative office. This banner was donated for the purpose of paying tribute to the people junior staff who continued to fight in the front line against the epidemic.

Our employees volunteering to help Ganshiqiao community

APPENDIX: THE HKEX ESG REPORTING GUIDE CONTENT INDEX

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

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

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

pwc 羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Newborn Town Inc. (the "Company") and its subsidiaries (the "Group") set out on pages 87 to 180, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

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BASIS FOR OPINION (CONTINUED)

Independence

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

KEY AUDIT MATTERS

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

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

- Revenue recognition of value-added service business
- Recognition of intangible assets and goodwill arising from acquisition of Beijing Mico World Technology Co., Ltd. ("Mico")

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition of value-added service business Refer to note 2.21, note 4.1 and note 6 to the consolidated financial statements. Revenue for value-added service business for the year ended 31 December 2020 amounted to RMB657.5 million which represented 55.6% of the total revenue of the Group, deriving from live streaming platforms.	Our procedures in relation to the revenue recognition of value-added service business included: • We tested the general control environment of the information technology systems in which the virtual currencies were sold and consumed; • We understood and evaluated the design effectiveness of internal controls in relation to revenue recognition from value-added service business; • We tested the operating effectiveness of the system automated controls, including checking the top-up of virtual currencies through payment collection channels, as well as calculating consumption of virtual currency and amortization of virtual items in accordance with a pre-set system logic that we separately tested;

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition of value-added service business (continued) Such revenue mainly derives from sales of virtual currencies which can be used to purchase virtual items or services on the platform. The revenue is generally recognised when the consumable virtual items or services are consumed. If the virtual currencies are used to purchase virtual services over an extended period of time, the revenue is recognised ratably over the beneficial period. We focused on this area as significant efforts were spent on auditing the accuracy of revenue recognised from live streaming platforms due to the magnitude of the revenue amount and the significant volume of revenue transactions generated from the application systems.	• We compared the total amount of cash collections recorded in the general ledger with cash collections from the third party payment channels. We also tested, on a sample basis, the amount and the timing of cash collections by checking to the cash receipts; and • By using computer-assisted audit techniques, we tested the mathematical accuracy and the completeness of the system generated reports that summarize the key inputs (including quantities of virtual currencies additions and consumptions) for calculating average price per unit of virtual currencies. We also recalculated the revenue recognition based on the inputs provided by the above reports to test the accuracy of revenue recognised. Based on the procedures performed, we found the recorded revenue could be supported by the evidence we obtained.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of intangible assets and goodwill arising from acquisition of Mico Refer to note 17, note 18 and note 33 to the consolidated financial statements. In June 2020, the Group acquired 8.85% equity interest in Mico for a cash consideration of RMB100 million. Upon the completion of acquisition, the Group, who owns 25.62% equity interest of Mico together with the approximately 15.97% equity interest of Mico owned by certain platforms for the employee stock ownership plan of Mico, which are directed by NewBornTown Network Technology (a subsidiary of the Company) as the general partner, has control over Mico, and therefore, consolidated the financial statements of Mico. In this connection, the Group is required to determine the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date. Management determined the fair value with assistance from an independent professional valuer. The purchase prices were allocated to the identifiable assets acquired and liabilities assumed under IFRS 3. As a result of the acquisition, intangible assets of RMB284.0 million (brand name of RMB231.0 million, user base of RMB47.0 million and technology of RMB6.0 million) and goodwill of RMB197.3 million were recognised at the acquisition date.	Our procedures in relation to the recognition of intangible assets and goodwill included: • We obtained and reviewed the acquisition agreements and valuation report issued by the external valuer. With the involvement of our internal valuation expert, we assessed: – the completeness of the assets acquired and liabilities assumed, in particular the identification of the intangible assets; – the appropriateness of the approaches used in valuation of brand name, user base and technology and the mathematical accuracy of the calculation of fair value; – the reasonableness of key assumptions used in the valuation of brand name, user base and technology, among others: i. the remaining useful life, by comparing with the available market data; ii. revenue growth rates, by comparing to management's approved budget and available market information; iii. the discount rate, by recalculating it using the weighted average cost of capital ("WACC") approach.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of intangible assets and goodwill arising from acquisition of Mico (continued) We focus on this area due to the significance of the carrying amount of intangible assets and goodwill, and the significant judgements and estimates adopted by management in relation to the determination of the fair value of the intangible assets and goodwill arising from the acquisition.	• Checked the mathematical calculation of intangible assets and goodwill prepared by management and the external valuers. Based on the procedures performed, we found the recognition of the intangible assets and goodwill arising from the acquisition of Mico could be supported by the evidence we obtained.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020
(Expressed in Renminbi ("RMB"))

	Note	Year ended 31 December **2020** *RMB'000*	2019 *RMB'000*
Revenue from contracts with customers	6	**1,181,593**	389,685
Cost of revenue	7	**(429,104)**	(128,173)
Gross profit		**752,489**	261,512
Selling and marketing expenses	7	**(483,513)**	(120,538)
Research and development expenses	7	**(58,534)**	(20,271)
General and administrative expenses	7	**(55,335)**	(96,755)
Net impairment losses on financial assets	9	**(7,533)**	(3,299)
Other income	10	**3,664**	1,393
Other (loss)/gain – net	10	**(19,146)**	27,838
Operating profit		**132,092**	49,880
Finance income	11	**1,799**	21,167
Finance cost		**(3,705)**	(95)
Finance (cost)/income, net		**(1,906)**	21,072
Fair value changes of convertible redeemable preferred shares		**–**	7,434
Share of net loss of associates accounted for using the equity method		**(6)**	–
Profit before income tax		**130,180**	78,386
Income tax expenses	13	**(15,837)**	(9,971)
Profit for the year		**114,343**	68,415
Other comprehensive income, net of tax			
Items that maybe subsequently reclassified to profit or loss			
Currency translation differences		**(7,738)**	2,225
Total comprehensive income for the year		**106,605**	70,640

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020
(Expressed in RMB)

	Note	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Profit attributable to:			
Owners of the Company		**39,688**	68,415
Non-controlling interests		**74,655**	–
Profit for the year		**114,343**	68,415
Total comprehensive income attributable to:			
Owners of the Company		**30,401**	70,640
Non-controlling interests		**76,204**	–
Total comprehensive income for the year		**106,605**	70,640
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic earnings per share	14	**0.040**	0.082
Diluted earnings per share	14	**0.040**	0.082

The notes on pages 94 to 180 are an integral part of these consolidated financial statements.

		As at 31 December	
		2020	2019
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property and equipment	16	**6,886**	6,960
Intangible assets	17	**267,189**	3,933
Goodwill	18	**197,287**	5,066
Financial assets measured at fair value through profit or loss	20c	**6,495**	187,356
Investments accounted for using the equity method		**2,994**	–
Other receivable	22	**11,381**	–
Deferred tax assets	27	**13,237**	–
Total non-current assets		**505,469**	203,315
Current assets			
Other current assets		**2,073**	1,487
Accounts receivable	21	**144,386**	163,383
Other receivable	22	**6,020**	92,948
Financial assets measured at fair value through profit or loss	20	**178,009**	132,651
Cash and cash equivalents	24	**431,015**	182,863
Restricted bank deposits	23	**1,192**	913
Total current assets		**762,695**	574,245
Total assets		**1,268,164**	777,560

The notes on pages 94 to 180 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 December 2020
(Expressed in RMB)

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
LIABILITIES			
Current liabilities			
Accounts payable	25	**155,937**	89,938
Other payable	26	**234,593**	32,575
Lease liabilities		**3,234**	3,238
Contract liabilities	6(a)	**14,872**	–
Bank overdraft		**17**	48
Tax payable		**834**	5,228
Total current liabilities		**409,487**	131,027
Non-current liabilities			
Deferred tax liabilities	27	**71,567**	8,914
Lease liabilities		**102**	3,074
Total non-current liabilities		**71,669**	11,988
Total liabilities		**481,156**	143,015
EQUITY			
Equity attributable to the owners of the Company			
Share capital	28	**695**	696
Share premium	28	**93,701**	95,221
Other reserves	29	**314,950**	451,190
Retained earnings		**127,126**	87,438
		536,472	634,545
Non-controlling interests		**250,536**	–
Total equity		**787,008**	634,545
Total liabilities and equity		**1,268,164**	777,560

The notes on pages 94 to 180 are an integral part of these consolidated financial statements.

The consolidated financial statements on page 87 to 180 were approved for issue by the Board of Directors on 24 March 2021 and were signed on its behalf:

Liu Chunhe
Director

Wang Kui
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020
(Expressed in RMB)

		Attributable to owners of the Company					
	Note	Share capital *RMB'000*	Combined capital *RMB'000*	Share premium *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2019		–	58,184	–	431,139	19,023	508,346
Profit for the year		–	–	–	–	68,415	68,415
Other comprehensive income	29	–	–	–	2,225	–	2,225
Total comprehensive income		–	–	–	2,225	68,415	70,640
Transaction with owners:							
Reorganisation of the Group	29	–	(58,184)	–	58,184	–	–
Conversion of ordinary shares to preferred shares	28	–	–	(18,059)	–	–	(18,059)
Capital contribution from shareholders	28	113	–	(113)	–	–	–
Issuance of ordinary shares	28	58	–	498	–	–	556
Repurchase of shares	28, 29	(12)	–	(83,025)	(40,358)	–	(123,395)
Capitalisation issue	28	437	–	(437)	–	–	–
Issuance of shares upon Initial Public Offering	28	95	–	204,577	–	–	204,672
Share issuance costs		–	–	(19,082)	–	–	(19,082)
Conversion of shares with preferred rights issued in December 2019	28	5	–	10,862	–	–	10,867
Balance at 31 December 2019		696	–	95,221	451,190	87,438	634,545

The notes on pages 94 to 180 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020
(Expressed in RMB)

	Note	Attributable to owners of the Company						Non-controlling interests	Total equity
		Share capital	Share premium	Treasury Shares	Other reserves	Retained earnings	Sub-total		
		RMB'000	*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 year		–	–	–	–	39,688	39,688	74,655	114,343
Other comprehensive loss	29	–	–	–	(9,287)	–	(9,287)	1,549	(7,738)
Total comprehensive income		–	–	–	(9,287)	39,688	30,401	76,204	106,605
Transaction with owners:									
Non-controlling interests on acquisition of a subsidiary	33	–	–	–	–	–	–	267,716	267,716
Transaction with non-controlling interests	19b	–	–	–	(160,563)	–	(160,563)	(93,384)	(253,947)
Purchase of own shares	28	–	–	(1,521)	–	–	(1,521)	–	(1,521)
Cancellation of shares	28	(1)	(1,520)	1,521	–	–	–	–	–
Shares-based compensation expenses	31	–	–	–	40,775	–	40,775	–	40,775
Others		–	–	–	(7,165)	–	(7,165)	–	(7,165)
Balance at 31 December 2020		695	93,701	–	314,950	127,126	536,472	250,536	787,008

The notes on pages 94 to 180 are an integral part of these consolidated financial statements.

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations	30a	**298,650**	154,496
Interest received	11	**1,799**	21,167
Payment of income tax		**(4,781)**	(143)
Net cash inflow from operating activities		**295,668**	175,520
Cash flows from investing activities			
Purchase of Wealth Management Products measured at fair value through profit or loss		**(517,563)**	(521,644)
Maturity of Wealth Management Products measured at fair value through profit or loss		**484,184**	591,107
Additional investment in equity interest of a private company measured at fair value through profit or loss		**–**	(100,000)
Investment in an associate accounted for using the equity method		**(3,000)**	–
Purchase of property and equipment		**(2,065)**	(184)
Acquisition of a subsidiary, net of cash acquired	33	**19,374**	–
Transaction with non-controlling interests	33	**(78,000)**	–
Proceeds of loans repayments from third parties		**–**	36,240
Net cash (outflow)/inflow from investing activities		**(97,070)**	5,519
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**	80,282
Repayment of lease liabilities (including interest paid)		**(4,233)**	(3,400)
Purchase of own shares		**(1,521)**	(160,000)
Net cash inflow/(outflow) from financing activities		**72,851**	(82,558)
Net increase in cash and cash equivalents		**271,449**	98,481
Cash and cash equivalents at beginning of year		**182,815**	80,540
Effects of exchange rate changes on cash and cash equivalents		**(23,266)**	3,794
Cash and cash equivalents at end of year		**430,998**	182,815
Including:			
Cash and cash equivalents	24	**431,015**	182,863
Bank overdraft		**(17)**	(48)

The notes on pages 94 to 180 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (together referred as the "Group") are principally engaged in providing value-added service business (mainly including live streaming business), and traffic monetisation business (mainly including in-app traffic monetisation business and mobile advertising platform and related business).

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

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

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

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

- irrevocably exercise equity holders' voting rights of NewBornTown Mobile Technology;

- exercise effective financial and operational control over of NewBornTown Mobile Technology;

1 GENERAL INFORMATION (CONTINUED)

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

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

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

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

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

The Company's initial public offering of its shares ("Initial Public Offering" or "IPO") on the Main Board of The Stock Exchange of Hong Kong Limited 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 share.

1 GENERAL INFORMATION (CONTINUED)

On 17 April 2020, 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 33.

On 17 August 2020, NewBornTown Network Technology, entered into an Equity Transfer Agreement with Mr. Ye Chunjian, pursuant to which Mr. Ye Chunjian has agreed to sell and NewBornTown Network Technology has conditionally agreed to acquire approximately 23.27% equity interest of Mico for a consideration of RMB262,997,528, which shall be settled in cash by NewBornTown Network Technology by four instalment in accordance with the payment schedule on Equity Transfer Agreement. Upon completion of the acquisition of the non-controlling interests, NewBornTown Network Technology held approximately 48.89% equity interest of Mico. This transaction was accounted for as a transaction with non-controlling interests of a subsidiary as disclosed in Note 19b.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

2.2 Changes in accounting policies

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to IAS 1 and IAS 8;
- Definition of a Business – amendments to IFRS 3;
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7;
- Revised Conceptual Framework for Financial Reporting.

(Expressed in RMB unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

New standards and amendments not yet adopted

Standards and amendments that have been issued but not yet effective and not been early adopted by the Group during the year presented are as follows:

	Effective for accounting periods beginning on or after
Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture	To be determined
IFRS 17 Insurance contracts	1 January 2023
Amendment to IAS 1 – Presentation of financial statements' on classification of liabilities	1 January 2022
Amendment to IAS 37 – Onerous contract – cost of fulfilling a contract	1 January 2022
A number of narrow – scope amendments to IFRS 3, IAS 16 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	1 January 2022
Annual Improvements to IFRS Standards 2018 – 2020 Cycle	1 January 2022
Amendment to IFRS 16 – COVID-19-Related Rent Concessions	1 June 2020

None of them is expected to have a significant effect on the consolidated financial statements of the Group.

2.3 Principles of consolidation and equity accounting

2.3a Subsidiaries

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting (continued)

2.3a Subsidiaries (continued)

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

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

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

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

2.3b Associate

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting (continued)

2.3c Equity method

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

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

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

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

2.3d Changes in ownership interests

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting (continued)

2.3d Changes in ownership interests (continued)

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

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

2.4 Business combinations

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

– fair values of the assets transferred,

– liabilities incurred to the former owners of the acquired business,

– equity interests issued by the Group,

– fair value of any asset or liability resulting from a contingent consideration arrangement, and

– fair value of any pre-existing equity interest in the subsidiary.

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

Acquisition-related costs are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Business combinations (continued)

The excess of the:

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

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

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

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

2.5 Separate financial statements

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Segment reporting

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

2.7 Foreign currency translation

2.7a Functional and presentation currency

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

2.7b Transactions and balances

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Foreign currency translation (continued)

2.7c Group companies

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

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

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

– all resulting exchange differences are recognised in OCI.

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

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

2.8 Property and equipment

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property and equipment (continued)

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

	Estimated useful lives
Electronic equipment	3 years
Furniture and fixtures	3 years
Motor vehicles	5 years
Leasehold improvements	Shorter of estimated useful life and the lease term
Right-of-use assets	Shorter of estimated useful life and the lease term

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

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

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

2.9 Intangible assets

2.9a Initial recognition

(i) Goodwill

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Intangible assets (continued)

2.9a Initial recognition (continued)

(ii) Software

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

- it is technically feasible to complete the software so that it will be available for use,
- management intends to complete the software and use or sell it,
- there is an ability to use or sell the software,
- it can be demonstrated how the software will generate probable future economic benefits,
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

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

(iii) Research and development

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Intangible assets (continued)

2.9b Amortisation methods and periods

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

	Estimated useful lives
Software	3 – 10 years
User base	3 years
Technology	5 years
Brand name	10 years

2.10 Impairment of non-financial assets

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

2.11 Investments and other financial assets

2.11a Classification

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

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

– those to be measured at amortised cost.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investments and other financial assets (continued)

2.11a Classification (continued)

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

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

2.11b Recognition and derecognition

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

2.11c Measurement

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

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

Debt instruments

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investments and other financial assets (continued)

2.11c Measurement (continued)

Debt instruments (continued)

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

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

Equity instruments

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investments and other financial assets (continued)

2.11d Impairment

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

– accounts receivable and

– other financial assets at amortised cost.

Measurement of expected credit losses

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

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

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

Significant increases in credit risk

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investments and other financial assets (continued)

2.11d Impairment (continued)

Significant increases in credit risk (continued)

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

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

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

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

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

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

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

Write-off policy

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Accounts receivable

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

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

2.13 Cash and cash equivalents

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

2.14 Share capital

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

2.15 Accounts and other payables

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Convertible redeemable preferred shares

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

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

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

2.17 Current and deferred income tax

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

(i) Current income tax

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

(ii) Deferred income tax

Inside basis differences

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Current and deferred income tax (continued)

(ii) Deferred income tax (continued)

Inside basis differences (continued)

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

Outside basis differences

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

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

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

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

2.18 Employee benefits

(i) Short-term obligations

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Employee benefits (continued)

(ii) Bonus plans

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

(iii) Pension obligations

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

2.19 Share-based payment

(i) Equity-settled share-based payment transactions

The Group operates share incentive plan, under which it receives services from employees as consideration for equity instruments (restricted shares units ("RSUs")) of the Company.

The fair value of the services received in exchange for the grant of the equity instruments (RSUs) is recognised as an expense on the consolidated income statement with a corresponding increase in equity.

In terms of the RSUs awarded to employees, the total amount to be expensed is determined by reference to the fair value of equity instruments (RSUs) granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Share-based payment (continued)

(i) Equity-settled share-based payment transactions (continued)

Service and non-marketing performance conditions are included in calculation of the number of RSUs that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of RSUs that are expected to vest based on the non-marketing performance and service conditions.

It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

In some circumstances, employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

2.20 Provisions

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition

The Group provides live streaming service ("value-added service business") through social networking platform and provides mobile marketing services and advertising services through wide-ranging and diversified mobile applications to users ("traffic monetisation business") which included proprietary applications traffic monetisation business and mobile advertising platform and related business.

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

(i) Value-added service business

The Group operates and maintains mobile platforms whereby viewers can enjoy live stream performances provided by the live streamers (the "streamers") and interact with the streamers on a real-time basis for free. The Group operates a virtual item system, under which viewers can purchase virtual items and present them as gifts to streamers to show their support and appreciation. The Group generates revenues from the sales of virtual items on the platform, and viewers are the Group's customers. The virtual items are produced and delivered by the Group. Sales of virtual items are recognised as revenues when the virtual items are gifted by viewers to streamers as the Group has no further obligations related to virtual items once they are gifted to streamers. The proceeds received from the sales of virtual items before they are gifted by viewers to streamers are recorded as contract liabilities.

In order to attract streamers to the platforms, the Group shares revenues with the streamers in accordance with the agreements between the Group and streamers.

The Group has evaluated and concluded that it is the principal for the sales of the virtual items on the platforms. The Group produces and controls virtual items before they are transferred to customers. The prices of virtual items are set by the Group. Therefore, revenue from the sales of virtual items is recorded on a gross basis and the revenue sharing paid to streamers based on the predetermined percentage in the agreements is recognised as "cost of revenues" in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition (continued)

(ii) Traffic monetisation business

(a) Proprietary applications traffic monetisation business

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

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

(b) Mobile advertising platform and related business

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition (continued)

(ii) Traffic monetisation business (continued)

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

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

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

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

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

2.22 Leases

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Leases (continued)

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

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

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

2.23 Interest income

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

2.24 Government grants

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Related parties

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

- has control or joint control of the Group;
- has significant influence over the Group; or
- is a member of the key management personnel of the Group or the Group's parent.

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

- The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- Both entities are joint ventures of the same third party;
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- The entity is controlled or jointly controlled by a person identified in Note 2.25(i); or
- A person identified in Note 2.25(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

3 FINANCIAL RISK MANAGEMENT

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

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

3.1 Financial risk factors

3.1a Market risk

(i) Foreign exchange risk

The transactions of the Company are denominated and settled in its functional currency, USD. The Group's subsidiaries operate in mainland China and overseas, and they are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD, HKD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities denominated in a currency other than the functional currency of the each of the group companies.

As at 31 December 2020, the Company's cash and cash equivalents were mainly denominated in Hong Kong dollar ("HKD"). If HKD had strengthened/weakened by 5% against RMB with all other variables held constant, the total equity would have been approximately RMB5,667,000 (31 December 2019: RMB10,636,000) lower/higher.

(ii) Interest rate risk

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

3.1b Credit risk

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1b Credit risk (continued)

(i) Risk management

Credit risk is managed on a group basis.

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

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

The Group generated revenue from advertisers or its agencies. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group performed credit evaluation which focus on the customer's past history of making payments and current ability to pay. The Group does not obtain collateral from customers. As at 31 December 2020 and 2019, approximately 44% and 52% of the Group's accounts receivable were due from the largest five customers. Given the strong business relationship established, the regular payment made according to contract and the financial capability of these customers, the management does not expect that there will be any significant credit risk from non-performance of these customers.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1b Credit risk (continued)

(ii) Impairment of financial assets

Accounts receivable

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

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

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

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

The expected loss rates are based on the payment profiles of revenue over a period of 36 months for traffic monetisation business and over a period of 12 months for value-added services revenue before 31 December 2020 or 1 January 2020 for respectively and the corresponding historical credit losses experienced within this period. The Group has identified the GDP of the countries in which it sells its goods and services to be the most relevant forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables, and accordingly adjusts the historical loss rates based on expected changes in this factor.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1b Credit risk (continued)

(ii) Impairment of financial assets (continued)

Accounts receivable (continued)

The balance of each category of accounts receivable as at 31 December 2020 and 2019 was as follows:

	Accounts receivable *RMB'000*	**Allowance** *RMB'000*	**Net value** *RMB'000*
31 December 2020			
Accounts receivable			
From customers with regular payment schedule	**146,624**	**(7,097)**	**139,527**
From customers with different credit risks	**16,839**	**(11,980)**	**4,859**
	163,463	**(19,077)**	**144,386**

	Accounts receivable *RMB'000*	Allowance *RMB'000*	Net value *RMB'000*
31 December 2019			
Accounts receivable			
From customers with regular payment schedule	155,959	(4,350)	151,609
From customers with different credit risks	21,715	(9,941)	11,774
	177,674	(14,291)	163,383

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1b Credit risk (continued)

(ii) Impairment of financial assets (continued)

Accounts receivable (continued)

The loss allowance as at 31 December 2020 and 2019 was determined as follows for accounts receivable from traffic monetisation business customers with regular payment schedule:

	Less than 180 days *RMB'000*	**181 days to 1 year** *RMB'000*	**1 year to 2 years** *RMB'000*	**2 years to 3 years** *RMB'000*	**Over 3 years** *RMB'000*	**Total** *RMB'000*
31 December 2020						
Expected loss rate	**0.50%**	**2.00%**	**5.00%**	**100.00%**	**100.00%**	
Accounts receivable	**54,645**	**1,210**	**2,547**	**2,915**	**2,994**	**64,311**
Less: allowance	**(273)**	**(24)**	**(128)**	**(2,915)**	**(2,994)**	**(6,334)**
	54,372	**1,186**	**2,419**	**–**	**–**	**57,977**

	Less than 180 days *RMB'000*	181 days to 1 year *RMB'000*	1 year to 2 years *RMB'000*	2 years to 3 years *RMB'000*	Over 3 years *RMB'000*	Total *RMB'000*
31 December 2019						
Expected loss rate	0.50%	2.00%	5.00%	75.00%	100.00%	
Accounts receivable	131,799	17,118	3,679	793	2,570	155,959
Less: allowance	(659)	(342)	(184)	(595)	(2,570)	(4,350)
	131,140	16,776	3,495	198	–	151,609

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1b Credit risk (continued)

(ii) Impairment of financial assets (continued)

Accounts receivable (continued)

The loss allowance as at 31 December 2020 was determined as follows for accounts receivable from value-added service business customers with regular payment schedule:

	Less than 90 days	90 days to 180 days	180 days to 1 year	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2020					
Expected loss rate	0.01%	6.86%	8.68%	100.00%	
Accounts receivable	72,487	7,820	1,956	50	82,313
Less: allowance	(7)	(536)	(170)	(50)	(763)
	72,480	7,284	1,786	–	81,550

Throughout all years presented, the management kept monitoring the recoverability of accounts receivable.

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1b Credit risk (continued)

(ii) Impairment of financial assets (continued)

Other financial assets at amortised cost

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

3.1c Liquidity risk

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

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

	As at 31 December 2020		
	Less than 1 year	**Between 1 and 2 years**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Accounts and other payable (excluding non-financial liabilities)	**290,032**	**–**	**290,032**
Lease liabilities	**3,609**	**144**	**3,753**
Bank overdraft	**17**	**–**	**17**
	293,658	**144**	**293,802**

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management

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

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities divided by total assets. The Group aims to maintain its gearing ratio below 50%. The gearing ratios as at 31 December 2020 and 2019 were as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Total liabilities	**481,156**	143,015
Total assets	**1,268,164**	777,560
Gearing ratio	**37.94%**	18.39%

3.3 Fair values

(i) Fair value hierarchy

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

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

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair values (continued)

(i) Fair value hierarchy (continued)

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

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
As at 31 December 2020				
Assets				
Financial assets measured at FVPL				
– WMPs	**–**	**–**	**178,009**	**178,009**
– Equity interests of certain private companies	**–**	**–**	**6,495**	**6,495**
Financial assets measured at fair value through profit or loss	**–**	**–**	**184,504**	**184,504**
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
Financial assets measured at fair value through profit or loss	–	–	320,007	320,007

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair values (continued)

(i) Fair value hierarchy (continued)

The changes in level 3 instruments for the years ended 31 December 2020 and 2019 are presented in Note 20.

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

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

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

Specific valuation techniques used to value financial instruments include:

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

(iii) Fair value measurements using significant unobservable inputs

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

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

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

(Expressed in RMB unless otherwise indicated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair values (continued)

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

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

	Significant unobservable inputs	Range of inputs As at 31 December 2020	2019	Relationship of unobservable inputs to fair values
Investment in WMP	Expected return rate	**1.46% – 2.84%**	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	**48%**	47% – 57%	The higher the expected volatility, the lower the fair value
	Discount for lack of marketability ("DLOM")	**18%**	15% – 20%	The higher the DLOM, the lower the fair value
	Risk-free rate	**3.7%**	2.5%	The higher the risk-free rate, the higher the fair value
	Discount rate	**21%**	22%	The higher the discount rate, the lower the fair value
	Revenue growth rate	**3% – 25%**	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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair values (continued)

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

For investment in WMP, the fair value was RMB178,009,000 as at 31 December 2020 (2019: RMB132,651,000). The estimated carrying amount as at 31 December 2020 would have been RMB1,780,000 (2019: RMB1,327,000) higher/lower should the expected return rate used in discounted cash flow analysis be higher/lower by 1% from management's estimates.

For investment in equity interests of certain private companies valued using income approach, the fair value was RMB6,495,000 as at 31 December 2020 (2019: RMB3,356,000). The estimated carrying amount as at 31 December 2020 would have been RMB283,000 (2019: RMB140,000) lower/higher should the discount rate used in discounted cash flow analysis be higher/lower by 1% from management's estimates. The estimated carrying amount as at 31 December 2020 would have been RMB799,000 (2019: RMB369,000) higher/lower should the revenue growth rate used in discounted cash flow analysis be higher/lower by 5% from management's estimates.

4 CRITICAL ESTIMATES AND JUDGMENTS

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

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

4.1 Revenue recognition

As disclosed in Note 2.21, the Group provides value-added service business and traffic monetisation business services to its customers, which involve the assessment of revenue recognition on a gross or net basis, i.e. principal versus agent assessment in different business models. The Group follows the accounting guidance for principal-agent considerations to assess whether the Group controls the specified service before it is transferred to the customer, the indicators of which including but not limited to (a) whether the entity is primarily responsible for fulfilling the promise to provide the specified service; (b) whether the entity has inventory risk before the specified service has been transferred to a customer; and (c) whether the entity has discretion in establishing the prices for the specified goods or service. The management considers the above factors in totality, as none of the factors individually are considered presumptive or determinative, and applies judgment when assessing the indicators depending on each different circumstances.

4 CRITICAL ESTIMATES AND JUDGMENTS (CONTINUED)

4.2 Impairment of accounts receivable and other financial assets

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

4.3 Current and deferred income tax

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

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

4.4 Business combinations

Business combinations are accounted for under acquisition method. The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed are based on various assumptions and valuation methodologies requiring considerable management judgment. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. The Group determines discount rates to be used based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values are based on the expected lives of assets, the forecasted life cycles and forecasted cash flows over that period. Although the Group believes that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material.

4 CRITICAL ESTIMATES AND JUDGMENTS (CONTINUED)

4.5 Useful lives and amortization of intangible assets

The Group's management determines the estimated useful lives and related amortization for the Group's intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the amortization charges where useful lives are different from that of previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortization expense in future periods.

4.6 Fair value of financial instruments

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

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

4.7 Impairment of goodwill

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

5 SEGMENT INFORMATION

The Group's business activities are regularly reviewed and evaluated by the CODM and the Group is organised into segments according to the revenue streams of the Group. Prior to 1 January 2020, mobile advertising platform and related business, and proprietary applications traffic monetisation business were identified as the segments of the Group. Upon the completion of the acquisition of Mico in June 2020, the CODM revisited its assessment of segment and updated its segments to value-added services business and traffic monetisation business to better reflect the operating structure of the Group, and the segment information for the year ended 31 December 2019 has also been retrospectively adjusted.

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

The segment results for the years ended 31 December 2020 and 2019 are as follows:

	Traffic monetisation business *RMB'000*	Value-added service business *RMB'000*	Total *RMB'000*
For the year ended 31 December 2020			
Revenue	**524,073**	**657,520**	**1,181,593**
Cost of revenue	**(68,024)**	**(361,080)**	**(429,104)**
Gross profit	**456,049**	**296,440**	**752,489**
For the year ended 31 December 2019			
Revenue	378,047	11,638	389,685
Cost of revenue	(124,486)	(3,687)	(128,173)
Gross profit	253,561	7,951	261,512

5 SEGMENT INFORMATION (CONTINUED)

As at 31 December 2020 and 2019, substantially all of the non-current assets of the Group were located in the PRC.

The major customers which individually contributed more than 10% of the total revenue of the Group for the years ended 31 December 2020 and 2019 are listed as below:

	Year ended 31 December	
	2020	2019
	%	%
Customer A	**16.8**	N/A
Customer B	**11.3**	N/A
Customer C	**10.3**	N/A
Customer D	**N/A**	19.2
Customer E	**N/A**	10.4

6 REVENUE FROM CONTRACTS WITH CUSTOMERS

An analysis of the Group's revenue by category for the years ended 31 December 2020 and 2019 was as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Recognised at a point in time		
Value-added service business	**631,376**	11,638
Traffic monetisation business	**524,073**	378,047
Recognised over time		
Value-added service business	**26,144**	–
Total	**1,181,593**	389,685

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.

6 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

(a) Details of contract liabilities

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Contract liabilities	**14,872**	–

Contract liabilities represent advance payments received from customers for services that have not yet been transferred to the customers. As at 31 December 2020, the contract liabilities mainly included with the advances for the purchase of virtual items. These services are mainly expected to be recognised as revenue to the customers within one year.

7 EXPENSES BY NATURE

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

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Cost for advertising placement		
– Cost of revenue	**6,913**	86,557
– Selling and marketing expense	**478,509**	114,223
Revenue sharing to streamers	**211,032**	–
Employee benefit expense (Note 8)	**117,795**	54,518
Payment handling costs	**82,732**	2,539
Share-based compensation expenses (Note 31)	**40,775**	36,847
Server capacity expense	**20,479**	16,711
Consultancy and professional service fee	**8,151**	706
Technical and other service fee	**11,233**	5,552
Depreciation and amortisation	**25,418**	4,492
Travel expense	**3,184**	3,603
Rent expense	**3,623**	87
Listing expense	**–**	35,407
Auditor's remuneration		
– Audit and audit related services	**3,609**	1,300
– Non-audit services	**448**	–
Impairment of goodwill (Note 18)	**5,029**	–
Others	**7,556**	3,195
Total	**1,026,486**	365,737

8 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**115,786**	49,418
Retirement costs: contributions to defined contribution plans	**425**	5,006
Dismissal compensation	**1,584**	94
Total employee benefit expense	**117,795**	54,518

As at 31 December 2020 and 2019, defined contribution plans payables were RMB454,000 and RMB380,000 respectively.

8a Five highest paid individuals

The five individuals whose emoluments were the highest in the Group did not include any director for the years ended 31 December 2020 and 2019, whose emoluments are reflected in the analysis shown in Note 12 for each of two years presented. The emoluments payable to the remaining 5 individuals are as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Wages, salaries and bonus	**2,673**	3,693
Discretionary bonuses	**–**	–
Contributions to pension plans	**15**	226
Other social security costs, housing allowance and other allowance	**268**	351
Share-based compensation expenses	**26,942**	–
	29,898	4,270

8 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

8a Five highest paid individuals (continued)

The emoluments fell within the following bands:

	Year ended 31 December	
	2020	2019
Emolument bands (in HKD)		
Nil - 2,500,000	**1**	5
2,500,001 - 5,000,000	**2**	–
5,000,001 - 10,000,000	**–**	–
10,000,001 - 20,000,000	**2**	–

9 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Impairment loss provided for the year related to accounts receivable	**7,533**	3,299

10 OTHER INCOME AND OTHER (LOSS)/GAIN, NET

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Other income		
Write-back accounts payable	**2,261**	698
Government grants	**783**	348
Others	**620**	347
Total	**3,664**	1,393
Other (loss)/gain – net		
Fair value change of financial assets measured at FVPL	**10,077**	25,699
Exchange (loss)/gain	**(29,360)**	3,024
Donation	**(137)**	(881)
Others	**274**	(4)
Total	**(19,146)**	27,838

11 FINANCE INCOME

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Interest income from deposits	**1,799**	241
Interest income from IPO subscriptions	**–**	20,926
Total	**1,799**	21,167

12 BENEFITS AND INTERESTS OF DIRECTORS

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

For the year ended 31 December 2020:

	Fees *RMB'000*	Wages, salaries and bonus *RMB'000*	Contributions to pension plans *RMB'000*	Other social security costs, housing allowance and other allowance *RMB'000*	Total *RMB'000*
Executive directors					
Liu Chunhe*	–	451	4	67	522
Li Ping**	–	506	4	68	578
Wang Kui**	–	532	4	70	606
Independent non-executive directors					
Pan Xiya***	–	100	–	–	100
Chi Shujin***	–	100	–	–	100
Liu Rong***	–	100	–	–	100
	–	1,789	12	205	2,006

12 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

For the year ended 31 December 2019:

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

* Mr. Liu Chunhe was appointed as a director of the Company on 12 September 2018. The amounts presented above represent the wages, salaries and bonus, contributions to pension plans, other social security costs, housing allowance and other allowance paid during 2019 and 2020.

** Mr. Li Ping and Mr. Wang Kui were appointed as directors of the Company on 22 June 2019. The amounts presented above represent the wages, salaries and bonus, contributions to pension plans, and other social security costs, housing allowance and other allowance paid during 2019 and 2020.

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

12 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Director's retirement and termination benefits

No retirement or termination benefits have been paid to the Company's directors during 2019 and 2020.

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

No consideration provided to third parties for making available Directors' services subsisted at the end of the year or at any time during 2019 and 2020.

(d) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans or other dealings are entered into by the Company in favor of directors, controlled bodies corporate by and connected entities with such directors during 2019 and 2020.

(e) Directors' material interests in transactions, arrangements or contract

Other than those disclosed in Note 33, no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during 2019 and 2020.

13 INCOME TAX EXPENSES

(a) Cayman Islands Income Tax

The Company is incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands and is not subject to Cayman Islands income tax.

(b) Hong Kong Income Tax

Hong Kong profits tax rate is 16.5% up to 1 April 2018 when the two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits in the first HKD2 million and 16.5% for any assessable profits in excess.

13 INCOME TAX EXPENSES (CONTINUED)

(c) PRC Enterprise Income Tax ("EIT")

The income tax provision of the Group in respect of its operations in the PRC was subject to statutory tax rate of 25% on the assessable profits for the years ended 31 December 2020 and 2019, based on the exiting legislation, interpretations and practices in respect therefore.

NewBornTown Network Technology has been qualified as "High and New Technology Enterprises" under the relevant PRC laws and regulations since 2017. Accordingly, NewBornTown Network Technology was entitled to a preferential income tax rate of 15% on its assessable profits for the years ended 31 December 2020 and 2019.

Mico has been qualified as "High and New Technology Enterprises" under the relevant PRC laws and regulations since 2019. Accordingly, Mico was entitled to a preferential income tax rate of 15% on its assessable profits for the years ended 31 December 2020 and 2019.

Shandong NewBornTown was accredited as a software enterprise under the relevant PRC laws and regulations since 2018. Accordingly, Shandong NewBornTown is exempt from EIT for two consecutive years which ended on 31 December 2019, followed by a 50% reduction in the statutory income tax rate of 25% for the next three years from 2020 to 2022.

According to the relevant laws and regulations promulgated by the State Council of the People's Republic of China, enterprises engaging in research and development activities were entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction"). The State Taxation Administration of the People's Republic of China announced in September 2018 that enterprises engaging in research and development activities would entitle to claim 175% of their research and development expenses as Super Deduction from 1 January 2018 to 31 December 2020. The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits during the year.

13 INCOME TAX EXPENSES (CONTINUED)

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Current tax		
Current tax on profits for the year	**383**	5,228
Deferred income tax		
Changes in deferred tax assets/liabilities (Note 27)	**15,454**	4,743
Income tax expenses	**15,837**	9,971

13a Reconciliation of income tax expenses

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Profit before income tax	**130,180**	78,386
Tax at the PRC statutory tax rate of 25%	**32,545**	19,597
Effect of different tax rates in other jurisdictions	**3,200**	6,023
Effect of preferential tax rates	**(9,790)**	(14,196)
Effect of expenses not deductible for income tax purposes	**377**	794
Effect of utilisation of previously unrecognised deductible tax losses	**(5,086)**	–
Effect of tax losses for which no deferred income tax assets were recognised	**1,032**	420
Impact on share of results of investments accounted for using equity method	**1**	–
Effect of super deduction of research and development expenses	**(6,442)**	(2,667)
Income tax expenses	**15,837**	9,971

14 EARNINGS PER SHARE

14a Basic

Basic earnings per share for the years ended 31 December 2020 and 2019 are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**39,688**	68,415
Weighted average number of ordinary shares in issue *(thousand)*	**998,847**	834,701
Basic earnings per share *(expressed in RMB per share)*	**0.040**	0.082

Note:

The weighted average number of ordinary shares in issue used for the calculation of basic earnings per share for the years ended 31 December 2019 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, the issuance of Initial Public Offering in December 2019 and the purchase of shares in September 2020 and October 2020 were accounted at time portion basis.

14b Diluted

For the years ended 31 December 2020 and 2019, there were no dilutive potential ordinary shares on the Company outstanding. Therefore, there was no dilution impact on weighted average number of shares on the Company.

15 DIVIDENDS

No dividends have been paid or declared by the Company for the years ended 31 December 2020 and 2019.

16 PROPERTY AND EQUIPMENT

	Electronic equipment RMB'000	Furniture and fixtures RMB'000	Motor Vehicles RMB'000	Leasehold improvement RMB'000	Right-of-use asset RMB'000	Total RMB'000
Year ended 31 December 2019						
Opening net book amount	929	28	–	–	2,894	3,851
Additions	177	6	–	–	6,618	6,801
Depreciation charge	(475)	(6)	–	–	(3,211)	(3,692)
Closing net book amount	631	28	–	–	6,301	6,960
As at 31 December 2019						
Cost	2,461	100	–	745	6,618	9,924
Accumulated depreciation	(1,830)	(72)	–	(745)	(317)	(2,964)
Net book amount	631	28	–	–	6,301	6,960
Year ended 31 December 2020						
Opening net book amount	**631**	**28**	**–**	**–**	**6,301**	**6,960**
Additions	**1,168**	**365**	**533**	**1,157**	**–**	**3,223**
Currency translation differences	**–**	**–**	**–**	**–**	**(113)**	**(113)**
Depreciation charge	**(479)**	**(63)**	**(42)**	**(414)**	**(3,631)**	**(4,629)**
Disposal	**–**	**–**	**–**	**–**	**(1,002)**	**(1,002)**
Acquisition of a subsidiary (Note 33)	**558**	**152**	**–**	**–**	**1,737**	**2,447**
Closing net book amount	**1,878**	**482**	**491**	**743**	**3,292**	**6,886**
As at 31 December 2020						
Cost	**4,187**	**617**	**533**	**1,902**	**7,241**	**14,479**
Accumulated depreciation	**(2,309)**	**(135)**	**(42)**	**(1,159)**	**(3,949)**	**(7,593)**
Net book amount	**1,878**	**482**	**491**	**743**	**3,292**	**6,886**

16 PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation charges were expensed off (Note 7) in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Cost of revenue	**2,287**	2,832
General and administrative expenses	**2,073**	727
Research and development expenses	**254**	133
Selling and marketing expenses	**15**	–
	4,629	3,692

For the years ended 31 December 2020 and 2019, the Group obtains right to control the use of properties through entering respective lease arrangements. The leased assets cannot be used as security for borrowing purposes.

17 INTANGIBLE ASSETS

	Software *RMB'000*	Brand name *RMB'000*	User base *RMB'000*	Technology *RMB'000*	Total *RMB'000*
Year ended 31 December 2019					
Opening net book amount	4,733	–	–	–	4,733
Amortisation charge	(800)	–	–	–	(800)
Closing net book amount	3,933	–	–	–	3,933
As at 31 December 2019					
Cost	8,003	–	–	–	8,003
Accumulated amortisation	(4,070)	–	–	–	(4,070)
Net book amount	3,933	–	–	–	3,933
Year ended 31 December 2020					
Opening net book amount	**3,933**	**–**	**–**	**–**	**3,933**
Acquisition of a subsidiary (Note 33)	**45**	**231,000**	**47,000**	**6,000**	**284,045**
Amortisation charge	**(806)**	**(11,550)**	**(7,833)**	**(600)**	**(20,789)**
Closing net book amount	**3,172**	**219,450**	**39,167**	**5,400**	**267,189**
As at 31 December 2020					
Cost	**8,048**	**231,000**	**47,000**	**6,000**	**292,048**
Accumulated amortisation	**(4,876)**	**(11,550)**	**(7,833)**	**(600)**	**(24,859)**
Net book amount	**3,172**	**219,450**	**39,167**	**5,400**	**267,189**

17 INTANGIBLE ASSETS (CONTINUED)

Amortisation charges were expensed off (Note 7) in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Cost of revenue	**20,783**	800
General and administrative expenses	**3**	–
Selling and marketing expenses	**3**	–
	20,789	800

18 GOODWILL

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Cost and carrying amount:		
At the beginning of the year	**5,066**	4,955
Addition relating to business acquisition (Note 33)	**197,287**	–
Impairment during the year	**(5,029)**	–
Currency translation differences	**(37)**	111
At the end of the year	**197,287**	5,066

18 GOODWILL (CONTINUED)

Impairment tests for goodwill

As at 31 December 2020 and 2019, the goodwill of the Group was generated from acquisition of Mico in 2020 and Great Sailing Media Limited in 2015. The Group carries out annual impairment test on goodwill by comparing the recoverable amount to the carrying amount. The recoverable amount of the cash-generating unit is determined based on the value-in-use calculations by using the discounted cash flow method. The calculation used pre-tax cash flow projections based on financial budgets approved by management covering a five-year period with a terminal value related to the future cash flows extrapolated using the estimated growth rates stated below beyond the five-year period.

For the impairment tests performed for the goodwill relating to the acquisition of Mico at 31 December 2020, the key assumptions used in impairment test including growth rates which are estimated 10%, while for the years beyond the five-year period, the estimated continued growth rate to perpetuity is 3%. The gross margins are estimated around 30% with reference to the historical average gross margin of the Company. The present value of cash flows is calculated by discounting the cash flow using pre-tax discount rate of 27% which was estimated by using the Weighted Average Cost of Capital ("WACC") method. The WACC was calculated by referring to public market date including risk-free rate, market return, beta of comparable public companies, and the specific risk of the Group's live streaming business. A reasonably possible change in key assumptions used in the impairment test of goodwill would not likely cause the carrying amount to exceed its recoverable amounts as at 31 December 2020.

As at 31 December 2020, the management made a provision of impairment loss amounting to RMB5,029,000 for the goodwill relating to the acquisition of Great Sailing Media Limited following a decision to downsize the mobile advertising platform and related business to avoid the collection risk in 2020. The key assumptions used in impairment test including growth rates are estimated 0%, while for the years beyond the five-year period, the estimated continued growth rate to perpetuity is 0%. The present value of cash flows is calculated by discounting the cash flow using pre-tax discount rate of 19% which was estimated by using the WACC method.

(Expressed in RMB unless otherwise indicated)

19 SUBSIDIARIES

As at 31 December 2020, the Company has direct or indirect interests in the following subsidiaries:

Company Name	Place and date of Incorporation/ establishment/ operation	Principal activities	Issued and paid-in capital/ Registered capital	Percentage of attributable equity interest As at 31 December 2020
Solo X Technology	Hong Kong/ 30 October 2018	Investment holding	HKD10,000	100%
Newborn Town International ("赤子城國際企業有限公司")	Hong Kong/ 20 December 2013	Mobile advertising platform service and proprietary app traffic monetisation	HKD10,000	100%
Shandong NewBornTown ("山東赤子城網絡技術有限公司")	The PRC/ 30 August 2018	Mobile advertising platform service business	RMB10,500,000	100%
Great Sailing Media Limited ("航海時代傳媒有限公司")	Hong Kong/ 16 April 2013	Mobile advertising platform service business	HKD500,000	100%
NewBornTown Mobile Technology ("赤子城移動科技（北京）股份有限公司")	The PRC/ 15 August 2007	Investment holding	RMB58,183,695	100%
NewBornTown Network Technology ("赤子城網絡技術（北京）有限公司")	The PRC/ 28 February 2014	Proprietary app traffic monetisation	RMB300,000,000	100%
Ninth Games Pte. Ltd.	Singapore/ 2 September 2020	Software development and related business	SGD10,000	100%
X Games Pte. Ltd.	Singapore/ 23 September 2020	Software development and related business	SGD10,000	100%

(Expressed in RMB unless otherwise indicated)

19 SUBSIDIARIES (CONTINUED)

Company Name	Place and date of Incorporation/ establishment/ operation	Principal activities	Issued and paid-in capital/ Registered capital	Percentage of attributable equity interest As at 31 December 2020
Beijing Mico World Technology Co., Ltd. ("北京米可世界科技有限公司")	The PRC/ 30 May 2014	Investment holding	RMB2,825,000	48.89%
Hainan Jidu Kongjian Internet Technology Co., Ltd. ("海南幾度空間網絡科技有限責任公司")	The PRC/ 15 January 2019	Digital goods and related business	RMB1,000,000	48.89%
Shenzhen Leyuyou Internet Technology Co., Ltd. ("深圳樂娛游網絡科技有限公司")	The PRC/ 27 September 2017	Software development and related business	RMB1,000,000	48.89%
Mobile Alpha Limited	Hong Kong/ 02 March 2016	Online entertainment and related business	HKD1	48.89%
Mico World Limited	Hong Kong/ 24 September 2015	Online entertainment and related business	HKD1	48.89%
Mico World Egypt Network L.T.d	Egypt/ 20 January 2020	Software development and related business	EGP600,000	100%

19 SUBSIDIARIES (CONTINUED)

(a) Non-controlling interests

As disclosed in Note 1, NewBornTown Network Technology completed the acquisition of Mico in 2020. Set out below is summarized financial statements for Mico as its non-controlling interests are material to the Group. The amounts disclosed are before inter-company eliminations.

Summarized balance sheet	**As at 31 December 2020** *RMB'000*
Current assets	**420,599**
Current liabilities	**(160,140)**
Current net assets	**260,459**
Non-current assets	**182,755**
Non-current liabilities	**(5,081)**
Non-current net assets	**177,674**
Net assets	**438,133**
Accumulated NCI	**250,536**

Summarized statement of comprehensive income	**For the period from 30 June 2020 to 31 December 2020** *RMB'000*
Revenue	604,181
Profit of the year	142,757
Other comprehensive income	3,030
Total comprehensive income	145,787
Profit allocated to NCI	74,655

19 SUBSIDIARIES (CONTINUED)

(a) Non-controlling interests (continued)

Summarized cash flows	For the period from 30 June 2020 to 31 December 2020 *RMB'000*
Cash flows from operating activities	180,317
Cash flows from investing activities	(66,307)
Cash flows from financing activities	(770)
Effects of exchange rate changes on cash and cash equivalents	(15,444)
Net increase in cash and cash equivalents	97,796

(b) Transaction with non-controlling interests

On 17 August 2020, the Group acquired an additional 23.27% equity interests of Mico for a consideration of RMB253,947,000. Immediately prior to the purchase, the carrying amount of the existing 74.38% non-controlling interests in Mico was RMB298,491,000. The Group recognised a decrease in non-controlling interests of RMB93,384,000 and a decrease in equity attributable to owners of the parent of RMB160,563,000. The effect on the equity attributable to the owners of Mico during the year is summarised as follows:

	Year ended 31 December 2020 *RMB'000*
Carrying amount of non-controlling interests acquired	**93,384**
Consideration paid to non-controlling interests	**(253,947)**
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	**(160,563)**

There were no transactions with non-controlling interests in 2019.

20 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	Notes	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000
Financial assets			
Financial assets at amortised cost	(a)		
Accounts and other receivable	21, 22	**161,787**	256,331
Cash and cash equivalents	24	**431,015**	182,863
Restricted bank deposits	23	**1,192**	913
Financial assets at fair value through profit and loss			
Investment in WMPs	(b)	**178,009**	132,651
Investment in equity interests of certain private companies	(c)	**6,495**	187,356
		778,498	760,114
Financial liabilities			
Financial liabilities at amortised cost			
Accounts and other payable (excluding non-financial liabilities)		**290,032**	113,951
Lease liabilities		**3,336**	6,312
Bank overdraft		**17**	48
		293,385	120,311

(a) As at 31 December 2020 and 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 3.3.

20 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

(c) The Group made investments in equity interest of certain private companies and the changes in the balances for the years ended 31 December 2020 and 2019 are as follows:

	Notes	Year ended 31 December **2020** *RMB'000*	2019 *RMB'000*
At the beginning of the year		**187,356**	66,518
Deduction during the year	(i)	**(189,501)**	100,000
Fair value changes		**8,640**	20,838
At the end of the year		**6,495**	187,356

(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 statements of Mico as the Group's subsidiary. The business combination of Mico is disclosed in Note 33.

21 ACCOUNTS RECEIVABLE

	As at 31 December **2020** *RMB'000*	2019 *RMB'000*
Current assets		
Gross carrying amount	**163,463**	177,674
Less: impairment provision (Note 3.1)	**(19,077)**	(14,291)
Total accounts receivable	**144,386**	163,383

21 ACCOUNTS RECEIVABLE (CONTINUED)

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

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Up to 6 months	**134,954**	131,799
6 months to 1 year	**3,169**	17,118
1 year to 2 years	**12,311**	13,275
2 years to 3 years	**10,035**	12,028
Over 3 years	**2,994**	3,454
	163,463	177,674

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9. Movement in lifetime ECL that has been recognised for accounts receivable is as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
At the beginning of the year	**(14,291)**	(20,189)
Provision for impairment, net	**(7,533)**	(3,299)
Addition relating to business acquisition	**(370)**	–
Write off	**1,808**	9,531
Currency translation impacts	**1,309**	(334)
At the end of the year	**(19,077)**	(14,291)

21 ACCOUNTS RECEIVABLE (CONTINUED)

As at 31 December 2020 and 2019, the analysis of carrying amounts of accounts receivable denominated in different currencies is as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Denominated in USD	**115,594**	158,523
Denominated in HKD	**18,156**	4,387
Denominated in RMB	**29,713**	14,764
	163,463	177,674

22 OTHER RECEIVABLE

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Other receivable – current	**6,020**	92,948
Other receivable – non-current	**11,381**	–
	17,401	92,948

As at 31 December 2020 and 2019, the analysis of carrying amounts of other receivable denominated in different currencies is as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Denominated in RMB	**16,989**	1,139
Denominated in USD	**147**	–
Denominated in HKD	**265**	91,809
	17,401	92,948

22 OTHER RECEIVABLE (CONTINUED)

During the year ended 31 December 2020, in order to retain the high performance employees within the Group, the Group adopted an employee interest-free loan arrangement, under which employees can receive interest-free loans from the Group and repay such amount based on the terms agreed with the Group. As at 31 December 2020, such amount was recorded in non-current portion of the other receivable. As at 31 December 2019, other receivable primarily included the subscribed fund from Initial Public Offering which was settled in January 2020.

23 RESTRICTED BANK DEPOSITS

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Guarantee deposits at bank	**1,192**	913

The restricted bank deposits mainly comprised of bank deposits restricted as guarantee for bank overdraft.

24 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Bank deposits at call	**429,749**	181,805
Other cash and cash equivalents	**1,266**	1,058
	431,015	182,863

For the years ended 31 December 2020 and 2019, the average interest rates of bank deposits at call were 0.05% and 0.05% respectively.

24 CASH AND CASH EQUIVALENTS (CONTINUED)

As at 31 December 2020 and 2019, the analysis of carrying amounts of cash and cash equivalents denominated in different currencies is as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Denominated in RMB	**37,382**	2,565
Denominated in USD	**139,164**	29,617
Denominated in HKD	**252,710**	150,246
Denominated in JPY	**588**	416
Denominated in EUR	**220**	19
Denominated in IDR	**702**	–
Denominated in EGP	**249**	–
	431,015	182,863

25 ACCOUNTS PAYABLE

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

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Up to 3 months	**85,239**	60,796
3 months to 6 months	**24,336**	15,938
6 months to 1 year	**37,016**	63
1 year to 2 years	**1,368**	2,376
2 years to 3 years	**1,789**	6,109
More than 3 years	**6,189**	4,656
	155,937	89,938

Accounts payable are usually paid within 1 year of recognition.

25 ACCOUNTS PAYABLE (CONTINUED)

As at 31 December 2020 and 2019, the analysis of carrying amounts of accounts payable denominated in different currencies is as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Denominated in USD	**80,571**	82,683
Denominated in RMB	**65,258**	7,255
Denominated in IDR	**2,996**	–
Denominated in THB	**6,599**	–
Denominated in JPY	**513**	–
	155,937	89,938

26 OTHER PAYABLE

		As at 31 December	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
Deferred consideration	a	**126,153**	–
Accrued listing expense		**–**	22,913
Employee benefits payable		**41,653**	5,635
Refundable advances from customers		**303**	332
Other tax payables	b	**58,845**	2,927
Others		**7,639**	768
		234,593	32,575

Note:

a: Deferred consideration is related to the transaction with non-controlling interests to acquire addition equity interest in Mico from Mr. Ye Chunjian. Based on the agreement with Mr. Ye Chunjian, the total consideration shall be settled in cash by NewBornTown Network Technology by four instalments, which will be paid off before 31 December 2021.

b: Other tax payables include RMB53,499,000 withholding income tax for Mr. Ye Chunjian relating to the transaction above.

27 DEFERRED INCOME TAX

Deferred income tax is calculated in full on temporary differences under the liability method using the tax rates at which are expected to be applied at the time of reversal of the temporary differences.

The amount of offsetting deferred income tax assets/liabilities is RMB2,284,000 and RMB1,633,000 as at 31 December 2020 and 2019, respectively. The analysis of deferred income tax assets and liabilities before offsetting is as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Deferred income tax assets		
– to be recovered after 12 months	**14,876**	1,633
– to be recovered within 12 months	**645**	–
	15,521	1,633

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Deferred income tax liabilities		
– to be recovered after 12 months	**67,857**	10,547
– to be recovered within 12 months	**5,994**	–
	73,851	10,547

27 DEFERRED INCOME TAX (CONTINUED)

27a Deferred tax assets

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
The balance comprises temporary differences attributable to:		
Accrued operating expenses	**1,060**	369
Accumulated tax loss	**645**	–
Restricted shares granted by a subsidiary in China	**12,343**	–
Others	**1,473**	1,264
Total deferred tax assets	**15,521**	1,633

Movements	Accrued operating expenses *RMB'000*	Accumulated tax loss *RMB'000*	Restricted shares grated *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 1 January 2019	–	2,451	–	945	3,396
Credited/(charged) to profit or loss	369	(2,451)	–	319	(1,763)
At 31 December 2019	369	–	–	1,264	1,633
Acquisition of a subsidiary (Note 33)	**–**	**18,814**	**12,085**	**620**	**31,519**
Credited/(charged) to profit or loss	**691**	**(17,693)**	**258**	**(411)**	**(17,155)**
Translation of foreign currency	**–**	**(476)**	**–**	**–**	**(476)**
At 31 December 2020	**1,060**	**645**	**12,343**	**1,473**	**15,521**

Deferred income tax assets are recognised for deductible temporary differences to the extent that the realisation of the related tax benefits through future tax profit is probable.

As at 31 December 2020 and 2019, the Group did not recognise deferred income tax assets in respect of accumulated tax losses amounting to RMB1,032,000 and RMB956,000, respectively, which are expected to expire from 31 December 2023 to 31 December 2024.

27 DEFERRED INCOME TAX (CONTINUED)

27b Deferred tax liabilities

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
The balance comprises temporary differences attributable to:		
Fair value changes	**11,844**	10,547
Intangible assets identified in acquisition of subsidiary	**62,007**	–
Total deferred tax liabilities	**73,851**	10,547
Net deferred tax assets	**(58,330)**	(8,914)

Movement	**Changes in fair value of financial assets** ***RMB'000***	**Intangible assets identified in acquisition of subsidiary** ***RMB'000***	**Total** ***RMB'000***
At 1 January 2019	7,567	–	7,567
Charged to profit or loss	2,980	–	2,980
At 31 December 2019	10,547	–	10,547
Acquisition of a subsidiary (Note 33)	**–**	**65,005**	**65,005**
Charged/(credited) to profit or loss	**1,297**	**(2,998)**	**(1,701)**
At 31 December 2020	**11,844**	**62,007**	**73,851**

28 SHARE CAPITAL

Share capital

	Note	Number of shares authorised for issue	Number of shares in issue	Share capital *USD'000*	Equivalent share capital *RMB'000*	Treasury shares *RMB'000*	Share premium *RMB'000*
As at 31 December 2018		500,000,000	–	–	–	–	–
Conversion of ordinary shares to Preferred shares	(a)	–	–	–	–	–	(18,059)
Capital contribution from shareholders	(b)	–	163,257,608	16	113	–	(113)
Issuance of shares	(c)	–	84,099,998	8	58	–	498
Repurchase of shares	(d)	–	(18,125,688)	(2)	(12)	–	(83,025)
Capitalisation issue	(e)	2,500,000,000	627,547,282	63	437	–	(437)
Issuance of shares upon Initial Public Offering	(f)	–	136,000,000	14	95	–	204,577
Share issuance costs		–	–	–	–	–	(19,082)
Conversion of shares with preferred rights issued in December 2019	(f)	–	7,220,800	1	5	–	10,862
As at 31 December 2019		3,000,000,000	1,000,000,000	100	696	–	95,221
Purchase of own shares	(g)	**–**	**–**	**–**	**–**	**(1,521)**	**–**
Cancellation of shares	(g)	**–**	**(1,150,000)**	**(1)**	**(1)**	**1,521**	**(1,520)**
As at 31 December 2020		**3,000,000,000**	**998,850,000**	**99**	**695**	**–**	**93,701**

28 SHARE CAPITAL (CONTINUED)

Share premium

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

Note (a)

In April 2019, Shanghai Haitong Xinxi Investment Center (Limited Partnership) ("Haitong Xinxi"), one of the then shareholders of NewBornTown Mobile Technology, entered into a share transfer agreement with Jiaxing Fuqiang Ruiyi Equity Investment Limited Partnership ("China Fuqiang"), an independent third party, pursuant to which Haitong Xinxi transferred 484,864 shares, representing approximately 0.83% of the equity interest, in NewBornTown Mobile Technology to China Fuqiang at a consideration of RMB10 million. Upon the completion of such transaction, a shareholder agreement was entered into between NewBornTown Mobile Technology and its shareholders, pursuant to which, all the equity interests owned by China Fuqiang were converted from ordinary shares to convertible redeemable preferred shares (Series C Preferred Shares).

The shares transferred to China Fuqiang were ordinary shares, which were then redeemable by Mr. Liu Chunhe, Mr. Li Ping and Mr. Ye Chunjian. From the view of the Company, it converted ordinary shares into preferred shares, which are redeemable by the Company. Balance of RMB18,059,000, being the fair value of the ordinary shares on the date of conversion were credited to capital reserve of the Company, while the fair value of the preferred shares amounting to RMB18,301,000 were credited to liability, and the difference amounting to RMB242,000 were debited to general and administrative expenses in accordance with IFRS 2 Share-based Payments, as the conversion had released Mr. Liu Chunhe, Mr. Li Ping and Mr. Ye Chunjian from the obligation of redemption, thus deemed to be economic benefits received by them. On 31 December 2019, the preferred shares were converted into share capital amounting RMB5,000, and capital reserves of RMB10,862,000.

Note (b)

The authorised share capital of the Company was USD50,000 divided into 500,000,000 Shares of par value of USD0.0001 each. On 22 June 2019, and the authorised share capital of the Company are reclassified and re-designated into the following 4 classes, including Ordinary Shares, Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares.

Compared with Ordinary Shares, the Series A Preferred Shares and Series B Preferred Shares were granted certain special rights in relation to the Company. The key special rights for the shareholders of Series A Preferred Shares and Series B Preferred Shares are conversion rights, redemption rights and liquidation preferences.

These preferred shares have been automatically converted into ordinary shares at the date of Initial Public Offering on 31 December 2019 and the other special rights have been terminated at the same date.

Note (c)

In April 2019, Universe Intelligence Technology Limited subscribed for 41,572 ordinary shares of the Company with a consideration of USD73,000 (equivalent to RMB0.5 million).

28 SHARE CAPITAL (CONTINUED)

Share premium (continued)

Note (d)

On 22 June 2019, the Company entered into share repurchase agreement with Phoenix Auspicious FinTech Investment L.P. to repurchase 6,880,990 shares of the Company, which were redeemable by Mr. Liu Chunhe, Mr. Li Ping and Mr. Ye Chunjian, at a consideration of RMB100,000,000. The consideration was settled on 26 June 2019 and paid by Newborn Town International, a subsidiary of the Company. The consideration paid by the Company was credited to cash and cash equivalent, while the fair value of the repurchased shares amounting to RMB63,395,000 were debited to share capital of RMB4,000, share premium of RMB56,524,000 and capital reserve of RMB6,867,000, and the difference amounted to RMB36,605,000 were debited to general and administrative expenses in accordance with IFRS 2 Share-based Payments, as the repurchase conducted by the Company had released Mr. Liu Chunhe, Mr. Li Ping and Mr. Ye Chunjian from the obligation of redemption, thus deemed to be economic benefits received by them.

On 26 June 2019, the Company entered into share repurchase agreement with Haitong Kaiyuan Investment Co., Ltd. to repurchase 5,622,349 shares of the Company at a consideration of RMB30,000,000. On 26 June 2019, the Company entered into share repurchase agreement with Shanghai Haitong Xinxi Investment Center (Limited Partnership) to repurchase 5,622,349 shares of the Company at a consideration of RMB30,000,000. All of these consideration was settled on 9 July 2019. Balance of RMB26,501,000 transferred out from the share premium and RMB33,491,000 transferred out from the capital reserve on the date of repurchase. As the consideration of repurchase was lower than the fair value of repurchased shares, no share-based compensation expenses were recognised by the Company.

Note (e)

On 11 December 2019, the authorised share capital of the Company was increased to USD300,000 divided into 3,000,000,000 shares of par value of USD0.0001 each, including (i) 2,581,151,162 Ordinary Shares, (ii) 173,794,516 Series A Preferred Shares, (iii) 237,833,522 Series B Preferred Shares, and (iv) 7,220,800 Series C Preferred Shares.

Pursuant to a written resolution passed on 11 December 2019, conditional on the share premium of the Company being credited as a result of the issue of shares pursuant to the global offering, the Company capitalised the sum of USD62,755 and allotted and issued a total of 627,547,282 shares credited as fully paid at par to the holders of shares whose names appear on the register of members of the Company at the close of business on the business day preceding to the listing date in proportion to their then existing shareholdings in the Company.

28 SHARE CAPITAL (CONTINUED)

Share premium (continued)

Note (f)

On 31 December 2019, the preferred rights of the 7,220,800 shares were terminated and converted into ordinary shares upon the successful Initial Public Offering of the Company.

On 31 December 2019, upon completion of the Initial Public Offering, the Company issued 136,000,000 new shares at par value of USD0.0001 each for cash consideration of HKD1.68 per share.

The total gross proceeds from the Initial Public Offering were approximately HKD228,480,000 (equivalent to RMB204,672,000). The respective share capital amount was approximately RMB95,000, and share premium arising from the issuance was approximately RMB185,495,000, net of the issuance costs. The issuance costs paid mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB19,082,000 were treated as a deduction against the share premium arising from the issuance.

Note (g)

In December 2020, the Company purchased and cancelled 1,150,000 ordinary shares on-market in order to simplify the Company's capital structure. The buy-back and cancellation were approved by shareholders during June 2020 annual general meeting, and the payment was made out of the Company's distributable profits with no reduction of capital.

29 OTHER RESERVES

	Note	Statutory reserve *RMB'000*	Capital reserve *RMB'000*	Translation reserve *RMB'000*	Total other reserves *RMB'000*
As at 1 January 2019		3,475	423,688	3,976	431,139
Other comprehensive income		–	–	2,225	2,225
Reorganisation of the Group		–	58,184	–	58,184
Repurchase of shares (Note 28 (d))		–	(40,358)	–	(40,358)
As at 31 December 2019		3,475	441,514	6,201	451,190
Other comprehensive income		**–**	**–**	**(9,287)**	**(9,287)**
Transaction with non-controlling interests	19b	**–**	**(160,563)**	**–**	**(160,563)**
Share-based compensation expenses	31	**–**	**40,775**	**–**	**40,775**
Others		**–**	**(7,165)**	**–**	**(7,165)**
As at 31 December 2020		**3,475**	**314,561**	**(3,086)**	**314,950**

29 OTHER RESERVES (CONTINUED)

Statutory reserves

In accordance with the Company Law of the PRC, domestic enterprises in Mainland China are required to transfer 10% of their profit after taxation, as determined under accounting principles generally accepted in the PRC ("PRC GAAP"), to the statutory surplus reserve until such reserve balance reaches 50% of the registered capital of such entities. Moreover, upon a resolution made by the shareholders, a certain percentage of domestic enterprises' profit after taxation, as determined under PRC GAAP, is transferred to the discretionary surplus reserve.

The statutory surplus reserves can be used to reduce previous years' losses, if any, and may be converted into paid-in capital, provided that the statutory reserve after such conversion is not less than 25% of the registered capital of relevant subsidiaries.

30 CASH FLOW INFORMATION

30a Cash generated from operations

		Year ended 31 December	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
Profit before income tax		**130,180**	78,386
Adjustments for			
Depreciation and amortisation	7	**25,418**	4,492
Net impairment losses on financial assets	9	**7,533**	3,299
Impairment of goodwill	18	**5,029**	–
Finance income	11	**(1,799)**	(21,167)
Finance costs		**3,705**	95
Exchange loss/(gain)	10	**29,360**	(3,024)
Share-based compensation expense	7, 28	**40,775**	36,847
Fair value changes of convertible redeemable preferred shares	28	**–**	(7,434)
Fair value change of financial assets measured at FVPL	10	**(10,077)**	(25,699)
Change in operating assets and liabilities:			
Decrease in accounts receivable		**54,579**	25,725
(Increase)/decrease in other current assets		**(147)**	2,668
Decrease in other receivable		**2,190**	30,910
Increase in restricted bank deposits		**(250)**	(19)
(Decrease)/increase in accounts payable		**(13,529)**	557
Increase in other payable		**25,683**	28,860
Cash generated from operations		**298,650**	154,496

30 CASH FLOW INFORMATION (CONTINUED)

30b Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Cash and cash equivalents	**430,998**	182,815
Lease liabilities	**(3,336)**	(6,312)
Net cash	**427,662**	176,503

	Cash and cash equivalents	Lease liabilities	Total
	RMB'000	***RMB'000***	***RMB'000***
Net debt as at 1 January 2019	80,540	(2,999)	77,541
Cash flows	98,481	3,400	101,881
Non-cash movement	–	(6,713)	(6,713)
Effects of exchange rate changes	3,794	–	3,794
Net debt as at 31 December 2019	182,815	(6,312)	176,503
Cash flows	**271,499**	**4,233**	**275,682**
Non-cash movement	**–**	**(1,257)**	**(1,257)**
Effects of exchange rate changes	**(23,266)**	**–**	**(23,266)**
Net debt as at 31 December 2020	**430,998**	**(3,336)**	**427,662**

(Expressed in RMB unless otherwise indicated)

31 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.

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 year	55,227,573	1.65
Forfeited during the year	(1,938,668)	1.65
Exercised during the year	(13,820,000)	–
Outstanding as at 31 December 2020	39,468,905	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.

31 SHARE-BASED PAYMENTS (CONTINUED)

The total expenses recognised in the consolidated statement of comprehensive income for RSUs granted under Employee RSU Scheme and Management RSU Scheme were RMB39,045,000 for the year ended 31 December 2020.

For the year ended 31 December 2020, a subsidiary of the Group has recognised share-based compensation expenses RMB1,730,000 for related to the RSU Scheme awarded in 2018.

32 COMMITMENTS

Non-cancellable leases commitment

The Group leases some office under non-cancellable lease contract with lease term less than one year and has been exempted from recognition of right-of-use assets permitted under IFRS 16. The future aggregate minimum lease payment under the relevant non-cancellable lease contract are as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**115**	77

33 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

	RMB'000
Purchase consideration:	
– Fair value of the Group'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 33(b))	(92,214)
Goodwill	197,287

33 BUSINESS COMBINATION (CONTINUED)

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

	RMB'000
Cash and cash equivalents	119,374
Accounts receivable	59,017
Other receivable – current	12,799
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	31,519
Other receivable – non-current	2,441
Accounts payable	(81,133)
Other payable	(11,230)
Contract liabilities	(8,200)
Other current liabilities	(747)
Deferred tax liabilities	(65,005)
Non-current liabilities	(518)
Non-controlling interests	(267,716)
Fair value of identifiable net assets acquired	92,214

(c) **Net cash inflow from acquisition of a subsidiary**

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

33 BUSINESS COMBINATION (CONTINUED)

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

The aggregated net assets of the newly acquired business mentioned above as at 29 June 2020 amounted to RMB92,214,000. The acquired business contributed revenues of RMB604,181,000 and net profit of RMB127,230,000 to the Group for the period from 30 June 2020 to 31 December 2020.

If the acquisition had occurred on 1 January 2020, consolidated pro-forma revenue and profit for the year ended 31 December 2020 would have been RMB1,563,622,000 and RMB177,150,000, respectively. These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the group and the subsidiary, and
- the additional amortization that would have been charged assuming the fair value adjustment to intangible assets had applied from 1 January 2020, together with the consequential tax effects.

(e) Accounting policy choice for non-controlling interests

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in Mico, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets. See note 2.4 for the Group's accounting policies for business combinations.

34 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the years presented. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

34 RELATED PARTY TRANSACTIONS (CONTINUED)

34a Names and relationships with related parties

The following individuals/companies are significant related parties of the Group that had transactions and/or balances with the Group during all years presented.

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

34b Transactions with related parties

The transactions with related parties are conducted in the ordinary course of the Group's business on terms comparable to the terms of transactions with other entities that are not related parties. The Group prices its services and goods based on commercial negotiations with reference to rules and regulations stipulated by related authorities of the PRC Government, where applicable. The Group has also established its procurement policies and approval processes for purchases of goods and services, which do not depend on whether the counterparties are related parties or not.

The following transactions occurred with related parties:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Collection on behalf of the Group		
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 monetization payments on behalf of the Group from certain customers in relation to the monetization of certain mobile applications. They forwarded the relevant payments to the Group at the demand of the Group.

34 RELATED PARTY TRANSACTIONS (CONTINUED)

34c Outstanding balances arising from transactions with related parties

The following balances are outstanding at the end of the year in relation to transactions with related parties:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Other payable to related party		
Ye Chunjian (Note 19b)	**126,153**	–

The transaction with Phoenix Fortune as described in Note 1 and Note 33 also constituted as the related party transaction of the Group.

34d Key management personnel remuneration

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Wages, salaries and bonus	**2,878**	2,542
Discretionary bonuses	**–**	–
Contributions to pension plans	**19**	244
Other social security costs, housing allowance and other allowance	**323**	373
Share-based compensation expenses	**4,854**	–
Total employee benefit expense	**8,074**	3,159

The related party transactions in respect of Note 34b and 34c above also constitute connected transactions as defined in Chapter 14A of the Listing Rules.

35 EVENT OCCURRING AFTER THE REPORTING PERIOD

On 24 March 2021, the Board has resolved and approved the grant of 957,333 RSUs to 5 grantees pursuant to the Employee RSU Scheme subject to acceptance by the grantees. The total 957,333 RSUs granted to the grantees amounted to approximately 0.10% of the issued share capital of the Company as at the date of this annual report.

36 BALANCE SHEET AND OTHER RESERVES MOVEMENT OF THE COMPANY

(a) Balance sheets of the Company

	Note	As at 31 December **2020** *RMB'000*	2019 *RMB'000*
ASSETS			
Non-current assets			
Investment in subsidiaries		**2,025,000**	2,025,000
Total non-current assets		**2,025,000**	2,025,000
Current assets			
Other current assets		**388**	–
Other receivable		**81,547**	90,426
Cash and cash equivalents		**114,161**	123,259
Total current assets		**196,096**	213,685
Total assets		**2,221,096**	2,238,685
LIABILITIES			
Current liabilities			
Other payable		**178,611**	186,129
Total liabilities		**178,611**	186,129
EQUITY			
Share capital		**695**	696
Share premium	36(b)	**2,118,542**	2,120,062
Other reserves	36(b)	**(45,732)**	(42,912)
Accumulated losses		**(31,020)**	(25,290)
Total equity		**2,042,485**	2,052,556
Total liabilities and equity		**2,221,096**	2,238,685

The balance sheet of the Company was approved for issue by the Board of Directors on 24 March 2021 and were signed on its behalf:

Liu Chunhe
Director

Wang Kui
Director

As at 31 December 2020, other receivable primarily included the loan to subsidiaries of the Group. As at 31 December 2019, other payable primarily included amount due to a subsidiary for the repurchase of shares and the accrued listing expense.

36 BALANCE SHEET AND OTHER RESERVES MOVEMENT OF THE COMPANY (CONTINUED)

(b) Other reserves movement of the Company

	Share premium *RMB'000*	Treasury Shares *RMB'000*	Capital reserve *RMB'000*	Translation reserve *RMB'000*	Total other reserves *RMB'000*
As at 31 December 2018	–	–	–	–	–
Other comprehensive income	–	–	–	(2,554)	(2,554)
Capital contribution from shareholders	2,006,669	–	–	–	2,006,669
Issuance of ordinary shares	498	–	–	–	498
Repurchase of shares	(83,025)	–	(40,358)	–	(123,383)
Capitalisation issue	(437)	–	–	–	(437)
Issuance of shares upon Initial Public Offering	204,577	–	–	–	204,577
Share issuance costs	(19,082)	–	–	–	(19,082)
Conversion of preferred shares to ordinary shares	10,862	–	–	–	10,862
As at 31 December 2019	2,120,062	–	(40,358)	(2,554)	2,077,150
Other comprehensive income	**–**	**–**	**–**	**(2,820)**	**(2,820)**
Purchase of own shares	**–**	**(1,521)**	**–**	**–**	**(1,521)**
Cancellation of shares	**(1,520)**	**1,521**	**–**	**–**	**1**
As at 31 December 2020	**2,118,542**	**–**	**(40,358)**	**(5,374)**	**2,072,810**

"AI"	artificial intelligence
"AGM"	the annual general meeting of the Company to be held on 31 May 2021
"Articles" or "Articles of Association"	the articles of association of our Company as amended from time to time
"ARPU"	the average amount of revenue, including the revenue from in-app purchase and mobile advertising, generated from each mobile device user for a particular period
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"Corporate Governance Code"	the "Corporate Governance Code and Corporate Governance Report" as contained in Appendix 14 to the Listing Rules
"China", "PRC" or "Mainland China"	the People's Republic of China, which for the purpose of this annual report only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Companies Law"	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Company", "our Company" or "the Company"	Newborn Town Inc. (赤子城科技有限公司), a company with limited liability incorporated in the Cayman Islands on 12 September 2018
"Consolidated Affiliated Entities"	the entities we control through the Contractual Arrangements, being NewBornTown Mobile Technology and NewBornTown Network Technology
"Contractual Arrangements"	a series of contractual agreements reached to consolidate our interests in the Consolidated Affiliated Entities entered into among WFOE, NewBornTown Mobile Technology and the PRC Equity Holders during the Reorganisation

"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholders Group"	Mr. Liu Chunhe and Mr. Li Ping, together with their respective close associates, including Spriver Tech Limited and Parallel World Limited, a group of individuals acting in concert with each other, which constitute the controlling shareholder of our Company
"Director(s)"	the director(s) of our Company or any one of them
"Employee RSU Scheme"	the restricted share unit scheme of the Company adopted by our Board on 11 December 2019
"Employee RSU Trustee"	TMF Trust (HK) Limited, an independent and professional trustee appointed by our Company to act as the trustee of the Employee RSU Scheme
"Great Sailing"	Great Sailing Media Limited (formerly known as Mobile Box Limited), a company incorporated in Hong Kong with limited liability on 16 April 2013 and an indirect wholly-owned subsidiary of our Company
"Group," "our Group," or "the Group"	the Company and its subsidiaries from time to time
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"IFRS"	the International Financial Reporting Standards, amendments and interpretation issued from time to time by the International Accounting Standards Board
"Latest Practicable Date"	9 April 2021, being the latest practicable date prior to the printing of this annual 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)
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"Management RSU Scheme"	the restricted share unit scheme of the Company adopted by our Board on 11 December 2019
"Management RSU Trustee"	TMF Trust (HK) Limited, an independent and professional trustee appointed by our Company to act as the trustee of the Management RSU Scheme
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"NewBornTown Mobile Technology"	NewBornTown Mobile Technology (Beijing) Holdings Co., Ltd. (赤子城移動科技（北京）股份有限公司), a company incorporated under the laws of the PRC with limited liability on 15 August 2007 and by virtue of the Contractual Arrangements, accounted for as our subsidiary
"NewBornTown Network Technology"	NewBornTown Network Technology (Beijing) Co., Ltd. (赤子城網絡技術（北京）有限公司), a company incorporated under the laws of the PRC with limited liability on 28 February 2014 and a direct wholly-owned subsidiary of NewBornTown Mobile Technology
"Nomination Committee"	the nomination committee of the Company
"Prospectus"	the prospectus of the Company dated 17 December 2019

"Relevant Period"	the period from 1 January 2020 and up to the Latest Practicable Date
"Remuneration Committee"	the remuneration committee of the Company
"RMB"	Renminbi yuan, the lawful currency of China
"RSU"	a restricted share unit award granted to a participant under the RSU Scheme
"RSU Schemes"	the Employee RSU Scheme and the Management RSU Scheme
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US$0.0001 each
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed thereto in the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers issued by SFC, as amended or supplemented from time to time
"U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States
"We", "us" or "our"	our Company or our Group, as the context may require
"WFOE" or "Shandong NewBorn Town"	Shandong NewBornTown Network Technology Co., Ltd. (山東赤子城網絡技術有限公司), a company incorporated under the laws of the PRC with limited liability on 30 August 2018 and a direct wholly-owned subsidiary of Solo X Technology
"%"	per cent

赤子城

newborntown