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) (resigned as Chief Executive Officer on 26 August 2021)
Mr. LI Ping (appointed as Chief Executive Officer on 26 August 2021)
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 (resigned on 26 August 2021)
Mr. GAO Ming(appointed on 26 August 2021)
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 (resigned on 26 August 2021)
Mr. GAO Ming (appointed on 26 August 2021)

REMUNERATION COMMITTEE

Mr. LIU Rong (Chairman) (resigned on 1 April 2021)
Mr. HUANG Sichen (Chairman) (appointed on 1 April 2021)
Mr. WANG Kui (resigned on 1 April 2021)
Mr. YE Chunjian (appointed on 1 April 2021 and resigned on 26 August 2021)
Mr. SU Jian (appointed on 26 August 2021)
Mr. PAN Xiya (resigned on 26 August 2021)
Mr. GAO Ming (appointed on 26 August 2021)

NOMINATION COMMITTEE

Mr. PAN Xiya (Chairman) (resigned on 26 August 2021)
Mr. LIU Chunhe (Chairman) (appointed on 26 August 2021)
Mr. LI Ping (resigned on 26 August 2021)
Mr. HUANG Sichen (appointed on 26 August 2021)
Mr. CHI Shujin

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F Prince's Building
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Hong Kong

REGISTERED OFFICE

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Hong Kong

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Central
Hong Kong

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

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CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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Cayman Islands

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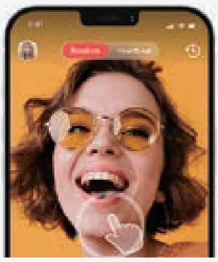
STOCK CODE

09911

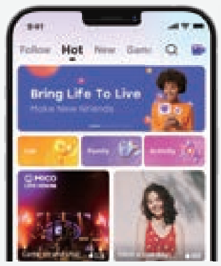
COMPANY'S WEBSITE

www.newborntown.com

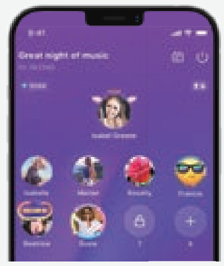
BUSINESS HIGHLIGHT



Yumy – Heartbeat social networking platform



MICO – Open social networking platform



YoHo – Audio social networking platform

DOUBLED REVENUE GROWTH

Revenue

RMB**2.36** billion

increased by **99.7**% YOY

Income from value-added services

RMB**2.06** billion

Increased by **213.7**% YOY

SIGNIFICANT INCREASE IN PROFIT

Adjusted net profit

RMB**0.31** billion

increased by **99.5**% YOY

Adjusted EBITDA

RMB**0.36** billion

increased by **80.1**% YOY

INCREASED INVESTMENT IN RESEARCH AND DEVELOPMENT

Investment in research and development

RMB**0.13** billion

increased by **123.6**% YOY

The number of research and development staff increased to **337**

representing **61**%, an increase of 18 percentage points

RAPID GROWTH OF SOCIAL NETWORKING BUSINESS

Total downloads of social media APPs

reaching **344** million

Approximately **21.79** million

monthly active users of our social networking products in December 2021, nearly doubled compared to the average monthly active users for the year of 2020

STABLE PROMOTION OF NICHE GAMS STRATEGY

Launching niche games such as
Mergeland

Upgrading our game framework
Solar Creator

PROACTIVE EXPLORATION OF THE METAUNIVERSE FIELD

Yumy

Building a metaverse module
Meta Town

Enriching metauniverse social scenario and experience

	Year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from contracts with customers	**2,359,816**	1,181,593	389,685	276,686	181,842
Gross profit	**1,003,320**	752,489	261,512	141,420	70,374
(Loss)/profit before income tax	**(393,881)**	130,180	78,386	68,610	36,776
(Loss)/profit for the year	**(387,125)**	114,343	68,415	59,737	31,981
Non-IFRS measures[1]					
Adjusted net profit[2]	**308,980**	154,858	109,442	60,024	31,095
Adjusted EBITDA[3]	**357,067**	198,285	126,626	73,665	41,523

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.

(3) Adjusted EBITDA is defined as operating profit adjusted by share-based compensation expenses, listing expenses, depreciation and amortization.

	As at 31 December				
	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets	**496,434**	505,469	203,315	89,072	63,457
Current assets	**1,125,994**	762,695	574,245	525,157	454,761
Total assets	**1,622,428**	1,268,164	777,560	614,229	518,218
LIABILITIES					
Current liabilities	**727,297**	409,487	131,027	101,712	74,638
Non-current liabilities	**55,037**	71,669	11,988	4,171	2,999
Total liabilities	**782,334**	481,156	143,015	105,883	77,637
EQUITY					
Total equity	**840,094**	787,008	634,545	508,346	440,581
Total liabilities and equity	**1,622,428**	1,268,164	777,560	614,229	518,218

CHAIRMAN'S STATEMENT

Dear Shareholders,

Newborn Town Inc. has been focused on going overseas for nearly ten years. Over the years, our team has always taken going overseas as its own responsibility, addressing the diverse needs of global users, and contributing our Chinese solutions to the global market. Nowadays, the Company has grown into a leader in overseas internet platform in the PRC, with a view to becoming the largest overseas internet platform in the PRC.

In the past year under review, the Company developed rapidly in the social networking business leveraging the endeavors through years in the global open social networking industry and the tremendous investment in product development and market operation. The Company's share in the global market continuously increased and we achieved breakthrough in the developed markets of Europe, America, Japan and Korea with the rapid growing value of our users. Benefiting from the strong revenue contribution from our social networking business, our revenue reached RMB2.36 billion, an increase of 99.7% compared with the same period in previous year, which was a record high in annual revenue of the Company. The adjusted net profit of the Company for the year reached RMB0.31 billion, an increase by 99.5% year on year; and the adjusted EBITDA was RMB0.36 billion, an increase by 80.1% year on year, achieving significant growth.

We enhanced our effort in the localization of operation in multiple markets throughout the world, and succeeded in localization in various aspects such as product usage, corporate management, user service, social responsibilities. We improved our operating efficiency in various markets by continuously integrating the concept of "localization" into the corporate strategy to allow more and more global users to access to the high-quality social networking products and services we provide. In general, the market shares and competitiveness of the Company in the global open social networking industry have been enhanced at accelerating speed.

In addition, we focused on our social networking business and seized various opportunities of the development in overseas market while actively developing innovative businesses. In 2021, the Company adhered to the policy of providing niche games and made steady breakthroughs. Meanwhile, we actively explored the metaverse and started to launch deployment in an aim to construct the Meta Town models of metaverse to keep enriching and upgrading the social networking scenario and experience in the metaverse social networking.

Being a leader in the overseas internet platform industry, the Company will maintain its position in the global market and focus on the social networking business while keeping expanding our boundary, seizing market opportunities and uncovering greater values. We hope the development and expansion of the Company would further diversify the social networking and entertainment of our users around the world.

I hereby present the Company's financial position and operating highlights for 2021, and summarise strategies and outlook of the Company for 2022.

BUSINESS REVIEW

I. Social products breaking circle globally

Currently, the global audio and video social market size is growing at a high pace. The audio social market size and the video social market size are expected to increase from US$15.4 billion and US$31.9 billion in 2019 to US$52.6 billion and US$128.7 billion in 2024, respectively. The share of audio and video social networking in the global social networking market is expected to grow from 33.48% in 2019 to 60.33% in 2024.

The Company launches broad deployment in audio and video social networking, and actively builds content social networking focusing on PUGC community. At the beginning of 2021, the Company launched Yumy, a heartbeat social networking platform, which focuses on "video matching" and "10-second heartbeat", enabling users to receive an immersive social experience. It has quickly gained more than 50 million global users in one year, and has ranked among the top 10 of Google Play social app downloads and bestsellers in dozens of countries and regions.

By putting more in research and development and keeping launching new products, the Company has formed a portfolio of audio and video social products represented by Yumy, MICO and YoHo, and created multiple forms of audio and video social scenarios such as video matching, open social networking and multiplayer voice rooms, which catered to the diversified social needs of users across the world.

While keeping launching new products, we conducted an iteration upgrade of technology. Based on the global traffic pool of over 1.3 billion users at current stage, the Company sticks to optimising middle platform systems such as the AI engine Solo Aware and user scenario engine to precisely target the segmented needs of users in each market. As a result, not only can products achieve rapid research and development, but also core products such as Yumy, MICO, YoHo can be continuously optimised, which have improved the efficiency of matching and development and operation of our social products.

Our localized operation in a number of emerging markets over the years has formed a set of reproducible methodology, which not only allows us to find key markets first after launching new social networking products, quickly combine local differentiation to carry out product innovation, and finally quickly verify the market but also allows the Company to greatly improve its operational efficiency when exploring developed markets such as Europe and the America. Before that, the Company has been rooted in emerging markets for many years and has become mainstream social networking platform in the Middle East, Southeast Asia, South Asia and other markets. In 2021, our social networking products have achieved breakthroughs in developed markets such as Europe, America, Japan and Korea, with significant growing value of users and enhancing global brand influence.

In particular, Yumy ranks top 20 among the social networking apps in terms of downloads in developed countries including the US, Canada, UK and France, and is a top-10 social networking app in terms of sales in countries and regions such as Denmark, Portugal and New Zealand; MICO is a top-10 social networking app in terms of sales in Canada, UK, Italy and other countries and regions, topped the list in Sweden, Belgium and Portugal and other countries, and remained a top-20 social networking app in terms of sales in the US; YoHo is a top-10 social networking app in terms of sales in the US, France and other European and American countries. The Company's global social networking layout is improving day by day. We believe that with continuous in-depth localized business concept, the Company's operational efficiency around the world will be further improved.

As at the end of 2021, the total downloads of our social networking products reached 344 million; the monthly active users of our social networking products was approximately 21.79 million in December 2021, nearly doubled compared to the average monthly active users for the whole year of 2020. Benefiting from the rapid development of our social networking business, our revenue from value-added service increased significantly, representing a year-on-year growth of 213.7% to RMB2.06 billion, accounting for 87.4% of our total revenue, which became a main driver of the Company's revenue growth. At present, the Company has varied ways of monetising its high-quality social networking products, including virtual items purchases, membership subscriptions, premium feature purchases and gift rewards.

Overall, in 2021, our social networking business achieved high-quality growth and featured significant potential for value-added services revenue in our monetization model.

II. Niche games launched globally

We focus on social networking business, explore diversified development opportunities and extend our innovative businesses such as games. In 2021, the Company made steady breakthrough in games and other niche segments. We have been firmly sticking to niche games. The Company launched Mergeland in 2021, which is a middle-core handheld game, and is monetized through IAP (in-app purchase) and a few incentive video advertisements.

The high-quality synthesis game Mergeland is an S-grade handheld game. Its many core data in the testing stage has reached the top level worldwide. The product incorporates elements of construction and management on the classic synthesis gameplay, with novel gameplay and exquisite art style. As at the end of 2021, Mergeland's next-day retention rate was nearly 60%, and its long-term retention and user market and other data were outstanding.

Solar Creator intelligent game framework is a longer-term layout after we decided to develop niche games. Our technical R&D team has more than 12 years of game development experience. It is a complete set of personalized solutions for mobile game clients independently developed by us based on the Unity engine and Tencent xLua plug-in. It is an engine module and a technology middle platform, which is mainly combined with the Company's product planning and operational needs, through the in-depth customization and packaging of a series of multi-functional core modules to greatly avoid reinventing the wheel in the process of game development, reducing the technical threshold of game development and saving a lot of labour costs for the Company. With the Company's original AI technology and the support of the middle platform, it can greatly improve the efficiency of daily development, effectively reduce the cost of research and development, and significantly improve the performance, memory, picture quality, sound quality and overall performance of the game. Currently, we have applied for a number of national technology patents, adhering to the spirit of innovation, constantly exploring new breakthrough points, and providing a more interesting, efficient and convenient development model for game research and development.

We are currently adopting the strategy of "self-development + distribution + investment" to develop our niche game business, pursuing top quality and long-term development from researching and establishing projects, developing and producing to distributing and operating. Meanwhile, our game development team is growing, our research and development expense keeps increasing, and our research and development strength gets greatly improved.

III. Proactively exploring the metauniverse

While continuously improving its business layout, the Company has been paying close attention to metauniverse technology and application development in the past two years. We believe that metauniverse is a very immersive social scenario and the super future of social networking. We are actively exploring the extension of social networking and game products to the metauniverse, and have initially built Meta Town, a metaverse module, in Yumy, which is currently in the internal testing stage.

The reason for our deployment in the metaverse field is that we already have a certain advantage in exploring metauniverse: firstly, we have been deploying in the audio and video social networking field for seven years, and have scale social relationship deposits in major global markets. Platform users have formed good content creation habits so we owned a large amount of UGC content. At the same time, we have profound accumulation in real-time interaction, AI, big data and other technology fields, as well as world leading operational capability in localization, which enables us to open up the link in various global markets and build a global meta-universe platform in the future.

In the current version of Meta Town, users can customize the 3D virtual image and perform heart-matching, video interaction and other functions with the virtual image. The meta-universe social scene and experience in the product is continuously enriched and upgraded.

STRATEGY AND OUTLOOK

1. Deep-rooted into the global open social networking sector

The global open social networking market is expected to reach US$100 billion in the next five years. In addition, the total global social media market will increase from US$141.3 billion in 2019 to US$300.5 billion in 2024. Given that, the global social networking industry has a broad space for development and will maintain rapid growth.

We will keep deep-rooted into the open social networking sector in the global market, put more in social networking business, promote product innovation, and create world-leading open social networking products, while keeping enriching the product portfolio to cater to the diversified needs of global users and serve more groups and offering richer social networking experience for global users and continue to expand our social networking business.

Additionally, we will put more in product research and development, promote the continuous upgrading of technology, optimise our AI engine-Solo Aware, user scenario engine and other middle platform to improve product matching efficiency and research and operation efficiency.

In terms of content carriers of our social networking products, we will continue to focus on the form of video and audio, optimise core products, namely Yumy, MICO, YoHo, create high-quality content ecology within the product, and extensively uncover and quickly respond to the different requirements of users, providing users with a diversified, real-time, efficient and immersive social experience and improving user stickiness and usage time.

Besides, we will keep exploring multiverse social networking. We will implant richer multiverse elements in our products based on users' feedback to their multiverse social experience, and then gradually build a multiverse social networking scenario, to bring global users the next generation of real-time and new social networking experience with a stronger sense of immersion.

2. In-depth promotion of overseas localized business concept

As a global enterprise, Newborn Town Inc. is committed to launching optimal social networking products to the world and enriching the social networking entertainment life of users around the world. Therefore, in addition to keeping exploring and innovating products, one of the most important tasks of the Company is to thoroughly implement the localized business concept and formed a standardized and replicable methodology of global development.

We will continue in-depth development in overseas markets, practice localization in product use, corporate management, user services, social responsibility and other aspects, infuse the concept of "localization" into our corporate strategy, and improve operating efficiency in various places, in ways that provide better social networking products and services to global users.

In addition, we will continue to deeply explore emerging markets such as the Middle East, Southeast Asia, and South Asia, and vigorously explore developed markets in Europe, America, Japan and Korea to further capture shares from high value markets, while exploring the South American, Chinese and other markets to expand the user base and market coverage, optimising our global social networking coverage.

We will further strengthen brand building, establish connections and cooperation with resources around the world, and actively fulfill corporate social responsibility, and pass on positive values, to lay a better foundation for the long-term business planning in next ten or twenty years, and enhance our brand influence in the global market.

3. Exploring diversified development opportunities in overseas markets

The innovative business remains to be one of our focus in which more investment are to put. We will further promote niche games strategy, vigorously develop middle and high-core game product portfolio on top of operating current products, expand the user base and market coverage, improve game quality and extend the life cycle of games while strengthening the synergies between social networking and game.

In addition, we will put more efforts in game research and development, continuously expand our game R&D team, improve R&D strength, invest in operational resources, and continue to optimise Solar Creator intelligent game framework to drive game R&D efficiently. We hope to create more niche and hot games and introduce our games to more players around the world.

Meanwhile, with a global vision, we will keep detecting and uncovering the customisation requirements of global users, focus on diversified development opportunities such as the multiverse, and achieve multi-dimensional growth in overseas markets. We will also maintain close cooperation with various going-overseas companies to enable quality products and services from China to get popular among more overseas users.

REVENUE

Our total revenue increased by 99.7% to RMB2,359.8 million for the year ended 31 December 2021 as compared to RMB1,181.6 million for the year ended 31 December 2020. The following table sets forth a breakdown of our revenue by segments for the years indicated:

	Year ended 31 December				
	2021		2020		
	RMB'000	***% of Total revenue***	*RMB'000*	*% of Total revenue*	*YoY Change*
Value-added service business	**2,062,360**	**87.4**	657,520	55.6	213.7%
In-app purchase	**2,062,360**	**87.4**	657,520	55.6	213.7%
Traffic monetisation business	**297,456**	**12.6**	524,073	44.4	-43.2%
In-app traffic monetisation business	**297,456**	**12.6**	511,202	43.3	-41.8%
Mobile advertising platform and related business	**–**	**–**	12,871	1.1	-100.0%
Total	**2,359,816**	**100.0**	1,181,593	100.0	99.7%

The revenue from value-added service business increased by 213.7% to RMB2,062.4 million in 2021 as compared to RMB657.5 million in 2020, primarily because (i) at the beginning of 2021, we launched Yumy, a heartbeat social product, and it has quickly gained a large amount of users, while enriching our social networking product matrix and offering richer social networking experience for global users; (ii) the operational efficiency around the world has been improved, our social networking products have achieved breakthroughs in developed markets such as Europe, America, Japan and Korea, with significant growing value and monetisation efficiency of users; (iii) we continued to optimising middle platform systems such as the AI engine Solo Aware and user scenario engine to precisely target the segmented needs of users in each market, which have improved the efficiency of matching and development and operation of our social products.

The revenue from traffic monetisation business decreased by 43.2% to RMB297.5 million in 2021 as compared to RMB524.1 million in 2020, which was primarily because we iterated the traffic monetisation business and focused on the research and development of middle-core handheld games.

The decrease in the revenue of mobile advertising platform and related business 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 216.1% to RMB1,356.5 million for the year ended 31 December 2021, as compared to RMB429.1 million for the year ended 31 December 2020. The following table sets forth a breakdown of our cost of revenue by nature for the years indicated:

	Year ended 31 December				
	2021		2020		
	RMB'000	***% of Total revenue***	*RMB'000*	*% of Total revenue*	*YoY Change*
Revenue sharing to streamers	**892,521**	**37.8**	211,032	17.9	322.9%
Payment handling costs	**224,470**	**9.5**	82,732	7.0	171.3%
Employee benefit expense	**93,206**	**3.9**	39,154	3.3	138.0%
Server capacity expense	**43,244**	**1.8**	20,344	1.7	112.6%
Intangible assets amortisation	**40,766**	**1.7**	20,783	1.8	96.2%
Share-based compensation expenses	**29,830**	**1.3**	25,475	2.2	17.1%
Technical and other service fee	**13,836**	**0.6**	7,437	0.6	86.0%
Cost for advertising placement	**–**	**–**	6,913	0.6	-100.0%
Goodwill impairment	**–**	**–**	5,029	0.4	-100.0%
Others	**18,623**	**0.8**	10,205	0.9	82.5%
Total	**1,356,496**	**57.4**	429,104	36.4	216.1%

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

	Year ended 31 December				
	2021		2020		
	RMB'000	***%***	*RMB'000*	*%*	*YoY Change*
Value-added service business	**1,316,612**	**97.1**	361,080	84.1	264.6%
Traffic monetisation business	**39,884**	**2.9**	68,024	15.9	-41.4%
Total	**1,356,496**	**100.0**	429,104	100.0	216.1%

The significant increase in the cost of revenue from 2020 to 2021 was primarily because we promoted the social networking business vigorously by introducing the audio and video social networking products.

The cost of revenue for value-added service business increased by 264.6% to RMB1,316.6 million in 2021 as compared to RMB361.1 million in 2020, primarily due to the increase in revenue sharing to streamers of our social networking business and payment handling cost, which enabled us to maintain and attract users.

The cost of revenue for traffic monetisation business decreased by 41.4% to RMB39.9 million in 2021 as compared to RMB68.0 million in 2020, primarily due to we iterated the traffic monetisation business and reduced the investment.

GROSS PROFIT AND GROSS PROFIT MARGIN

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

	Year ended 31 December						
	2021			2020			
	Gross profit	***%***	***Gross Profit margin***	*Gross profit*	*%*	*Gross Profit margin*	*YoY Change in gross profit*
			(RMB'000,	*except percentages)*			
Value-added service business	**745,748**	**74.3**	**36.2%**	296,440	39.4	45.1%	151.6%
Traffic monetisation business	**257,572**	**25.7**	**86.6%**	456,049	60.6	87.0%	–43.5%
Total	**1,003,320**	**100.0**	**42.5%**	752,489	100.0	63.7%	33.3%

Our gross profit increased by 33.3% to RMB1,003.3 million in 2021 as compared to RMB752.5 million in 2020 which was mainly because we kept deep-rooted into the open social networking sector in the global market, and put more in our social networking business. With the explosively growth of revenue, gross profit also increased significantly.

Our gross profit margin decreased to 42.5% in 2021 from 63.7% in 2020, primarily because the increase in the proportion of gross profit of value-added service business, which recorded a lower gross profit margin. The gross profit margin of our traffic monetisation business decreased to 86.6% in 2021 from 87.0% in 2020. The gross profit margin of our value-added service business decreased to 36.2% in 2021 from 45.1% in 2020, which was mainly driven by the increase in revenue sharing to streamers of our social networking business and payment handling cost.

SELLING AND MARKETING EXPENSES

For the year ended 31 December 2021, our selling and marketing expenses increased by 4.4% to RMB504.9 million as compared to RMB483.5 million for the year ended 31 December 2020, primarily because we continued our promotional efforts in marketing our apps in the global market.

RESEARCH AND DEVELOPMENT EXPENSES

For the year ended 31 December 2021, our research and development expenses increased by 123.6% to RMB130.9 million as compared to RMB58.5 million for the year ended 31 December 2020, primarily due to the increase in employee benefit expenses.

GENERAL AND ADMINISTRATIVE EXPENSES

For the year ended 31 December 2021, our general and administrative expenses increased by 1,219.4% to RMB730.1 million as compared to RMB55.3 million for the year ended 31 December 2020, primarily due to (i) an increase of RMB651.0 million in share-based compensation expenses; and (ii) an increase of RMB17.0 million in employee benefit expenses.

OPERATING (LOSS)/PROFIT

For the year ended 31 December 2021, we recorded an operating loss amounting to RMB390.1 million as compared to RMB132.1 million of operating profit for the year ended 31 December 2020, primarily due to (i) an increase of RMB651.0 million from share-based compensation expenses in general and administrative expenses; (ii) with the explosively growth of revenue, gross profit increased RMB250.8 million; and (iii) an increase of RMB72.3 million in research and development expenses.

FINANCE INCOME/(COST), NET

For the year ended 31 December 2021, we recorded a net finance cost of RMB3.6 million as compared to a net finance cost of RMB1.9 million for the year ended 31 December 2020. Such change was primarily due to an increase of finance cost recognized relating to the deferred consideration for the acquisition of approximately 23.27% equity interest of a subsidiary.

INCOME TAX

For the year ended 31 December 2021, we recorded income tax credits of RMB6.8 million as compared to the income tax expense of RMB15.8 million for the year ended 31 December 2020, primarily due to the change in tax rate. In 2021, one of our subsidiaries was accredited as a software enterprise under the relevant PRC laws and regulations since 2020 and is entitled to tax exemption in 2020 and 2021 pursuant to the Enterprise Income Tax Law. The related deferred tax assets and deferred tax liabilities attributable to this subsidiary as at 31 December 2021 were calculated based on the applicable future tax rates accordingly, which led to RMB5.1 million of deferred income tax credits being recognized in current period.

(LOSS)/PROFIT FOR THE YEAR

As a result of the foregoing, we recorded a loss for the year amounting to RMB387.1 million for the year ended 31 December 2021, as compared to RMB114.3 million of profit for the year ended 31 December 2020.

NON-IFRS MEASURES

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

We define adjusted net profit as profit for the year adjusted by share-based compensation expenses, net of its tax effect. And we define adjusted EBITDA as operating profit adjusted by share-based compensation expenses, depreciation and amortization. The use of adjusted net profit and adjusted EBITDA 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 or adjusted EBITDA 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 or adjusted EBITDA are not defined under IFRS, and such terms may not be comparable to other similarly titled measures used by other companies.

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

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
(Loss)/profit for the year	**(387,125)**	114,343
Add:		
Share-based compensation expenses[(1)(2)]	**696,105[(2)]**	40,775[(1)]
Tax effect[(3)]	**–**	(260)
Adjusted net profit	**308,980**	154,858
Adjusted net profit growth	**99.5%**	41.5%
Adjusted EBITDA[(4)]	**357,067**	198,285
Adjusted EBITDA growth	**80.1%**	56.6%

Notes:

(1) 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.

(2) In May 2020 and March 2021, the Board approved the grant of an aggregate of 55,227,573 RSUs and 957,333 RSUs respectively to certain employees and management pursuant to the RSU Schemes. Share-based compensation expenses was recognized based on the vesting period of the RSU Schemes, and amounted to RMB24,113,000 in the current period, tantamount to the economic benefits in relation to the benefit of the certain employees and management obtained from the Company. For further details, please refer to the announcements dated 28 May 2020 and 24 March 2021 of the Company. A subsidiary of the Company has recognized share-based compensation expenses amounting to RMB280,000 in relation to awards granted in 2018 pursuant to its share incentive plan.

On 30 August 2021, the Board proposed to grant in aggregate 80,000,000 share options to 32 eligible persons. The grant includes performance-based share options to grantees, which are generally vested within 10 years. Share Options of each grantee will be vested in four tranches subject to the fulfilment of certain performance targets relating to the Company. The performance targets were determined by the Board. For those awards, evaluations were made on 31 December 2021 to access the likelihood of meeting the performance targets. Share-based compensation expenses amounting to approximately RMB81,252,000 were recognized in the Reporting Period.

During the reorganization of Beijing Mico occurred during the Reporting Period, the minority shareholders of NBT Social Networking transferred its 11.25% equity interest in NBT Social Networking to a subsidiary of the Group's senior management and core management team for free to recognize the management team's contribution to the development of the Group. There is no service or performance conditions attached in respect of the transfer of equity interest, therefore in accordance with IFRS 2 Share-based Payments, the Company recorded share-based compensation expense amounting to approximately RMB590,460,000 in general and administrative expenses at the time when such share-based payments arrangement was entered into. The fair value of the share-based payment was determined with reference to the fair value of Beijing Mico determined in the transaction with BGFG.

(3) Including tax effects on share-based compensation expenses recognised by the subsidiary, which are calculated with a tax rate of 15% in 2020.

(4) We define adjusted EBITDA as operating profit adjusted by share-based compensation expenses, depreciation and amortization.

CAPITAL STRUCTURE

We continued to maintain a healthy and sound financial position. Our total assets grew from RMB1,268.2 million as at 31 December 2020 to RMB1,622.4 million as at 31 December 2021, while our total liabilities increased from RMB481.2 million as at 31 December 2020 to RMB782.3 million as at 31 December 2021. Liabilities-to-assets ratio increased from 37.9% as at 31 December 2020 to 48.2% as at 31 December 2021.

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 2021, our cash and cash equivalents was RMB724.6 million, compared with RMB431.0 million as at 31 December 2020.

Compared with RMB298.7 million for the year ended 31 December 2020, the cash generated from operations in 2021 increased to RMB391.6 million.

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

To preserve funds for future capital expenditure and new business opportunities, we continued to invest surplus cash in commercial bank wealth management products and funds issued by major and reputable financial institutions, which generated 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 2021, the fair value of such investments decreased to RMB166.1 million, compared with RMB178.0 million as at 31 December 2020. Such decrease was primarily due to the disposal and maturity of our investments.

CAPITAL EXPENDITURE

As at 31 December 2021, our capital expenditure primarily consisted of expenditures on property and equipment, including purchases of computers and other office equipment. The capital expenditure increased from RMB2.1 million in 2020 to RMB4.0 million in 2021, primarily due to the increase in the purchase of computers and other electronic devices, and the office equipment during the year ended 31 December 2021.

SIGNIFICANT INVESTMENT

On 9 October 2021, the Company entered into an Equity Transfer Agreement with BGFG, pursuant to which BGFG has conditionally agreed to sell, and the Company has conditionally agreed to acquire approximately 11.50% equity interest of NBT Social Networking for a total consideration of HK$727,580,000, which shall be settled in cash of HK$281,580,000, and in the issuance of 100,000,000 ordinary shares of the Company to BGFG. This transaction was approved by the shareholders on 17 December 2021. The Company issued 100,000,000 ordinary shares to BGFG on 30 December 2021 accordingly. Upon completion of the acquisition, the Company held approximately 60.39% equity interest of NBT Social Networking.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

We did not have any other material investment, acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2021.

PLEDGE OF ASSETS

As at 31 December 2021, 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 of creating synergies with 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 2021, 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 2021.

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 2021, we had a total of 554 full-time employees, based in Beijing, Shenzhen and Jinan. Among all employees, 337 of them are in R&D department, representing 61% 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	36	Executive Director and Chairman	12 September 2018
Mr. LI Ping	32	Executive Director	22 June 2019
Mr. YE Chunjian	30	Executive Director	1 April 2021
Mr. SU Jian	47	Executive Director	1 April 2021
Mr. GAO Ming	36	Independent Non-executive Director	26 August 2021
Mr. CHI Shujin	37	Independent Non-executive Director	11 December 2019
Mr. HUANG Sichen	34	Independent Non-executive Director	1 April 2021

EXECUTIVE DIRECTORS

Mr. LIU Chunhe (劉春河), former name Liu Zhonghua (劉中華), aged 36, is the founder of the Group. He currently serves as the Chairman of the Board and executive Director 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 acts in concert with Mr. Li Ping.

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 32, is a co-founder, an executive Director and the chief executive 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, Beijing Mico 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, a director of Beijing Newborn Town Group Ltd. (北京赤子城集團有限公司) since January 2021 and a director of Beijing AFun Team Technology Ltd (北京阿凡提互娛科技有限公司) since August 2021. Mr. Li Ping acts in concert with Mr. Liu Chunhe.

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 30, 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 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 and a director of Beijing Newborn Town Group Ltd. (北京赤子城集團有限公司) since January 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 47, is an executive director of the Company and the chief executive officer of Beijing Mico. He joined the Group in May 2014 and is responsible for the overall management, strategies planning and decision-making of Beijing Mico. 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 since October 2021, a director of Beijing Newborn Town Group Ltd. 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 June 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. GAO Ming (高明), aged 36, was appointed as an independent non-executive Director of our Company in August 2021. He is responsible for providing independent advice and judgement to our Board.

Mr. GAO Ming served as a postdoctoral researcher at Guanghua School of Management, Peking University from July 2014 to August 2016. From July 2015 to July 2016, Mr. GAO was a visiting scholar at Princeton University. From August 2016 to August 2019, Mr. GAO served as an assistant professor at the School of Economics, Peking University. Since June 2017, Mr. GAO has been serving as a supervisor of candidates of master's degree at the School of Economics, Peking University. Since December 2018, Mr. GAO has been serving as a doctoral supervisor at the School of Economics, Peking University. Since September 2019, Mr. GAO has been serving as an associate professor at the School of Economics, Peking University.

Mr. GAO Ming graduated from Peking University with a bachelor's degree in economics and law in July 2009; and graduated from Peking University with a doctorate degree in economics in July 2014.

Mr. CHI Shujin (池書進), aged 37, 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 34, 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. 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 2021.

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 40, 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 39, 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 34, was appointed as our joint company secretary on 27 May 2019. He has been the acting chief financial officer of the Group since April 2021.

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 58, 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 2021.

PRINCIPAL ACTIVITIES

The Company is a leading Internet offshore company in China. Based on the traffic ecology of over 1.3 billion global users, the Company has deepened the development of the open-end social networking sector in the global market by launching various global audio and video social products such as Yumy, MICO and YoHo while actively developing innovative businesses such as niche games.

The Company is committed to becoming the largest open-end social platform in the world and the largest Internet offshore company in China by continuously enriching the social networking and entertainment life of global users.

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 11 to 14 in this annual report.

RESULTS OF OPERATIONS

The financial results of the Group for the year ended 31 December 2021 are set out on pages 11 to 18 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 2021.

BUSINESS REVIEW

A review of the Group's business for the year ended 31 December 2021, 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 2021, 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 10, "Management Discussion and Analysis" on pages 11 to 19 and "Corporate Governance Report" on pages 46 to 59 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 2021, 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 2021 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 use and expected timetable disclosed in the prospectus and the announcement dated March 24, 2021. The breakdown of the intended use and amount utilised as at 31 December 2021 were as follows:

	Budget *HK$ million* (approximately)	**Amount that had been utilised as at 31 December 2021** *HK$ million* (approximately)	**Remaining balance as at 31 December 2021** *HK$ million* (approximately)	**Proposed timetable for the use of unutilised net proceeds**
To develop, expand and upgrade our Solo X product matrix	126.0	107.3	18.7	On or before 31 December 2022
To enhance the big data and AI capabilities of our Solo Aware AI engine	28.4	20.7	7.7	On or before 31 December 2022
To be used for working capital and other general corporate purposes	10.7	10.7	–	On or before 31 December 2022
To upgrade our Solo Math programmatic advertising platform	1.8	1.8	–	On or before 31 December 2022
Total	166.9	140.5	26.4	On or before 31 December 2022

Note: The remaining proceeds of approximately HK$26.4 million are expected to be utilised on or before 31 December 2022, and is based on the Directors' best estimation of the future market conditions and thus subject to change.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2021, the Group's five largest customers in aggregate accounted for approximately 11.27% of the Group's total revenue. The Group's largest customer accounted for 4.55% of the Group's total revenue.

During the year ended 31 December 2021, the Group's five largest suppliers in aggregate accounted for approximately 40.82% of the Group's total purchase. The Group's largest supplier accounted for 9.54% of the Group's total purchase.

During the year ended 31 December 2021, 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 2021 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 2021 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 2021 are set out in notes 35(b) & 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's distributable reserves were approximately RMB2,457.1 million.

BANK BORROWING

As at 31 December 2021, 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 2021, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, chief executives of the Company, the controlling Shareholders (as defined under the Listing Rules) or their respective connected persons.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

During the year ended 31 December 2021, 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)(resigned as Chief Executive Officer on 26 August 2021)
Mr. LI Ping (Executive Director and Chief Executive Officer) (appointed as Chief Executive Officer on 26 August 2021)
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. PAN Xiya (resigned on 26 August 2021)
Mr. GAO Ming (appointed on 26 August 2021)
Mr. CHI Shujin
Mr. LIU Rong (resigned on 1 April 2021)
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 20 to 22.

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 2021. 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. CHI ShuJin has 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.

Mr. GAO Ming has entered into a letter of appointment with the Company on 26 August 2021. He will hold office for a period of three years commencing from 26 August 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) & 8a to the consolidated financial statements of this annual report.

For the year ended 31 December 2021, 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 2021.

Except as disclosed above, no other payments have been made or are payable, for the year ended 31 December 2021, 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 2021.

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 2021.

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 and underlying Shares(1)	Approximate percentage of shareholding(2)
Mr. Liu Chunhe(3)(5)	Interest in a controlled corporation(3)	237,806,646	19.96%
	Concert party(5)	340,928,420	28.62%
	Beneficial owner(6)	24,000,000	2.01%
Mr. Li Ping(4)(5)	Interest in a controlled corporation(4)	73,121,774	6.14%
	Concert party(5)	340,928,420	28.62%
	Beneficial owner(6)	6,000,000	0.50%
Mr. Su Jian	Beneficial owner(7)	9,000,000	0.76%
Mr. Ye Chunjian	Beneficial owner(8)	6,000,000	0.50%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 1,191,216,000 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). Accordingly, Mr. Liu Chunhe, Spriver Tech Limited, Mr. Li Ping, Parallel World Limited are each deemed to be interested in the Shares held by them under the SFO.

(6) On 30 August 2021, Mr. Liu Chunhe and Mr. Li Ping were granted 24,000,000 and 6,000,000 share option respectively by the Company under the share option scheme adopted by the Company on 31 May 2021 (the "**Share Option Scheme**"). The grant of 24,000,000 share options to Mr. Liu Chunhe and 6,000,000 share options to Mr. Li Ping was approved by the independent Shareholders at an extraordinary general meeting on 31 March 2022.

(7) On 30 August 2021, Mr. Su Jian was granted 9,000,000 share options by the Company under the Share Option Scheme.

(8) On 30 August 2021, Mr. Ye Chunjian was granted 6,000,000 share options by the Company under the Share Option Scheme.

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)
BGFG(3)	Beneficial owner(3)	100,000,000	8.39%
Phoenix Auspicious FinTech Investment L.P.(4)	Beneficial owner(4)	89,210,948	7.49%
Phoenix Wealth (Cayman) Asset Management Limited(4)	Interest in a controlled corporation(4)	89,210,948	7.49%
Phoenix Wealth (Hong Kong) Asset Management Limited.(4)	Interest in a controlled corporation(4)	89,210,948	7.49%
Mr. Du Li(4)	Interest in a controlled corporation(4)	89,210,948	7.49%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 1,191,216,000 Shares in issue as of the Latest Practicable Date.

(3) BGFG is directly and wholly owned by Mr. Wang Xinming. Mr. Wang Xinming is therefore deemed to be interested in all the Shares held by BGFG under the Securities and Futures Ordinance.

(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.

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 2021 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 2021 or subsisted at the end of the year.

NON-COMPETITION UNDERTAKINGS

As disclosed in the Prospectus, Mr. Liu Chunhe and Mr. Li Ping 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 2021. No new business opportunity was informed by them as at 31 December 2021. 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 2021.

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 refer to any person that provides research, development, consultancy and other technical or operational support to the Group and has 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 2.73% of the issued share capital of the Company as of the Latest Practicable Date.

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 2021, the aggregate number of Shares underlying the granted RSUs under the Employee RSU Scheme was 30,451,573, representing approximately 2.77% of the issued share capital of the Company as at 31 December 2021, and the aggregate number of shares involved in RSUs vested under the Employee RSU Scheme was 14,296,000. 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 2.33% 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 2021, the aggregate number of Shares underlying the granted RSUs under the Management RSU Scheme was 25,733,333, representing approximately 2.34% of the issued share capital of the Company as at 31 December 2021, 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 12,876,000.

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.

SHARE OPTION SCHEME

The Company has adopted the share option scheme (the " **Share Option Scheme**") on 31 May 2021. The Board shall be entitled at any time during the life of the Share Option Scheme to make an Offer to any Participant as the Board may in its absolute discretion select to take up Options entitling him or her to subscribe for such number of Shares as the Board may determine at the Exercise Price.

(1) Purpose

The Share Option Scheme proposes to attract, retain and motivate talented employees to strive towards long term performance targets set by the Group and to provide them with an incentive to work better for the interest of the Group. The Scheme will link the value of the Company with the interests of the Participants, enabling the Participants and the Company to develop together and promote the Company's corporate culture.

(2) Participants

Any Director or Employee who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

(3) Total number of shares which may be issued

The total number of shares which may be issued upon exercise of all options granted by the Company under the Share Option Scheme must not exceed 10% of the total number of shares in issued on the adoption date (99,885,000 shares as at the date).

The Company may refresh the 10% limit set out in the above with Shareholders' approval provided that each such limit (as refreshed) may not exceed the 10% of the Shares in issue as at the date of the Shareholders' approval. Options previously granted under the Scheme and any other share option schemes adopted by the Company (including those outstanding, cancelled or lapsed in accordance with the relevant scheme or exercised options) will not be counted for the purpose of calculating the limit to be refreshed.

As at the date of the annual report, the total number of shares which may be issued under the Share Option Scheme is 99,885,500 shares, accounting for approximately 8.39% of the issued shares (i.e. 1,191,216,000 shares) as at the date of the annual report.

Notwithstanding the foregoing, the total number of Shares which may be issued upon exercise of all Options granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company must not exceed 30% of the Shares in issue from time to time. No Options may be granted under the Scheme and any other share option schemes of the Company if this will result in such limit being exceeded.

(4) Maximum entitlement to each participant

The total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised, cancelled and outstanding Options) under the Share Option Scheme or any other share option schemes adopted by the Company in any 12-month period must not exceed 1% of the Shares in issue unless the same is approved by the shareholders.

Where any grant of Options to a substantial shareholder or an independent non-executive Director of the Company, or any of their respective associates (as defined under the Listing Rules), would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and (b) having an aggregate value, based on the closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of such grant, in excess of HK$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange), such grant of Options shall be subject to prior approval by the Shareholders (voting by way of poll) in general meeting.

(5) Time of acceptance and exercise of options

An Offer shall be made to a Participant by letter in such form as the Board may from time to time determine requiring the Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Scheme and shall remain open for acceptance by the Participant to whom an Offer is made for a period of 28 days from the Offer Date, provided that no such Offer shall be open for acceptance after the tenth anniversary of the Adoption Date or after the Scheme has been terminated in accordance with its provisions.

An Offer shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Offer is duly signed by the Grantee with the number of Shares in respect of which the Offer is accepted clearly stated therein, together with a remittance in favour of the Company of HK$1.00 (receipt of which shall be deemed to be acknowledged by the Company upon receipt of the duplicate letter comprising acceptance of the offer letter duly signed by the Grantee) by way of consideration for the grant thereof, is received by the Company. Such remittance shall not be refundable.

An Option may be exercised during the Option Period which shall not be more than ten (10) years commencing on the Offer Date. Subject to such terms and conditions as the Board may determine, there is no minimum period for which an Option must be held before it can be exercised.

(6) Basis for determination the Exercise Price

Subject to any adjustments made pursuant to the terms of the Scheme, the Exercise Price shall be at a price determined by the Board at its absolute discretion and notified to the Participant and shall be at least the highest of:

(i) the closing price of the Shares as stated in the daily quotation sheet issued by the Stock Exchange on the Offer Date;

(ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Business Days immediately preceding the Offer Date; and

(iii) the nominal value of a Share on the Offer Date.

(7) The remaining life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of ten (10) years commencing on the Adoption Date after which period no further Options will be granted but the provisions of the Scheme shall in all other respects remain in full force and effect and Options which are granted during the life of the Scheme may continue to be exercisable in accordance with their terms of issue unless the Share Option Scheme is terminated by ordinary resolution of the Board or Shareholders.

The details of Options previously granted to, but not yet exercised by, under the Share Option Scheme for 31 December 2021 are as follows:

Grantee and position	Held on 1 January 2021	Granted during the year	Expired during the year	Exercisable during the year	Lapsed during the year	Held on 31 December 2021	Exercise Price (HK$) [2]	The closing price immediately before the Date of Grant (HK$)	Date of Grant	Exercisable from	Exercisable until
Directors											
Mr. LIU Chunhe	–	24,000,000[1]	–	–	–	24,000,000	4.81	4.73	30 August 2021	31 March 2022	29 August 2031
Mr. LI Ping	–	6,000,000[1]	–	–	–	6,000,000	4.81	4.73	30 August 2021	31 March 2022	29 August 2031
Mr. SU Jian	–	9,000,000	–	–	–	9,000,000	4.81	4.73	30 August 2021	30 August 2021	29 August 2031
Mr. YE Chunjian	–	6,000,000	–	–	–	6,000,000	4.81	4.73	30 August 2021	30 August 2021	29 August 2031
Sub-total	–	45,000,000	–	–	–	45,000,000					
Other employees											
Employee	–	35,000,000	–	–	–	35,000,000	4.81	4.73	30 August 2021	30 August 2021	29 August 2031
Total	–	80,000,000	–	–	–	80,000,000					

Notes:

1. The Options granted to Mr. Liu Chunhe and Mr. Li Ping were approved by independent Shareholders at the extraordinary general meeting of the Company on 31 March 2022.

2. The Exercise Price shall be at least the highest of (i) the closing price of HK $4.67 per share as stated in the daily quotation sheet issued by the Stock Exchange on the Grant Date; (ii) the average closing price of HK $4.81 per share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately before the Date of Grant; and (iii) the nominal value of US$0.0001 each.

For the year ended 31 December 2021, 80,000,000 share options granted by the Company will be vested in four phases after several performance objectives related to the Company are achieved. A total of 45,00,000 options granted to Mr. Liu Chunhe, Mr. Li Ping, Mr. Su Jian and Mr. Ye Chunjian will be vested in four phases according to the proportion of 30%, 25%, 25% and 20% of the Options granted, that is, the 30% granted will be vested when the audited income of the Group in the financial year exceeds RMB2.3 billion or the average market value of the Company in three months exceeds HK$12 billion, 25% will be attributed when the audited income of the Group in the financial year exceeds RMB3.5 billion or the three-month average market value of the Company exceeds HK$20 billion, and the other 25% will be attributed when the audited income of the Group in the financial year exceeds RMB5 billion or the three-month average market value of the Company exceeds HK$30 billion, The remaining 20% will be vested when the audited revenue of the Group in the financial year exceeds RMB6.5 billion or the three-month average market value of the company exceeds HK$40 billion. For other employees, the Board has set the performance objectives above or performance objectives that require grantees to meet certain revenue objectives of the Company's products.

Details of the Share Option Scheme and movements in Share Options during the year are disclosed in note 31(b) to the consolidated financial statements.

EQUITY-LINKED AGREEMENT

Save as the Equity Transfer Agreement and the Share Option Scheme set out in the annual report, 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 2021 or subsisted as of the end of 2021.

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, neither the Company nor any member of the Group has purchased, sold or redeemed any of the Company's listed securities.

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 Connected Transaction

Equity Transfer Agreement

On 9 October 2021, the Company entered into an Equity Transfer Agreement with BGFG, pursuant to which BGFG has conditionally agreed to sell, and the Company has conditionally agreed to acquire approximately 11.50% equity interest of NBT Social Networking for a total consideration of HK$727,580,000, which was settled in cash of HK$281,580,000, and in the issuance of 100,000,000 ordinary shares of the Company to BGFG. This transaction was approved by the shareholders on 17 December 2021. The Company issued 100,000,000 ordinary shares to BGFG on 30 December 2021 accordingly. Upon completion of the acquisition, the Company held approximately 60.39% equity interest of NBT Social Networking.

As at the date of the announcement dated 10 October 2021, NBT Social Networking is a significant subsidiary of the Company, and BGFG is a substantial shareholder of NBT Social Networking. As such, BGFG Limited is a connected person at the subsidiary level of the Company under the Listing Rules. Therefore, the acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Please refer to the announcement dated 10 October 2021 and the circular dated 26 November 2021 of the Company for details.

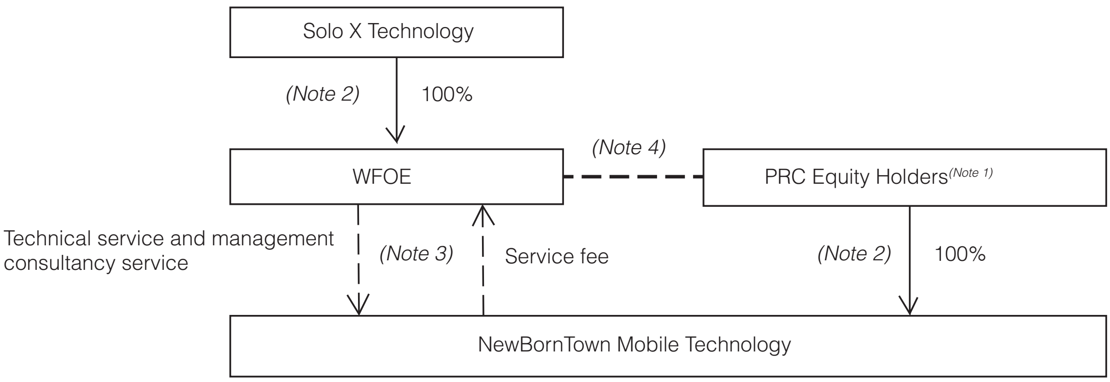
Non-exempted Continuing Connected Transactions

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 2021.

There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the year ended 31 December 2021. For the year ended 31 December 2021, 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 2021, 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 loss for the year of the Consolidated Affiliated Entities subject to the Contractual Arrangements amounted to approximately RMB2,062.3 million and RMB268.2 million for the year ended 31 December 2021, respectively. The total assets and total liabilities of the Consolidated Affiliated Entities subject to the Contractual Arrangements amounted to approximately RMB888.1 million and RMB529.2 million as at 31 December 2021, 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 flow 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 2021, the independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that:

(a) the transactions carried out during the year ended 31 December 2021 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 2021 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 2021, nothing has come to their attention that causes the auditor to believe that the Contractual Agreements have not been approved by the Board; nothing has come to their attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with 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.

The Directors consider that the related party transaction disclosed in note 33 to the consolidated financial statements falls under the definition of "connected transactions" under Chapter 14A of the Listing Rules which is required to comply with the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules during the Year. Further details on related party transactions for the year ended 31 December 2021 are set out in note 33 to the consolidated financial statements.

DONATIONS

For the year ended 31 December 2021, the charitable and other donations made by the Group amounted to RMB0.2 million.

MATERIAL LEGAL PROCEEDINGS

For the year ended 31 December 2021, 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 23 May 2022, the registers of members of the Company will be closed from 18 May 2022 to 23 May 2022, 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 17 May 2022.

SUBSEQUENT EVENTS

As of the Latest Practicable Date, details for subsequent events are set out in note 34 to the consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2021.

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 2021 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, 31 March 2022

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.

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. From the establishment of the Company until 26 August 2021, Mr. LIU Chunhe is the chairman of the Board and the chief executive officer of our Company. As the decision-making mechanism, management structure and operating system of the Company have been fully developed and mature and Mr. LIU Chunhe decides to focus on the Company's strategies, organizational construction and social value in order to continue to create greater and longer-term value for the Company's development, Mr. LIU Chunhe has resigned as the chief executive officer of the Group with effect from 26 August 2021. Please refer to the announcement dated 25 August 2021 of the Company for details.

The Board currently comprises four executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. The Board will review the current structure from time to time and shall make necessary changes when appropriate and inform the Shareholders of the Company accordingly.

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

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)(resigned as Chief Executive Officer on 26 August 2021)
Mr. LI Ping (Executive Director and Chief Executive Officer) (appointed as Chief Executive Officer on 26 August 2021)
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. HUANG Sichen (appointed on 1 April 2021)
Mr. CHI Shujin
Mr. PAN Xiya (resigned on 26 August 2021)
Mr. GAO Ming (appointed on 26 August 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 understandings 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 session 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 2021 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 2021.

During the year ended 31 December 2021, the Board held six meetings to discuss and approve (among others) the overall strategies and policies of the Company and to review and approve the Annual Report 2020, the Annual Results Announcement for the year 2020, the Interim Report 2021 and the Announcement of Interim Results for the year 2021 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 2021.

Directors	**Number of Board meetings to attend**	**Number of Board meetings attended**
Mr. LIU Chunhe	6	6
Mr. LI Ping	6	6
Mr. WANG Kui (resigned on 1 April 2021)	2	2
Mr. YE Chunjian (appointed on 1 April 2021)	5	5
Mr. SU Jian (appointed on 1 April 2021)	5	5
Mr. PAN Xiya (resigned on 26 August 2021)	4	4
Mr. GAO Ming (appointed on 26 August 2021)	3	3
Mr. CHI Shujin	6	6
Mr. LIU Rong (resigned on 1 April 2021)	2	2
Mr. HUANG Sichen (appointed on 1 April 2021)	5	5

In 2021, the Company convened and held two general meetings, i.e. the annual general meeting 2020 held on 31 May 2021 and the extraordinary general meeting 2021 held on 17 December 2021.

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 A.2.1 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 has complied with the relevant Corporate Governance Code provisions from the Listing Date to 31 December 2021.

BOARD COMMITTEES

Audit Committee

The Audit Committee currently comprises three members, Mr. CHI Shujin (Chairman), Mr. GAO Ming 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, Mr. HUANG Sichen has been appointed as the member of the Audit Committee of the Board on 1 April 2021. Mr. PAN Xiya has resigned as the member of the Audit Committee of the Board on 26 August 2021, Mr. Gao Ming has been appointed as the member of the Audit Committee of the Board on 26 August 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 2021, the Audit Committee held three meetings to review (among others) the Annual Report 2020, the Annual Results Announcement for the year 2020, the Interim Report 2021, the Announcement of Interim Results for the year 2021, and the audit planning report for the year 2021 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 2021.

Directors	Number of Board meetings to attend	Number of Board meetings attended
Mr. PAN Xiya(resigned on 26 August 2021)	2	2
Mr. CHI Shujin	3	3
Mr. LIU Rong (resigned on 1 April 2021)	1	1
Mr. HUANG Sichen(appointed on 1 April 2021)	2	2
Mr. GAO Ming(appointed on 26 August 2021)	1	1

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. LIU Chunhe (chairman) and two independent non-executive Directors namely Mr. HUANG Sichen 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 2021, the Nomination Committee held three meetings 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 2021.

Directors	Number of Board meetings to attend	Number of Board meetings attended
Mr. PAN Xiya(resigned on 26 August 2021)	3	3
Mr. CHI Shujin	3	3
Mr. LI Ping (resigned on 26 August 2021)	2	2
Mr. LIU Chunhe(appointed on 26 August 2021)	2	2
Mr. HUNAG Sichen(appointed on 26 August 2021)	2	2

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. SU Jian and two independent non-executive Directors namely Mr. HUANG Sichen (Chairman) and Mr. GAO Ming. Among which, Mr. LIU Rong has resigned as the Chairman of the Remuneration Committee of the Board on 1 April 2021, Mr. WANG Kui has resigned as the member of the Remuneration Committee of the Board on 1 April 2021, and Mr. YE Chunjian has been appointed on 1 April 2021 and has resigned as the member of the Remuneration Committee of the Board on 26 August 2021. Mr. HUANG Sichen has been appointed as the Chairman of the Remuneration Committee of the Board on 1 April 2021, Mr. GAO Ming has been appointed as the member of the Remuneration Committee of the Board on 26 August 2021, and Mr. SU Jian has been appointed as the member of the Remuneration Committee of the Board on 26 August 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 2021, the Remuneration Committee held two 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 2021.

Directors	Number of Board meetings to attend	Number of Board meetings attended
Mr. PAN Xiya (resigned on 26 August 2021)	1	1
Mr. LIU Rong (resigned on 1 April 2021)	1	1
Mr. WANG Kui (resigned on 1 April 2021)	1	1
Mr. YE Chunjian (appointed on 1 April 2021 and resigned on 26 August 2021)	1	1
Mr. SU Jian (appointed on 26 August 2021)	1	1
Mr. HUANG Sichen (appointed on 1 April 2021)	1	1
Mr. GAO Ming (appointed on 26 August 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 consolidated financial statements for details of the remuneration of members of the Board for the year ended 31 December 2021.

Pursuant to code provision E.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 2021 is set out below:

Annual Remuneration (HK$)	Number of individuals
Nil – 2,500,000	1
2,500,001 – 5,000,000	1
5,000,001 – 10,000,000	3
10,000,001 – 30,000,000	1
30,000,001 – 350,000,000	1

Further details of the remuneration for the year ended 31 December 2021 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 2021 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 2021.

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 2021, 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 2021, 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**") is 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 2021 is set out below:

Service Category	**Fee Paid/Payable** *RMB'000*
Audit Services	3,600
Non-audit Services	330
Total	3,930

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 enables 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 "**the Group**" or "**we**") developed this 2021 Environmental, Social and Governance (ESG) Report in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules of the Hong Kong Stock Exchange and Clearing ("**HKEX**") Ltd., and upholds the principle of materiality, quantitative, balance, and consistency.

In order to disclose to stakeholders the Group's ESG management and performance in 2021, we identified key stakeholders and the ESG issues of their concern, arranged the concerned ESG issues in order of priority and responded to their materiality and gave descriptions in section entitled "Stakeholder Engagement" in the Report.

We use quantitative data to present KPIs at the environmental and social levels so that they can be measured and validated. Quantitative criteria, methodologies, assumptions, and/or calculation tools for KPIs, as well as the sources of conversion factors used, have been described in the appropriate places. We have adopted a statistical approach to disclosure that is consistent with previous years, and individual changes have been explained in the corresponding places.

This report aims to reflect our ESG performance in 2021 in an objective, fair, and balanced manner. It is recommended to read the part of Governance in conjunction with section entitled Corporate Governance Report as contained in the 2021 Annual Report.

1.2 Scope of the Report

Unless otherwise specified, the scope of this Report covers the ESG performance of businesses direct operated and managed by the Group at its principal operating locations in China, with the time frame from January 1, 2021, to December 31, 2021.

1.3 Source of Information and Reliability Guarantee

The data and cases in this report are mainly from the Group's statistical information and relevant 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 its contents.

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 Group website at https://www.newborntown.com. Should 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. BOARD STATEMENT

The Board overseas the Group's ESG-related matters, confirms the ESG governance structure and strategies of the Group, and takes full responsibility for its ESG issues. As the ESG management level, the ESG Working Committee conducts daily management of ESG matters and reports to the Board. While as the ESG executive level,an ESG execution team composed of various functional departments of the Group, is responsible for developing, implementing, and executing various ESG strategies.

The Group attaches great importance to the potential impact of ESG-related risks and opportunities. Therefore, the Board oversees the assessment of ESG-related risks and opportunities and ensures that appropriate and effective ESG risk management and internal monitoring systems are in place. We have developed an ESG philosophy and management strategy and evaluated their potential impact on our overall strategies. The Board conducts regular reviews on the ESG philosophy and management strategy. The Group conducted a materiality assessment of ESG issues stakeholders concerned. The Board participated in the evaluation, prioritisation, and management of important ESG issues.

The Group has set business-related environmental targets. The Board conducts regular reviews of the implementation progress of the environmental targets.

3. ESG CONCEPT AND MANAGEMENT

3.1 ESG Concept

"Connect world, Keep prospering". We deeply devoted to the fields of social networking and game, and we are committed to becoming the largest Internet platform in China's going-overseas industry, working on both domestic and overseas markets with a global perspective. We not only provide a wide range of social networking, gaming and tool products that satisfy the diverse needs of our global customers, but also actively fulfil our social responsibilities and gradually promote the integration of ESG management into our daily operations. We continuously improve our ESG performance by adhering to compliance operation, prioritising product and service quality, listening to the voices of users, ensuring information security, promoting green office, and focusing on community investment. The Group looks forwards to working with all stakeholders to support the sustainable development of the industry and our society.

3.2 ESG Management

In order to better practice our ESG concept and strategy, bolster our competitiveness in terms of sustainable development, form a long-term ESG working mechanism, promote harmonious co-development with stakeholders and contribute to our middle to long-term strategic goals, we enacted a three-tier governance structure, which contains governance, management, and execution, with documented rules guiding the work and responsibilities of each tier to promote our ESG work.

Governance

The Board of Directors is the highest decision-making body on ESG management. It supervises ESG matters and assumes overall responsibility for ESG strategies.

Management

The ESG Working Committee is the management body responsible for ESG matters in the Group, responsible for developing ESG strategies, framework, principles, and policies, while guiding ESG practices, and reviewing the implementation of ESG targets.

Execution

Comprised of representatives from relevant departments, the ESG execution team is responsible for promoting the execution of ESG management strategies and achievement of targets, assessing ESG materiality and associated risks, organizing training to raise employees' ESG awarenesses, and reporting to the management and governance levels regularly.

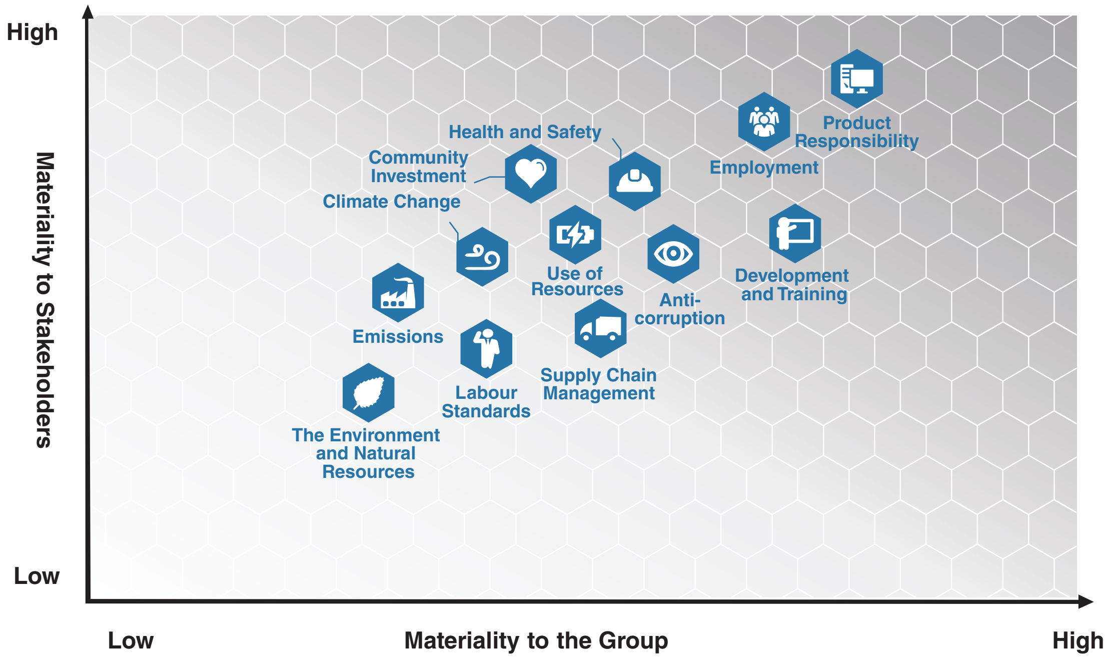
3.3 Stakeholder Engagement

We put great emphasis on exchanges with and feedbacks of stakeholders, by establishing a good scheme and diversified channels to communicate with stakeholders. In addition, we actively improve our ESG management by taking into account the stakeholders' concerns.

Throughout the year, the Group continues to identify and respond actively to ESG issues of concern to stakeholders. Our stakeholders include government and regulators, shareholders and investors, employees, users, suppliers, media and NGOs, communities, etc. Based on the evaluation of stakeholders' ESG concerns, the materiality analysis was conducted, and its result was 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 & NGOs	Social media, press conferences, news interviews, advertising, etc.	Product responsibility, climate change
Communities	Public welfare activities, employment promotion, community activities, poverty alleviation projects, etc.	Community investment, employment

We prepared the materiality assessment matrix of the Group's ESG issues is as follows:



4. 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 policy, 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.

4.1 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 trainings on resources conservation and activities on energy efficiency through publicity of 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 keep record of office supplies and will continue to use those that are still usable.

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 gradually replace incandescent lamps with 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	2021 Data
Comprehensive energy consumption[3] (MWh)	**332.34**
Density of energy consumption (MWh/m²)	**0.052**
Gasoline consumption (MWh)	**25.36**
Purchased electricity (MWh)	**306.97**

4.2 Emissions Control

Based on our main operation patterns, the emissions generated by the Group are mainly greenhouse gases (GHGs)[4], hazardous waste (such as used toner cartridges and ink cartridges) and non-harzardous waste (such as office waste and food waste). The Group is committed to improving the management of energy consumption and reducing greenhouse gas emissions. Meanwhile, we comply with the Waste Environmental Pollution Management Measures and other relevant laws and regulations, and we have formulated the Waste Management Policy to provide guidance and regulations for waste management.

Non-hazardous waste will be collected and processed by the property management. We collect the recyclable resources from non-harzardous 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.

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 2589-2020)*. The direct energy consumption of the Group includes energy consumed from gasoline; the indirect energy consumption includes that from purchased electricity.

4 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.

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

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[5]

Indicators	2021 Data
Total GHG emissions[6] (Scope 1 and Scope 2)[7] (tonnes)	**236.35**
GHG emissions (Scope 1) (tonnes)	**6.21**
GHG emissions (Scope 2) (tonnes)	**230.14**
GHG emission density (tonnes/m^2)	**0.037**
Hazardous waste (tonnes)	**0.064**
Density of hazardous waste (tonnes/m^2)	**0.00001**
Non-hazardous waste (tonnes)	**45.39**
Density of non-hazardous waste (tonnes/m^2)	**0.0072**

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

6 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)*.

7 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.

4.3 Climate Change

The increasing impact of climate change on human society has brought about many challenges to the long-term and sustainable operation of enterprises. The Group actively identifies potential risks of climate change and pays close attention to the promulgation and dynamic development trends of national policies on climate change. We also explore the opportunities that climate change may bring to promote business development.

Extreme weather caused by climate change, such as floods, snowstorms, typhoons, may affect our business continuity and pose challenges to the health and safety of our employees. At the same time, the chronic risks of climate change, such as extreme temperature, drought, and abnormal climate, may increase the operation cost of the Group's office operations and increase operating costs. In order to avoid and reduce company property losses and casualties caused by extreme weather, the Group has established an emergency plan for extreme weather. While extreme weather occurs, efficient handling is carried out to minimize the impact and loss caused by extreme weather according to the relevant requirements in the emergency plan.

In terms of transition risks, facing the long-term trend of developing a green economy and low-carbon transition, the Group actively manages the carbon emissions generated by our own operations and complies with national regulations and policies related to reducing carbon emissions and respond to the global development trend of low-carbon and environmental protection. In addition, we pay close attention to regulations and policies regarding climate change and carbon emissions reduction of carbon emissions that have a significant impact on us. When selecting a cloud service provider, the Group considers energy efficiency levels of potential providers. When purchasing types of electronic equipment such as computers, monitors, mobile phones, printers, network equipment, etc., we refer to their energy consumption levels of the equipment. Under the circumstance that the product quality and functions are similar, the equipment with lower energy consumption level is preferentially purchased.

Climate change brings about risks as well as opportunities. The Group actively identifies potential opportunities brought by climate change. By improving the use efficiency of natural resources during office operations, we save business costs and continuously promote its sustainable development.

4.4 Environmental Targets

The Group has formulated environmental goals based on the characteristics of our own office operations. Our environmental goals include:

- From 2022, smart light switches will be enabled in all newly renovated office areas to uniformly control lighting hours.
- From 2022, all newly renovated office areas will use sensor taps to reduce water waste.
- Encourage 100% waste sorting in office buildings.

The Group's GHG emissions are primarily from office and operational energy consumption. Based on the energy efficiency targets we have already set, we are not setting a separate target for GHG emissions reduction in the current year.

5. 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.

5.1 Product Responsibility[8]

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 compliance publicity.

I. Products Upgrade and Innovation

(1) Game Apps

- Based on the company's gaming App development strategy, development direction, and the current situation of team resources, the Group carries out market trend analysis and competitive product research and explores project development opportunities. We prepare project feasibility report for potential key projects, initially confirm product development direction and core functions to test the playability and other aspects for ensuring the quality of product development, and constantly innovating product functions and gameplay;

- We conduct user research, build user profiles, and refine products according to users' preference of game materials;

- We constantly optimise the game content by taking into account the in-game behavior of users. For example, we adjust tolerable levels of difficulty to best accommodate users' expected levels where users frequently 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;

- We enrich the game content by launching "Festival Events" and other themes, and release "Festival Specials" game elements to constantly bring users a sense of freshness;

- We balance the user experience and the effective use of advertising spots, explore and optimise the size and form of advertising spots, and remove advertisements that may affect user experience;

- We improve the fit of promotional materials in the game with gameplay, audience groups, art design, and product stories to continuously optimise the quality of promotional materials and keep the setting methods and core elements of materials updated in real-time with product iterations to improve the effectiveness of promotion;

8 Given that the operations of the Group do not involve the production of physical products, "KPI B6.1 – Percentage of total products sold or shipped subject to recalls for safety and health reasons" does not apply to the Group and is thus not disclosed in this report.

- We constantly troubleshoot possible defects in the App, explore optimization directions, improve product function, and update product versions.

(2) *Social Apps*

- According to the unique culture of the product launch area and users' social preferences, we launch specific products to accurately respond to users' social networking needs;
- We improve product support capabilities which carry out multi-language support and content adaptation of products. We add functions such as message translation assistants and the addition of beauty filters and dynamic emojis;
- We customise Apps to users around the world by offering multilingual and structured App content with cultures based on countries/regions such as incorporating local festivals and events so that users could improve local social life and feel the warmth when using our social Apps;
- We value user experience. We aim to launch users' more favourite features and constantly improve product and operation, driven by analysis of the user's behavioural preferences and satisfaction of product functions within our Apps;
- We maintain focus on excellent products and development trends in the industry, and absorb and innovate high-quality content in combination with our own product style and characteristics;
- We dedicate to maintaining product stability and ensuring the smoothness of Apps operations. We establish a monitoring mechanism, which can provide early warning when network conditions are unstable and provide further assistance 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 niche games, casual games, and so on. No inappropriate game types are involved;
- The Group identifies and complies with the product content requirements of the application launching platform. We also established a content reviewing mechanism to avoid the display of inappropriate contents;
- We clarify the target-age group when the App is launched and prevent the release of Apps and contents to users who are unsuitable in terms of 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

- Identify and comply with the product content requirements of the product placement platform, and regularly update product management policies;
- Analyse and judge the avatar, age, registration information, and other aspects of product users to eliminate the generation of bloody, violent, and pornographic content from the origins;
- We adhere to our operating principles and develop training sessions for our employees in product content, to provide users with appropriate products;
- We identify and comply with the product content requirements of the product's launching platform, establish a monitoring mechanism of content, clarify the definition of inappropriate content, and standardize measures concerning the disposal of identified inappropriate content.
- For pictures and video content, we use professional image-identification software to identify videos and images of the product, conduct manual review, remove inappropriate content in a timely manner and ensure the health and safety of the content.
- For chatting and real-time interactive content, we carry out a keyword search of text information, and block and ban inappropriate content;
- We 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 teams in regions where we launch our products. We cooperate with the professional legal consulting team, identify and strictly abide by laws, regulations, national standards and company procedures on information security and privacy protection in regions where the main body of each company of the Group is located, such as the Civil Code of the People's Republic of China, 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 the People's Republic of China, the Children's Online Privacy Protection Act, the Federal Trade Act and the California Consumer Privacy Act from the United States and the General Data Protection Regulation (GDPR) from the European Union. The Group timely tracks updates and revisions of information security laws and regulations, communicates with relevant business departments about such changes, so as to ensure compliance operations. In 2021, we carried out identification for China's newly promulgated Data Security Law and Personal Information Protection Law, and actively respond to the increasingly stringent regulatory requirements of overseas countries. The Group has formulated internal information security management policies such as the Personal Data Protection Policy, and Confidentiality Management Procedure, and continuously strengthening the data protection of our personnel and users and regulating the company's handling of personal information. We have carried out a number of measures to ensure the security of company information. Our practices for information security management are as follows:

Information Security Management Measures

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.

Data Reporting
Users can complete the registration with third-party IDs or visitor IDs while using the product. The Group will not collect the user's sensitive information; in case we need to collect user's information, we will obtain their authorisation and consent in advance. Meanwhile, we will clearly inform the user of the situations in which the user's personal information is handled by the company and other relevant information processors and inform the user of the personal information protection rules applicable to the relevant processing activities.

Information Disclosure
Publish rules on products and platforms such as Privacy Policy, User Agreement, Community Convention, etc.

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
Require employees to access the company network through VPN (Virtual Private Network) under the non-office network to prevent unauthorised personnel from accessing our system.

Operation Retention
The internal business system is uniformly logged in by the company's LDAP (Unified Resource/Information Management) account, and the operation record is retained.

Device Management
When eliminating personal information on discarded electronic devices, special personnel are arranged to carry out data cleansing in a unified manner.

In addition, the Group has developed incident management measures to deal with information security-related emergencies. We continuously identify and assess the 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, leave messages on App's launching platform, comment in App stores, send emails, or chat with our online customer services. The customer service team will promptly respond to 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.

In 2021, the Group will continue to improve the user complaint and feedback management system, classify and manage user complaints, and assign them to customer service personnel with different feedback and compensation authority for proper resolution.

The customer service personnel cooperate with the business team, explain and appease the user in combination with the complaint handling process, and give reasonable compensation according to the severity of the complaint, customer loss, user level, contribution value, etc. If the user is dissatisfied with or disapproved of the solution, or in case where the current customer service has no further authority to solve the user's problem, the complaint will be escalated and the customer service staff with higher authority will be engaged. The customer service staff will continue to discuss about the final solution with the business team and communicate with the user to reach an agreement until the complaint is closed.

Within 10 minutes after the complaint is closed, we will send return messages to the user by email or online dialogue, including the user's complaint handling process, the degree of satisfaction with the results and handling services, and the user's opinion. At the same time, the Group will collect statistics on complaint events and user complaints and return visits, analyse the causes and types of complaints and high-frequency feedback events, and regularly summarise reports to relevant business teams, so as to promote the improvement of business and services of related teams of the company based on user needs. Finally, we improve the system process and the overall user experience.

Key Performance Indicator: Customer Complaints

Indicator		2021 Data
Customer complaints	Total number of customer complaints	**1,889**
	Customer complaint settlement rate (%)	**98.20**
	Customer complaint return visit rate (%)	**93.60**

V. *Intellectual Property Rights Protection*

The Group understands that intellectual property (IP) rights are important assets 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. In 2021, we further carried out the standardized management of intellectual property work, formulated the Patent Management Management Measures and the Patent Reward System, and continue to promote corporate innovation, stimulate the vitality of product research and development, and implement intellectual property protection measures to various business departments and operational dimension.

In addition, the Group has established intellectual property management positions to carry out intellectual property protection work. Intellectual property personnel are responsible for assisting in formulating the group's intellectual property strategy and overall layout, and building an intellectual property protection process system covering maintenance and operation. 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 cooperate with professional trademark agencies and law firms 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 an evaluation analysis to identify trademark risks and attain trademark registration to reduce the risk of trademark infringement.

At the same time, the Group actively conducts intellectual property-related training to further enhance employees' awareness of intellectual property risks. In 2021, the Group carried out 3 basic patent training according to the characteristics of the project operation area, aiming to help R&D, product, design, and other related personnel understand the conditions for patent formation, learn the company's intellectual property related system, and strengthen employees' patents and intellectual property rights Protection awareness, and further stimulate research and development enthusiasm.

As of the end of 2021, the Group owned 453 intellectual property rights, 177 trademark rights, 235 copyrights, 10 patent rights, and 31 other IP rights, covering 17 countries and regions around the world.

VI. Advertising Compliance Management

We strictly abide by the laws and regulations related to advertisements of the jurisdictions in regions where the main body of each company of the Group is located and launched our Apps, such as the Advertising Law of the People's Republic of China, Interim Measures for the Administration of Internet Advertising from the 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 the contents of advertisements to avoid displaying inappropriate content to customers or underage, and also to prevent infringing 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. In the advertising promotion activities, we will review the advertising content according to the delivery rules and requirements of the advertising platform.

Before the advertising content is released, the publishing department will conduct an internal review of the advertising language. In the case of uncertainty about the language used in advertisements, we submit them to the Legal Department for a second review.

At the same time, we have clearly stipulated the advertising promotion requirements in the contract signed with our partners to ensure that the data of the promotional materials provided by us and our partners are complete, authentic and accurate, to avoid violations of laws, regulations, and rules of the platforms.

5.2 Supplier Management

The Group adopts consistent standards of responsible operating for suppliers around the world, and continuously monitors the responsible operating performance of suppliers in their operating locations. We have established and covered all 88 suppliers' 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 reciprocal, 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 cloud service providers, equipment providers 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 cloud service providers, we evaluate the supplier's service stability, network coverage, and after-sales support capabilities during the server rental process and pay attention to consider their performances and capabilities of energy efficiency and information protection. Under the circumstance that the product quality and functions are similar, the equipment with lower energy consumption level is preferentially purchased.

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 2021, the Group has a total of 88 suppliers, including 43 in the mainland of China, 27 in Hong Kong, Macao and Taiwan, and 18 overseas.

5.3 Anti-corruption

The Group is committed to creating an honest and fair business environment. The Group strictly abides by the Criminal Law of the People's Republic of China, and 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, 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 anti-fraud working group is responsible for organising and executing cross-departmental anti-fraud assessments. Each business department undertakes anti-fraud measures to effectively prevent the risk of 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 investigations 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 of 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 set out in Employee Handbook the best business practices, code of ethics and professional conduct, and guidances for fraud and corruption prevention, to be observed 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 have launched anti-corruption online training for all employees covering management and ordinary employees. The topics include anti-corruption, anti-money laundering training, etc. We introduced anti-corruption-related cases, scenarios, laws and regulations and anti-corruption measures to all employees. At the same time, the Group launched the internal public law popularisation account "Newborn Law Study" to share the latest judicial cases in the industry from time to time, publicise the company's various anti-corruption systems, and promote integrity education for all employees.

Besides, we send emails about 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 of anti-commercial bribery of employees and senior executives. Our goal is to prohibit any possibilities for corruption, bribery, or fraud.

In 2021, the Group and its employees have not been involved in corruption, bribery, fraud and money laundering violations and relevant lawsuits.

6. EMPLOYEE WELLBEING

Employees are our most valuable asset and an 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.

6.1 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 inner voices.

Key performance indicators: Employment

Indicators		2021 Data
Total number of employees (person)		**574**
Number of employees by employment type (person)	Labour contract employee	**554**
	Contractor and others	**20**
Number of employees by gender (person)	Male	**343**
	Female	**231**
Number of employees by age group (person)	Under age 30 (exclusive)	**302**
	Age 30 to 40 (exclusive)	**257**
	Age 40 to 50 (exclusive)	**14**
	Age 50 (inclusive) and above	**1**
Number of employees by geographical region (person)	The Mainland of China	**574**
	Hong Kong, Macao, and Taiwan	**0**
	Other countries and regions	**0**
Total turnover rate (%)		**37.47**
Employee turnover rate by gender (%)	Male	**35.40**
	Female	**40.31**
Employee turnover rate by age group (%)	Under age 30 (exclusive)	**40.78**
	Age 30 to 40 (exclusive)	**33.76**
	Age 40 to 50 (exclusive)	**26.32**
	Age 50 (inclusive) and above	**0**
Employee turnover rate by geographical region (%)	The Mainland of China	**37.47**
	Hong Kong, Macao and Taiwan	**0**
	Other countries and regions	**0**

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 standardize 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. The Group guarantees that employees participate in work on a voluntary basis and avoid forced labour.

In terms of employee recruitment and resignation management, we conduct employees' recruiting process in accordance with relevant laws and regulations. We do not discriminate against job applicants by race, age, gender, marital status, social class, and religious beliefs during the recruiting process. At the same time, the information of employees is verified to avoid child labour. When employees propose to resign, we will conduct resignation procedures for employees in accordance with relevant laws and regulations.

In accordance with the requirements of relevant laws and regulations, we clarify the remedial measures to be implemented in the event of child labour and compulsory labour, such as holding relevant personnel accountable, etc., and review the incident to prevent its recurrence.

II. Salary and Benefits

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

In 2021, the Group further optimised the existing performance appraisal system, refined the appraisal dimension, improved the scientific and rationality of the performance system appraisal, and improved the performance bonus incentive. We have carried out the OKR (Management Method for Tracking Goals and Their Completion) system for all employees, which aims to help each business team adapt to the dynamic changes of goals, improve employee participation, encourage employees to challenge themselves, actively innovate, and optimise the overall work management model of the enterprise. At the same time, we have optimised the employee attendance management system, increased the flexibility of employees' time on-and-off work, and adjusted the minimum time unit of employee leaves to achieve flexibility in employee working hours.

We provide all employees with pensions, work injury insurance, maternity insurance, unemployment insurance, medical insurance, and housing fund. In addition, we provide employees with additional commercial medical insurance, accident insurance and child medical insurance. In the case of employee travel abroad, the Group purchases insurance for employees to ensure the safety of employee travel. In addition, we carry out commercial medical examinations for all employees' parents. In addition, we conduct commercial medical examinations for all employees' parents to ensure the health and safety of employees and their families to protect the health and safety of employees and their families.

The Group provides a diversified system of welfare and holidays for employees, who enjoy annual leave, paid sick leave, maternity leave and other statutory leave required by laws and regulations. We provide full-pay holidays for female employees and actively care for the physical and mental health of female employees during special periods. At the same time, the Group understands the needs of employees in a timely manner and provides employees with a number of benefits including major festival benefits, birthday benefits, overtime meal subsidies, afternoon tea and so on.

In addition, the Group offers a variety of incentive awards for its outstanding employees and teams. For example, we provide "full attendance awards" for employees who work for full hours in the whole month; set up OKR Star Awards to reward outstanding employees who complete OKR goals; and regularly evaluate employees and give out awards such as "excellent teams", "Golden Horse Awards", and "Dark Horse Awards" to evaluate employee performance from multiple dimensions and motivate teams and employees with excellent performance.

Employee Festival Activities during Qixi Festival,
Dragon Boat Festival, Mid-Autumn Festival

Excellent Team Award Winning Team

III. Employee Activities

To enrich the lives of employees, create a relaxing corporate atmosphere and help employees relieve work pressure, the Group regularly organises group activities such as sports and fitness every month.

In 2021, the Group organised a number of employee activities such as basketball matches for friendship and watching movies together, established staff clubs including badminton, baseball and other ball sports, and organised employees to carry out holiday activities during festivals such as the Mid-Autumn Festival. At the same time, under the premise of not violating the pandemic control policy, the Group held an annual meeting event and set up a variety of fun game projects and a large number of prizes for employees.

Besides group activities, we have set up a team-building fund to motivate various departments to organise a variety of team-building activities and actively promote unity within the departments. Activities include dinners, tours, movies, etc. to enhance staff cohesion.

Employee movie watching activities

Employee basketball game

Annual Meeting Event

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.

In 2021, the Group launched a face-to-face communication with the CEO, in which the CEO directly answered questions that employees encountered in their work and life, with the aim to establish a channel for employees to communicate with the management level.

6.2 Employee health and Safety

We have always been committed to provide employees with a healthy and safe working environment and continued to invest safeguarding 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 Code of Occupational Disease Prevention of the People's Republic of China and have formulated relevant occupational health and safety management policies to regulate occupational health and safety issues in the workplace. We organise safety awareness events and training for employees on a regular basis, topics of which cover occupational hazards and work environment safety. A free medical examination is also provided every year for our employees.

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 a leisure area to relax.

We advocate the concept of healthy living and encourage employees to participate in outdoor sports. In each September, we organise large outdoor hiking activities to encourage employees to exercise and relax on the basis of ensuring their safety. Besides, we provide hot ginger tea and cold prevention medicine during the flu season.

Outdoor hiking activities

The Group has had no work-related fatalities in the past three years (including 2021). No work-related injuries occurred during the year and the number of working days lost due to work-related injuries was nil.

6.3 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 them with clear career development paths. 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, professionalism and leadership, thereby helping employees improve their skills and competitiveness.

We regularly conduct publicity and introductory lectures covering all employees on group management system and group culture. At the same time, we have set up a variety of training models for employees in different business departments and employee types so that they obtain knowledge of different fields with easy access. For new employees, the Group has established a new-employee training programme, using a relaxing and lively training method, in the form of group games to make new employees familiar with corporate culture, understand the company system, welfare, etc., to help new employees establish a sense of belonging, quickly integrate into the workplace; for the management employees, the Group opened management skills training, aimed at improving the comprehensive ability of management personnel, so that they can lead the team to accomplish tasks efficiently; for each business department, the Group set up trainings of professional skill improvement to enhance the professional ability of employees. For confidential groups such as research and development (R&D) staff and commercial staff, the Group has carried out confidentiality awareness training to strengthen employees' awareness of information security protection.

Employee Training

Key performance indicators: Employee training

Indicators		**2021 Data**
Percentage of employees trained by gender (%)	Male	**75.51**
	Female	**78.38**
Percentage of employees trained by management level (%)	Management	**100.00**
	Other employees	**74.38**
Average training hours of employees by gender (h)	Male	**12.72**
	Female	**11.40**
Average training hours of employees by management level (h)	Management	**27.69**
	Other employees	**10.15**

6.4 Protection against epidemic

During the period when the COVID-19 epidemic situation (hereinafter referred to as the "**epidemic**") has stabilised, the Group has formulated the Guidelines for Epidemic Prevention and Safety in the Group, which provides detailed instructions on the epidemic prevention requirements for employees entering and leaving the workplace, safety management of office areas, instructions for holding remote meetings, procurement of emergency supplies and emergency handling plans.

The Group continues to carry out a number of epidemic prevention and control measures to reduce the risk of infection among employees, including: (i) employees are voluntarily monitored for temperature on a daily basis upon entering the company and are allowed to enter normally only if their temperature is normal; (ii) administrative staff monitor the temperature of employees on a daily basis, register those who are found to have fever and arrange for home check-up or consultation at the nearest fever clinic; (iii) pay attention to the epidemic risk areas of the cities where offices are located and the published trajectory of the confirmed cases, so as to ensure the timely update of the epidemic information; (iv) ensure that the offices are ventilated four to five times a day for half an hour each time to keep the air clear; (v) disinfect the offices, meeting rooms and toilets twice a day by the cleaning staff; (vi) strengthen publicity and education on the prevention and control of the epidemic to ensure that all departments communicate the knowledge on the prevention and control measures to every employee and guide them to take precautions against the epidemic.

7. GIVING BACK TO THE SOCIETY

As a responsible corporate citizen, we seek our development while paying due attention to community needs, actively giving back to society and establishing communication mechanisms with the communities where we operate. We have a long-standing relationship with the communities and organise a diverse range of public welfare activities based on their needs and contribute to the harmonious development of the community.

7.1 Public Donations and Giving Back to the Society

Since our establishment in September 2009, the Group has been supporting the community, contributing to 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.

In July 2021, many parts of Henan Province were hit by persistent heavy rainfall and severe flooding occurred in Zhengzhou, Xinxiang and other cities, making the flood control situation very serious. The Group quickly raised a total of 2 tonnes of emergency supplies from Beijing and Shandong to help Henan to safeguard the livelihood of the affected people.

Raise daily necessities to aid Henan

In July 2021, the Group launched a donation campaign under the theme of "Inheriting the Century-old Red Gene and Helping Charity to Do Practical Things for the People".

Donation of Kindness

In October 2021, the Group launched a series of public welfare activities of "With Love and Mindfulness" and organised the public welfare fundraising of Daliangshan Books. We collected and donated a total of 245 books in 5 days, together with hand-written cards from employees, to the children of Zepu Township Central School in Zhaojue County, Liangshan Yi Autonomous Prefecture, Sichuan Province, to pass on knowledge and hope to children in mountainous areas through books.

Book donation activities

7.2 Peer-to-peer Poverty Alleviation and Targeted Assistance

In February 2021, the Group launched a series of activities under the theme of "Helping the Needy, Newborn in Action" to visit the elderly in need in the Xiaguangli community in Beijing and send condolences to 10 needy families in Jinan, Shandong Province, and send rice, noodles, oil and other condolences.

"Help the needy, Newborn in action" series of activities

In May 2021, the Group launched the activity of "Visiting Old Party Members and Growing New Youth", and visited Comrade Liu Xiuying, a model of war support in Shandong Anti-Japanese War, and donated one hearing aid.

"Visiting Old Party Members and Growing New Youth" activity

7.3 Snow and Ice Shoveling, Full of Energy

In November 2021, the Group organised a voluntary snow and ice shoveling service for its staff to clear snow and ice from non-motorised lanes in the area around our Beijing office, to make it safer for pedestrians.

Voluntary Service of Snow and Ice Shoveling

7.4 Business Going Overseas, Public Welfare Worldwide

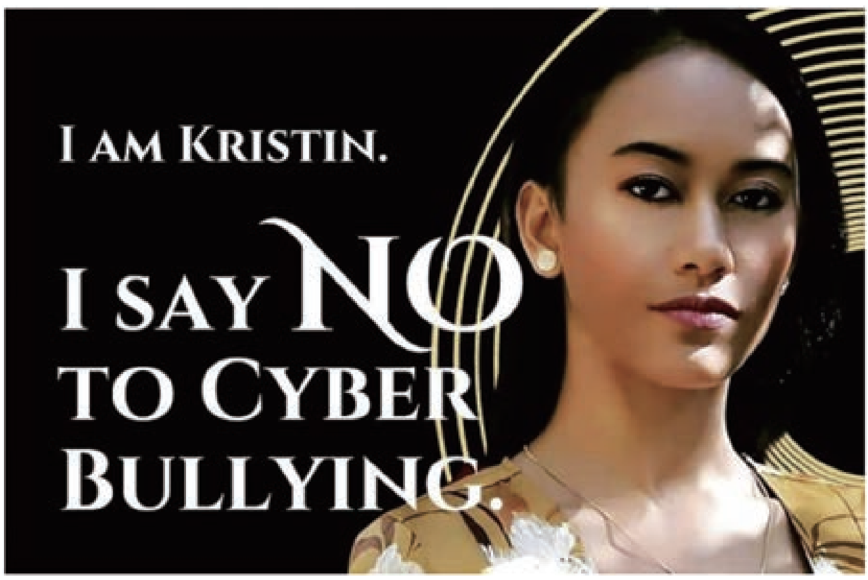
In July 2021, during the Eid al-Adha festival in the Middle East, we learned about the shortage of materials for local orphanages and schools through our Chinese volunteers in Egypt, so we organised an online live donation campaign, donating the raised money to local orphanages, giving clothes and toys to the unadopted children aged 0 to 3, and purchasing supplies to local schools and poor families.

Aid to charity schools and poor families in Egypt

In September 2021, the epidemic in Thailand was still very serious. The Group donated a large quantity of epidemic prevention supplies to local charity organisations for distribution to local epidemic prevention staff, and donated money and goods to help children, the elderly and the poor affected by COVID-19 and floods through two charitable organisations "Goodness Foundation" and "We Must Survive".

Donation of epidemic prevention materials from Thailand

In August 2021, we teamed up with a number of anchors concerned about the phenomenon of cyber violence to form the "Justice League" and organised the "I Say No To Cyber Bullying" campaign in the United States. The campaign carried out a number of live broadcasts on anti-cyber violence in one week to awaken the awareness of local people against cyber violence and attracted tens of thousands of netizens to participate.



Anti-cyber violence

APPENDIX

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<tr><th>Subject Areas</th><th>Aspects</th><th>Contents of Disclosure</th><th>Section in the report</th></tr>
<tr><td rowspan="8">–</td><td rowspan="3">Board Statement</td><td>1. a disclosure of the board's oversight of ESG issues;</td><td>2. Board Statement</td></tr>
<tr><td>2. the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses);</td><td>1.1 About the Report
2. Board Statement
3. ESG Concept and Management</td></tr>
<tr><td>3. how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.</td><td>2. Board Statement</td></tr>
<tr><td rowspan="4">Reporting Principles</td><td>A description of, or an explanation on, the application of the Reporting Principles (Materiality, Quantitative and Consistency) in the preparation of the ESG report.</td><td>1.1 About the Report</td></tr>
<tr><td>Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement.</td><td>1.1 About the Report</td></tr>
<tr><td>Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.</td><td>1.1 About the Report</td></tr>
<tr><td>Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.</td><td>1.1 About the Report</td></tr>
<tr><td>Reporting Boundaries</td><td>A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.</td><td>1.2 Scope of the Report</td></tr>
</table>

Subject Areas	Aspects	Contents of Disclosure	Section in the report
Environmental	A1 Emissions	General Disclosure Information on: (1) the policies; and (2) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	4.2 Emissions Control
		A 1.1 The types of emissions and respective emissions data.	4.2 Emissions Control KPI: Emissions
		A 1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	KPI: Emissions
		A 1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	KPI: Emissions
		A 1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	KPI: Emissions
		A 1.5 Description of emissions target(s) set and steps taken to achieve them.	4.4 Environmental Targets
		A 1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	4.4 Environmental Targets

Subject Areas	Aspects	Contents of Disclosure	Section in the report
	A2 Use of Resources	General Disclosure: Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	4.1 Resource Conservation
		A 2.1 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).	KPI: Energy and Resource Consumption
		A 2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	NA
		A 2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	4.1 Resource Conservation 4.4 Environmental Targets
		A 2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	4.1 Resource Conservation 4.4 Environmental Targets
		A 2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	NA
	A3 The Environment and Natural Resources	General Disclosure: Policies on minimising the issuer's significant impacts on the environment and natural resources.	4. Environmental Protection
		A 3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	
	A4 Climate Change	General Disclosure: Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	4.3 Climate Change
		A 4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	

Subject Areas	Aspects	Contents of Disclosure	Section in the report
Social	B1 Employment	General Disclosure Information on: (1) the policies; and (2) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	6.1 Employment I. Legal Employment 2. Salary and Benefits
		B1.1 Total workforce by gender, employment type (for example, full-or part time), age group and geographical region.	KPI: Employment
		B1.2 Employee turnover rate by gender, age group and geographical region.	KPI: Employment
	B2 Health and Safety	General Disclosure Information on: (1) the policies; and (2) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	6.2 Employee Health and Safety 6.4 Protection against Epidemic
		B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	6.2 Employee Health and Safety
		B2.2 Lost days due to work injury.	6.2 Employee Health and Safety
		B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	6.2 Employee Health and Safety

Subject Areas	Aspects	Contents of Disclosure	Section in the report
	B3 Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	6.3 Development and Training
		B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	KPI: Employee Training
		B3.2 The average training hours completed per employee by gender and employee category.	KPI: Employee Training
	B4 Labour Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	I. Legal Employment
		B4.1 Description of measures to review employment practices to avoid child and forced labour.	I. Legal Employment
		B4.2 Description of steps taken to eliminate such practices when discovered.	I. Legal Employment

Subject Areas	Aspects	Contents of Disclosure	Section in the report
	B5 Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	5.2 Supplier Management
		B5.1 Number of suppliers by geographical region.	5.2 Supplier Management
		B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	5.2 Supplier Management
		B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	5.2 Supplier Management
		B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	5.2 Supplier Management
	B6 Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	5. Responsible Operation
		B 6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	NA
		B 6.2 Number of products and service related complaints received and how they are dealt with.	5.1 Product Responsibility
		B 6.3 Description of practices relating to observing and protecting intellectual property rights.	5.1 Product Responsibility
		B 6.4 Description of quality assurance process and recall procedures.	5.1 Product Responsibility
		B 6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.	5.1 Product Responsibility

Subject Areas	Aspects	Contents of Disclosure	Section in the report
	B7 Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	5.3 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.	5.3 Anti-corruption
		B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	5.3 Anti-corruption
		B7.3 Description of anti-corruption training provided to directors and staff.	5.3 Anti-corruption
	B8 Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	7. Giving back to the Society
		B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	7. Giving back to the Society
		B8.2 Resources contributed (e.g. money or time) to the focus area.	7. Giving back to the Society

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Newborn Town Inc. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 101 to 196, comprise:

- the consolidated balance sheet as at 31 December 2021;
- 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 significant accounting policies and other explanatory information.

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 2021, 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 matter identified in our audit is related to revenue recognition of value-added service business.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition of value-added service business Refer to note 2.20, note 4.1 and note 6 to the consolidated financial statements. Revenue for value-added service business for the year ended 31 December 2021 amounted to RMB2,062.4 million which represented 87.4% 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 information technology 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.

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.

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

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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, 31 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021
(Expressed in RMB)

		Year ended 31 December	
		2021	2020
	Note	***RMB'000***	*RMB'000*
Revenue from contracts with customers	6	**2,359,816**	1,181,593
Cost of revenue	7	**(1,356,496)**	(429,104)
Gross profit		**1,003,320**	752,489
Selling and marketing expenses	7	**(504,918)**	(483,513)
Research and development expenses	7	**(130,858)**	(58,534)
General and administrative expenses	7	**(730,089)**	(55,335)
Net impairment losses on financial assets	9	**(15,339)**	(7,533)
Other income	10	**6,082**	3,664
Other loss – net	10	**(18,259)**	(19,146)
Operating (loss)/profit		**(390,061)**	132,092
Finance income	11	**2,214**	1,799
Finance cost	11	**(5,829)**	(3,705)
Finance cost – net		**(3,615)**	(1,906)
Share of net loss of associates accounted for using the equity method		**(205)**	(6)
(Loss)/profit before income tax		**(393,881)**	130,180
Income tax credits/(expenses)	13	**6,756**	(15,837)
(Loss)/profit for the year		**(387,125)**	114,343

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021
(Expressed in RMB)

	Note	Year ended 31 December **2021** *RMB'000*	2020 *RMB'000*
(Loss)/profit attributable to:			
Owners of the Company		**(286,284)**	39,688
Non-controlling interests		**(100,841)**	74,655
Other comprehensive (loss)/income, net of tax			
Items that will not be reclassified to profit or loss			
Currency translation differences		**(3,545)**	–
Items that maybe subsequently reclassified to profit or loss			
Currency translation differences		**(7,445)**	(7,738)
Total comprehensive (loss)/income for the year		**(398,115)**	106,605
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(292,453)**	30,401
Non-controlling interests		**(105,662)**	76,204
(Loss)/earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic (loss)/earnings per share	14	**(0.287)**	0.040
Diluted (loss)/earnings per share	14	**(0.287)**	0.040

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

		As at 31 December	
		2021	2020
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property and equipment	16	**16,107**	6,886
Intangible assets	17	**226,412**	267,189
Goodwill	18	**197,287**	197,287
Financial assets measured at fair value through profit or loss	20	**26,756**	6,495
Investments accounted for using the equity method		**2,789**	2,994
Other receivable	22	**21,835**	11,381
Deferred tax assets	27	**248**	13,237
Other non-current assets		**5,000**	–
Total non-current assets		**496,434**	505,469
Current assets			
Other current assets		**5,283**	2,073
Accounts receivable	21	**146,810**	144,386
Other receivable	22	**82,031**	6,020
Financial assets measured at fair value through profit or loss	20	**166,119**	178,009
Cash and cash equivalents	24	**724,588**	431,015
Restricted bank deposits	23	**1,163**	1,192
Total current assets		**1,125,994**	762,695
Total assets		**1,622,428**	1,268,164

CONSOLIDATED BALANCE SHEET

as at 31 December 2021
(Expressed in RMB)

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
LIABILITIES			
Current liabilities			
Accounts payable	25	**226,120**	155,937
Other payable	26	**478,759**	234,593
Lease liabilities	16(b)	**7,504**	3,234
Contract liabilities	6(a)	**14,882**	14,872
Bank overdraft		**32**	17
Tax payable		**–**	834
Total current liabilities		**727,297**	409,487
Non-current liabilities			
Deferred tax liabilities	27	**51,808**	71,567
Lease liabilities	16(b)	**3,229**	102
Total non-current liabilities		**55,037**	71,669
Total liabilities		**782,334**	481,156
EQUITY			
Equity attributable to the owners of the Company			
Share capital	28	**759**	695
Share premium	28	**387,156**	93,701
Other reserves	29	**248,046**	314,950
(Accumulated losses)/retained earnings		**(159,158)**	127,126
		476,803	536,472
Non-controlling interests		**363,291**	250,536
Total equity		**840,094**	787,008
Total liabilities and equity		**1,622,428**	1,268,164

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

The consolidated financial statements on page 101 to 196 were approved by the Board of Directors on 31 March 2022 and were signed on its behalf:

Liu Chunhe
Director

Li Ping
Director

		Attributable to owners of the Company							
		Share capital	Share premium	Treasury Shares	Other reserves	Retained earnings	Sub-total	Non-controlling interests	Total equity
	Note	*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		–	–	–	–	–	–	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021
(Expressed in RMB)

		Attributable to owners of the Company						
	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings/ (accumulated losses) RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2021		695	93,701	314,950	127,126	536,472	250,536	787,008
Loss for the year		–	–	–	(286,284)	(286,284)	(100,841)	(387,125)
Other comprehensive loss	29	–	–	(6,169)	–	(6,169)	(4,821)	(10,990)
Total comprehensive loss		–	–	(6,169)	(286,284)	(292,453)	(105,662)	(398,115)
Transaction with owners:								
Shares-based compensation expenses	31	–	–	359,783	–	359,783	323,891	683,674
Issuance of ordinary shares as consideration for a transaction with non-controlling interests	19b & 28	64	293,455	(2,254)	–	291,265	–	291,265
Transaction with non-controlling interests	19b	–	–	(418,264)	–	(418,264)	(105,474)	(523,738)
Balance at 31 December 2021		759	387,156	248,046	(159,158)	476,803	363,291	840,094

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

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash generated from operations	30a	**391,649**	298,650
Interest received	11	**2,214**	1,799
Payment of income tax		**(13)**	(4,781)
Net cash inflow from operating activities		**393,850**	295,668
Cash flows from investing activities			
Purchase of Wealth Management Products measured at fair value through profit or loss		**(266,595)**	(517,563)
Maturity of Wealth Management Products measured at fair value through profit or loss		**278,462**	484,184
Additional investment in equity interest of a private company measured at fair value through profit or loss		**(13,000)**	–
Investment in an associate accounted for using the equity method		**–**	(3,000)
Purchase of property and equipment		**(4,000)**	(2,065)
Acquisition of a subsidiary, net of cash acquired		**–**	(58,626)
Loan to third parties		**(44,964)**	–
Prepayment for acquisition of a target company		**(5,000)**	–
Net cash (outflow)/inflow from investing activities		**(55,097)**	(97,070)
Cash flows from financing activities			
Net proceeds from issuance of shares upon Initial Public Offering		**–**	78,605
Repayment of lease liabilities (including interest paid)		**(8,680)**	(4,233)
Purchase of own shares		**–**	(1,521)
Transaction with non-controlling interests		**(21,153)**	–
Net cash (outflow)/inflow from financing activities		**(29,833)**	72,851
Net increase in cash and cash equivalents		**308,920**	271,449
Cash and cash equivalents at beginning of year		**430,998**	182,815
Effects of exchange rate changes on cash and cash equivalents		**(15,362)**	(23,266)
Cash and cash equivalents at end of year		**724,556**	430,998
Including:			
Cash and cash equivalents	24	**724,588**	431,015
Bank overdraft		**(32)**	(17)

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

1 GENERAL INFORMATION

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

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

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

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 (Beijing) Holdings Co., Ltd. ("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 Contractual Arrangements including the Exclusive Equity Call Option Agreement, Exclusive Business Cooperation Agreement, Equity Pledge Agreement, Exclusive Assets 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;
- 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 Arrangements.

1 GENERAL INFORMATION (CONTINUED)

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.

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. Accordingly, 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.

1 GENERAL INFORMATION (CONTINUED)

1.1 Acquisition of and related transactions involving Beijing Mico

On 17 April 2020, NewBornTown Network Technology (Beijing) Co., Ltd. ("NewBornTown Network Technology"), a subsidiary of the Company, entered into an 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. ("Beijing Mico") for a cash consideration of RMB100,000,000. On the same date, NewBornTown Network Technology entered into the Convertible Loan Investment Agreement with Beijing Mico, pursuant to which NewBornTown Network Technology has conditionally agreed to provide Beijing Mico with a convertible loan of RMB50,000,000. On 29 June 2020, NewBornTown Network Technology completed the acquisition of Beijing Mico upon the completion of the Equity Transfer Agreement and Convertible Loan Investment Agreement. Accordingly, the Group, who owned 25.62% equity interest of Beijing Mico together with the approximately 15.97% equity interest of Beijing 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 Beijing Mico), both of which are directed by NewBornTown Network Technology as the executive partner, had control over Beijing Mico, and therefore, the Company consolidated the financial statements of Beijing Mico upon the completion of the transactions.

On 17 August 2020, NewBornTown Network Technology, entered into an Equity Transfer Agreement with Mr. Ye Chunjian, pursuant to which Mr. Ye Chunjian agreed to sell and NewBornTown Network Technology agreed to acquire approximately 23.27% equity interest of Beijing Mico for a consideration of RMB262,997,000, which shall be settled in cash by NewBornTown Network Technology by four instalments 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 Beijing Mico. This transaction was accounted for as a transaction with non-controlling interests of a subsidiary as disclosed in Note 19b.

During the year ended 31 December 2021, Beijing Mico underwent a reorganisation, upon completion of which, NBT Social Networking Inc. ("NBT Social Networking"), a direct subsidiary of the Company, has become the foreign corresponding entity holding the business of Beijing Mico. This reorganization was accounted for as a business combination under common control since immediately prior and after the reorganization, the business was carried out through different entities which are all under the control of the Company, and the control is not transitory.

1 GENERAL INFORMATION (CONTINUED)

1.1 Acquisition of and related transactions involving Beijing Mico (continued)

On 9 October 2021, the Company entered into an Equity Transfer Agreement with BGFG Limited ("BGFG"), pursuant to which BGFG has conditionally agreed to sell, and the Company has conditionally agreed to acquire approximately 11.50% equity interest of NBT Social Networking for a total consideration of HK$727,580,000, which shall be settled in cash of HK$281,580,000, and in the issuance of 100,000,000 ordinary shares of the Company to BGFG. This transaction was approved by the shareholders on 17 December 2021. And the Company issued 100,000,000 ordinary shares to BGFG on 30 December 2021 accordingly. Upon completion of the acquisition of the non-controlling interests on 30 December 2021, the Company held approximately 60.39% equity interest of NBT Social Networking. 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. The financial statements are for the Group consisting of the Company and its subsidiaries.

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 Cap. 622.

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").

(Expressed in RMB unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies

New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

- Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16;

- Covid-19 – Related Rent Concessions – Amendment to IFRS 16;

The adoption of the above amendments did not have any significant impact on the Group's consolidate financial statements.

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
IFRS 17 – Insurance contracts	January 1, 2023
Amendments to IAS 16 – Property, plant and Equipment: Proceeds before intended use	January 1, 2022
Amendments to IFRS 3 – Reference to the Conceptual Framework	January 1, 2022
Amendment to IAS 37 – Onerous contract – cost of fulfilling a contract	January 1, 2022
Annual improvements to IFRS Standards 2018 – 2020	January 1, 2022
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	January 1, 2023
Amendment to IAS 1 and IFRS Practice Statement 2 – disclosure of accounting policies	January 1, 2023
Amendments to IAS 8 – Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12 – deferred tax related to assets and liabilities arising from a Single Transaction	January 1, 2023
Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture	To be determined

None of them is expected to have a significant effect on the consolidated financial statements of the Group in the current or future reporting periods and on foreseeable future transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting

2.3a Subsidiaries

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

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

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

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet, 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 are 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

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 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 and does not give rise to equal taxable and deductible temporary differences. 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 realised or the deferred income tax liability is settled.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Current and deferred income tax (continued)

(ii) Deferred income tax (continued)

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.

2.17 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)

2.17 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 statement of comprehensive income as and when incurred. The Group has no legal or constructive obligations to pay further contributions.

2.18 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") and share options) of the Company.

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

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

2.18 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 and share options 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 and share options 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 statement of comprehensive income, 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.

When the share options are exercised, the Company issues new ordinary shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

2.19 Provisions

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 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 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 revenue" in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 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)

2.20 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.

2.21 Leases

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 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.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The payments associated with short-term leases and leases of the low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Right-of-use assets are presented in "Property and equipment" on face of the Group's consolidated balance sheet.

2.22 Interest income

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

2.23 Government grants

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Related parties

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

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

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

- The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- Both entities are joint ventures of the same third party;
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- The entity is controlled or jointly controlled by a person identified in Note 2.24(i); or
- A person identified in Note 2.24(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

3 FINANCIAL RISK MANAGEMENT

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

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

3.1 Financial risk factors

3.1a Market risk

(i) Foreign exchange risk

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, Hong Kong dollar ("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 2021, the Company's cash and cash equivalents were mainly denominated in HKD and USD. If HKD and USD had strengthened/weakened by 5% against RMB with all other variables held constant, the total equity would have been approximately RMB1,106,658 (31 December 2020: RMB5,667,000) lower/higher.

For the Group's subsidiaries whose functional currencies are USD or HKD, if USD or HKD had strengthened/weakened by 5% against relevant currencies with all other variables held constant, the total equity would have been approximately RMB7,463,000 higher/lower.

(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 including loans to third parties. 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'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 2021 and 2020, approximately 47% and 44% 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 before 31 December 2021 or 31 December 2020 respectively and the corresponding historical credit losses experienced within this period. The Group's expected loss rates are mainly determined based on the corresponding historical credit losses. The Group also has considered the expected changes in macroeconomic factors, such as Gross Domestic Product ("GDP"), and accordingly adjusted the historical loss rates based on expected changes in these factors to reflect current and forward-looking information affecting the ability of the customers to settle the receivables.

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 2021 and 2020 was as follows:

	Accounts receivable *RMB'000*	**Allowance** *RMB'000*	**Net value** *RMB'000*
31 December 2021			
Accounts receivable			
From customers with regular payment schedule	**160,091**	**(13,281)**	**146,810**
From customers with different credit risks	**20,443**	**(20,443)**	**–**
	180,534	**(33,724)**	**146,810**

	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

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 2021 and 2020 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 2021						
Expected loss rate	**0.07%**	**4.56%**	**15.54%**	**100.00%**	**100.00%**	
Accounts receivable	**13,782**	**11**	**1,226**	**1,592**	**5,731**	**22,342**
Less: allowance	**(10)**	**(1)**	**(190)**	**(1,592)**	**(5,731)**	**(7,524)**
	13,772	**10**	**1,036**	**–**	**–**	**14,818**

	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

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 2021 was determined as follows for accounts receivable from value-added service business customers with regular payment schedule:

	Less than 90 days RMB'000	90 days to 180 days RMB'000	180 days to 1 year RMB'000	over 1 year RMB'000	Total RMB'000
31 December 2021					
Expected loss rate	0.29%	11.74%	23.54%	100.00%	
Accounts receivable	131,917	60	527	5,245	137,749
Less: allowance	(381)	(7)	(124)	(5,245)	(5,757)
	131,536	53	403	–	131,992

	Less than 90 days RMB'000	90 days to 180 days RMB'000	180 days to 1 year RMB'000	over 1 year RMB'000	Total 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

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)

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.

Other financial assets at amortised cost

Other financial assets at amortised cost mainly include loan to third parties and employee. As no significant increase of credit risk since initial recognition, management considers that the expected credit loss is insignificant. The Group measures credit risk using expected credit loss under IFRS 9.

In view of the history of cooperation with the debtors and collection from them, other receivables of approximately RMB103,883,000 are classified in Stage 1 as at 31 December 2021 and the credit risk inherent in these other receivables is not significant. The average loss rate of 0.02 % was applied as at the 31 December 2021.

For the remaining deposits and other receivables of approximately RMB3,154,000 as at 31 December 2021, it was classified in Stage 3 and the loss allowance associated with other receivables was approximately RMB3,154,000 as at 31 December 2021.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

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 2021		
	Less than 1 year	**Between 1 and 2 years**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Accounts and other payable (excluding non-financial liabilities)	**582,921**	**–**	**582,921**
Lease liabilities	**7,809**	**3,267**	**11,076**
Bank overdraft	**32**	**–**	**32**
	590,762	**3,267**	**594,029**

	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

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 2021 and 2020 were as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Total liabilities	**782,334**	481,156
Total assets	**1,622,428**	1,268,164
Gearing ratio	**48.22%**	37.94%

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 2021				
Assets				
Financial assets measured at FVPL				
– WMPs	**–**	**–**	**166,119**	**166,119**
– Equity interests of certain private companies	**–**	**–**	**26,756**	**26,756**
Financial assets measured at fair value through profit or loss	**–**	**–**	**192,875**	**192,875**

	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

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 2021 and 2020 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 values have been determined using various applicable valuation techniques.

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

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

(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 2021	2020	Relationship of unobservableinputs to fair values
Investment in WMP	Expected return rate	**1.45%-3.46%**	1.46% – 2.84%	The higher the expected return rate, the higher the fair value
Investment in equity interests of certain private companies	Expected volatility	**47%-65%**	48%	The higher the expected volatility, the lower the fair value
	Discount for lack of marketability (“DLOM”)	**20%-25%**	18%	The higher the DLOM, the lower the fair value
	Risk-free rate	**3.3%**	3.7%	The higher the risk-free rate, the higher the fair value
	Discount rate	**21%**	21%	The higher the discount rate, the lower the fair value
	Revenue growth rate	**3%-5%**	3% – 25%	The higher the revenue growth rate, the higher the fair value
	Perpetual growth rate	**2.5%**	3%	The higher the perpetual growth rate, the higher the fair value

For investment in WMP, the fair value was RMB166,119,000 as at 31 December 2021 (2020: RMB178,009,000). The estimated carrying amount as at 31 December 2021 would have been RMB1,661,000 (2020: RMB1,780,000) higher/lower should the expected return rate used in discounted cash flow analysis be higher/lower by 1% from management’s estimates.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair values (continued)

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

For investment in equity interests of certain private companies valued using income approach, the fair value was RMB13,350,000 as at 31 December 2021 (2020: RMB6,495,000). The estimated carrying amount as at 31 December 2021 would have been RMB526,000 (2020: RMB283,000) 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 2021 would have been RMB486,000 (2020: RMB799,000) higher/lower should the revenue growth rate used in discounted cash flow analysis be higher/lower by 5% from management's estimates.

For investment in equity interests of certain private companies valued using market approach, the fair value was RMB13,406,000 as at 31 December 2021 (2020: nil). The estimated carrying amount as at 31 December 2021 would have been RMB99,000 (2020: nil) lower/higher should the revenue growth rate 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 2.20, 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 circumstance.

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 except for business combination under common control 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.

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 mainly in value-added services and traffic monetisation services, and are regularly reviewed and evaluated by the CODM. As a result of this evaluation, the Group is organised into two segments according to the revenue streams of the Group namely, value-added services and traffic monetisation business.

The CODM assesses the performance of the operating segments based on the gross profit/loss. The reconciliation of gross profit to profit before income tax is shown in the consolidated statement of comprehensive income. There were no separate segment assets and segment liabilities information provided 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 2021 and 2020 are as follows:

	Traffic monetisation business *RMB'000*	**Value-added service business** *RMB'000*	**Total** *RMB'000*
For the year ended 31 December 2021			
Revenue	**297,456**	**2,062,360**	**2,359,816**
Cost of revenue	**(39,884)**	**(1,316,612)**	**(1,356,496)**
Gross profit	**257,572**	**745,748**	**1,003,320**
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

5 SEGMENT INFORMATION (CONTINUED)

As at 31 December 2021 and 2020, substantially all of the non-current assets of the Group were located in the PRC.

For the year ended 31 December 2021, no single external customer accounted for 10% or more of the Group's total revenue. And the major customers which individually contributed more than 10% of the total revenue of the Group for the year ended 31 December 2020 are listed as below:

	Year ended 31 December 2020 %
Customer A	16.80%
Customer B	11.30%
Customer C	10.30%

6 REVENUE FROM CONTRACTS WITH CUSTOMERS

An analysis of the Group's revenue by category for the years ended 31 December 2021 and 2020 was as follows:

	Year ended 31 December	
	2021 ***RMB'000***	2020 *RMB'000*
Recognised at a point in time		
Value-added service business	**2,040,746**	631,376
Traffic monetisation business	**297,456**	524,073
Recognised over time		
Value-added service business	**21,614**	26,144
Total	**2,359,816**	1,181,593

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)

6a Details of contract liabilities

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Contract liabilities	**14,882**	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 2021, the contract liabilities mainly included with the advances for the purchase of virtual items. All of the balance of contract liabilities as at 1 January 2021 and 2020 were 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	
	2021	2020
	RMB'000	*RMB'000*
Revenue sharing to streamers	**892,521**	211,032
Promotion expenses	**498,576**	478,509
Cost for advertising placement	**–**	6,913
Employee benefit expense (Note 8)	**260,365**	117,795
Share-based compensation expenses (Note 31)	**696,105**	40,775
Payment handling costs	**224,470**	82,732
Server capacity expense	**43,866**	20,479
Consultancy and professional service fee	**11,134**	8,151
Technical and other service fee	**15,955**	11,233
Depreciation and amortisation	**51,023**	25,418
Travel expense	**4,546**	3,184
Rental expense	**4,922**	3,623
Auditor's remuneration		
– Audit and audit related services	**3,600**	3,609
– Non-audit services	**330**	448
Impairment of goodwill (Note 18)	**–**	5,029
Others	**14,948**	7,556
Total	**2,722,361**	1,026,486

8 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**249,552**	115,786
Retirement costs: contributions to defined contribution plans	**6,876**	425
Dismissal compensation	**3,937**	1,584
Total employee benefit expense	**260,365**	117,795

As at 31 December 2021 and 2020, defined contribution plans payables were RMB599,208, and RMB454,000 respectively. During the year ended 31 December 2021, no forfeited contributions may be used by the Group to reduce the existing level of contributions (2020: nil).

8a Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one Director whose emolument is reflected in the analysis shown in Note 12(a) for the year ended 31 December 2021 (2020: Nil). The emoluments payable to the remaining 4 individuals (2020: 5) for the year ended 31 December 2021 are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Wages, salaries and bonus	**2,196**	2,673
Discretionary bonuses	**–**	–
Contributions to pension plans	**158**	15
Other social security costs, housing allowance and other allowance	**274**	268
Share-based compensation expenses	**305,165**	26,942
	307,793	29,898

8 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

8a Five highest paid individuals (continued)

The emoluments fell within the following bands:

	Year ended 31 December	
	2021	2020
Emolument bands (in HKD)		
2,000,001-2,500,000	**–**	1
2,500,001-3,000,000	**–**	1
4,500,001-5,000,000	**–**	1
11,000,001-11,500,000	**–**	1
12,500,001-13,000,000	**–**	1
33,500,001-34,000,000	**1**	–
46,500,001-47,000,000	**1**	–
110,000,001-110,500,000	**1**	–
180,000,001-180,500,000	**1**	–

For the year ended 31 December 2021, the emoluments of the five highest paid individuals included the share-based compensation expenses arising from the reorganization of Beijing Mico (Note 31(c)).

9 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Impairment loss provided for the year related to accounts receivable	**15,174**	7,533
Impairment loss provided for the year related to other receivable	**165**	–
	15,339	7,533

10 OTHER INCOME AND OTHER LOSS, NET

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Other income		
Government grants	**5,373**	783
Write-back accounts payable	**–**	2,261
Others	**709**	620
Total	**6,082**	3,664
Other loss – net		
Fair value change of financial assets measured at FVPL	**9,812**	10,077
Exchange loss	**(25,240)**	(29,360)
Donation	**(227)**	(137)
Others	**(2,604)**	274
Total	**(18,259)**	(19,146)

11 FINANCE COST – NET

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Finance income		
Interest income from deposits	**2,214**	1,799
Finance cost		
Interest expense on deferred consideration (Note 26)	**(5,346)**	(3,468)
Interest expense on lease liabilities	**(483)**	(237)
Net finance cost	**(3,615)**	(1,906)

12 BENEFITS AND INTERESTS OF DIRECTORS

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

For the year ended 31 December 2021:

	Fees	Salary	Discretionary bonuses	Employer's contribution to a retirement benefit scheme	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Share-based compensation expenses	Other social security costs, allowances, benefits in kind and other employee benefits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors								
Liu Chunhe*	–	426	82	53	–	17,644	77	18,282
Li Ping**	–	426	118	53	–	4,411	75	5,083
Wang Kui**	–	183	–	13	–	–	20	216
Ye Chunjian**	–	368	–	39	–	7,709	55	8,171
Su Jian**	–	315	–	30	–	266,473	54	266,872
Independent non-executive directors								
Pan Xiya***	56	–	–	–	–	–	–	56
Gao Ming***	27	–	–	–	–	–	–	27
Huang Sichen***	62	–	–	–	–	–	–	62
Chi Shujin	83	–	–	–	–	–	–	83
Liu Rong***	21	–	–	–	–	–	–	21
	249	1,718	200	188	–	296,237	281	298,873

12 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

For the year ended 31 December 2020:

	Fees	Salary	Discretionary bonuses	Employer's contribution to a retirement benefit scheme	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Other social security costs, allowances, benefits in kind and other employee benefits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Liu Chunhe*	–	420	31	4	–	67	522
Li Ping**	–	420	86	4	–	68	578
Wang Kui**	–	480	52	4	–	70	606
Independent non-executive directors							–
Pan Xiya***	100	–	–	–	–	–	100
Chi Shujin	100	–	–	–	–	–	100
Liu Rong***	100	–	–	–	–	–	100
	300	1,320	169	12	–	205	2,006

* Mr. Liu Chunhe resigned as the chief executive officer of the Company on 26 August 2021. The amounts presented above represent the fees, discretionary salaries and bonus, allowances and benefits in kind, employer's contribution to a retirement benefit scheme, other emoluments paid during 2021 and 2020.

** Mr. Li Ping was appointed as the chief executive officer of the Company on 26 August 2021. Mr. Ye Chunjian and Mr. Su Jian were appointed as directors of the Company on 1 April 2021. Mr. Wang Kui resigned as an executive director of the Company on 1 April 2021. The amounts presented above represent the fees, discretionary salaries and bonus, allowances and benefits in kind, employer's contribution to a retirement benefit scheme, other emoluments paid during 2021 and 2020.

*** Mr. Huang Sichen was appointed as an independent non-executive director on 1 April 2021 and Mr. Gao Ming was appointed as an independent non-executive director on 26 August 2021. Mr. Liu Rong resigned an independent non-executive director on 1 April 2021 and Mr. Pan Xiya resigned as an independent non-executive director on 26 August 2021. The amounts presented above represent the fees, discretionary salaries and bonus, allowances and benefits in kind, employer's contribution to a retirement benefit scheme, other emoluments paid during 2021 and 2020.

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 2021 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 2021 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 2021 and 2020.

(e) Directors' material interests in transactions, arrangements or contract

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 2021 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 2021 and 2020, 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 2020. Accordingly, NewBornTown Network Technology was entitled to a preferential income tax rate of 15% on its assessable profits for the years from 2020 to 2022.

On 29 May 2021, Beijing Mico was accredited as a software enterprise under the relevant PRC laws and regulations since 2020. Accordingly, this subsidiary is exempt from EIT for the years ended 31 December 2021 and 2020, followed by a 50% reduction in the statutory income tax rate of 25% for the next three years from 2022 to 2024.

On 28 May 2021, Shenzhen Leyuyou Internet Technology Co., Ltd. was accredited as a software enterprise under the relevant PRC laws and regulations since 2021. Accordingly, this subsidiary is exempt from EIT for the years ended 31 December 2022 and 2021, followed by a 50% reduction in the statutory income tax rate of 25% for the next three years from 2023 to 2025.

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 2021. 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)

(c) PRC Enterprise Income Tax ("EIT") (continued)

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Current tax		
Current tax on profits for the year	**14**	383
Deferred income tax		
Changes in deferred tax assets/liabilities (Note 27)	**(6,770)**	15,454
Income tax (credits)/expenses	**(6,756)**	15,837

13a Reconciliation of income tax expenses

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
(Loss)/profit before income tax	**(393,881)**	130,180
Tax at the PRC statutory tax rate of 25%	**(98,470)**	32,545
Effect of different tax rates in other jurisdictions	**(1,449)**	3,200
Effect of preferential tax rates	**(68,707)**	(9,790)
Effect of expenses not deductible for income tax purposes	**145,213**	377
Effect of utilisation of previously unrecognised deductible tax losses	**–**	(5,086)
Effect of tax losses for which no deferred income tax assets were recognised	**21,600**	1,032
Impact on share of results of investments accounted for using equity method	**31**	1
Effect of super deduction of research and development expenses	**(4,974)**	(6,442)
Income tax (credits)/expenses	**(6,756)**	15,837

14 EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share for the years ended 31 December 2021 and 2020 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	
	2021	2020
	RMB'000	*RMB'000*
(Loss)/profit attributable to owners of the Company	**(286,284)**	39,688
Weighted average number of ordinary shares in issue *(thousand)*	**999,124**	998,847
Basic (loss)/earnings per share *(expressed in RMB per share)*	**(0.287)**	0.040

Purchase of shares in September 2020 and October 2020 and issuance of shares in December 2021 were accounted at time portion basis.

(b) Diluted

For the year ended 31 December 2021, as the Group incurred losses, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. For the year ended 31 December 2020, 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. Accordingly, diluted (loss)/earnings per share for the years ended 31 December 2021 and 2020 are the same as basic (loss)/earnings per share of respective years.

15 DIVIDENDS

No dividends have been paid or declared by the Company for the years ended 31 December 2021 and 2020.

16 PROPERTY AND EQUIPMENT

(a) Property and equipment

	Electronic equipment	Furniture and fixtures	Motor Vehicles	Leasehold improvement	Right-of-use asset	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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	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
Year ended 31 December 2021						
Opening net book amount	**1,878**	**482**	**491**	**743**	**3,292**	**6,886**
Additions	**2,284**	**366**	**–**	**1,350**	**15,397**	**19,397**
Currency translation differences	**–**	**–**	**–**	**–**	**111**	**111**
Depreciation charge	**(1,073)**	**(184)**	**(101)**	**(1,161)**	**(7,727)**	**(10,246)**
Disposal	**(41)**	**–**	**–**	**–**	**–**	**(41)**
Closing net book amount	**3,048**	**664**	**390**	**932**	**11,073**	**16,107**
As at 31 December 2021						
Cost	**6,430**	**983**	**533**	**3,252**	**22,749**	**33,947**
Accumulated depreciation	**(3,382)**	**(319)**	**(143)**	**(2,320)**	**(11,676)**	**(17,840)**
Net book amount	**3,048**	**664**	**390**	**932**	**11,073**	**16,107**

16 PROPERTY AND EQUIPMENT (CONTINUED)

(a) 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	
	2021	2020
	RMB'000	*RMB'000*
Cost of revenue	**5,076**	2,287
General and administrative expenses	**4,134**	2,073
Research and development expenses	**780**	254
Selling and marketing expenses	**256**	15
	10,246	4,629

For the years ended 31 December 2021 and 2020, 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.

(b) Leases

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Right-of-use assets		
Buildings	**11,073**	3,292
Lease liabilities		
Current	**7,504**	3,234
Non-current	**3,229**	102
	10,733	3,336

16 PROPERTY AND EQUIPMENT (CONTINUED)

(b) Leases (continued)

(ii) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets	**7,727**	3,631
Interest expense (included in finance cost)	**483**	237
Expense relating to short-term leases	**4,836**	3,586
Expense relating to leases of low-value assets that are not shown above as short-term leases	**86**	37

The total cash outflow for leases in the year ended 31 December 2021 was RMB10,813,000 (2020: RMB6,497,000).

17 INTANGIBLE ASSETS

	Software *RMB'000*	Brand name *RMB'000*	User base *RMB'000*	Technology *RMB'000*	Total *RMB'000*
Year ended 31 December 2020					
Opening net book amount	3,933	–	–	–	3,933
Acquisition of a subsidiary	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
Year ended 31 December 2021					
Opening net book amount	**3,172**	**219,450**	**39,167**	**5,400**	**267,189**
Amortisation charge	**(810)**	**(23,100)**	**(15,667)**	**(1,200)**	**(40,777)**
Closing net book amount	**2,362**	**196,350**	**23,500**	**4,200**	**226,412**
As at 31 December 2021					
Cost	**8,048**	**231,000**	**47,000**	**6,000**	**292,048**
Accumulated amortisation	**(5,686)**	**(34,650)**	**(23,500)**	**(1,800)**	**(65,636)**
Net book amount	**2,362**	**196,350**	**23,500**	**4,200**	**226,412**

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	
	2021	2020
	RMB'000	*RMB'000*
Cost of revenue	**40,766**	20,783
General and administrative expenses	**5**	3
Selling and marketing expenses	**6**	3
	40,777	20,789

18 GOODWILL

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cost and carrying amount:		
At the beginning of the year	**197,287**	5,066
Addition relating to business acquisition of Beijing Mico	**–**	197,287
Impairment during the year	**–**	(5,029)
Currency translation differences	**–**	(37)
At the end of the year	**197,287**	197,287

Impairment tests for goodwill

As at 31 December 2021 and 2020, the goodwill of the Group was generated from acquisition of Beijing Mico in 2020 and Great Sailing Media Limited in 2015. The impairment assessment as at 31 December 2021 was conducted by the management leveraging their extensive experiences in the industry without using of an independent professional valuer. 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.

18 GOODWILL (CONTINUED)

Impairment tests for goodwill (continued)

For the impairment test performed for the goodwill relating to the acquisition of Beijing Mico at 31 December 2021, the key assumptions used in impairment test including growth rates which are estimated 10% (2020: 10%), while for the years beyond the five-year period for the goodwill related to the value-added business, the estimated continued growth rate to perpetuity is 3% (2020: 3%). The gross margins are estimated around 33% (2020: 30%) with reference to the historical average gross margin of the Group's value-added business. The present value of cash flows is calculated by discounting the cash flow using pre-tax discount rate of 25% (2020: 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 value-added 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 2021.

Based on the result of the goodwill impairment testing, the recoverable amount of Beijing Mico amounted to RMB2.53 billion (31 December 2020: RMB1.29 billion) and exceeded the carrying amount of Beijing Mico with a headroom available amounted to approximately RMB1.38 billion as at 31 December 2021 (31 December 2020: RMB0.5 billion). As the recoverable amount was significantly above the carrying amount, no impairment was identified in respect of the goodwill as at 31 December 2021 (31 December 2020: nil).

The Group performs the sensitivity analysis based on the assumptions that revenue growth rate or terminal value or the discount rate has been changed. Had the estimated key assumptions during the forecast period been changed as below, the headroom would be decreased to as below:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Revenue growth rate decreases by 10%	**1,304,040**	497,851
Terminal value decreases by 10%	**1,122,236**	428,315
Discount rate increases by 10%	**1,110,281**	365,168

Reasonable possible changes in key assumptions would not lead to impairment of the goodwill relating to Beijing Mico as at 31 December 2021 and 2020, respectively.

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 which 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 2021, the Company has direct or indirect interests in the following subsidiaries:

Company Name	Kind of legal entity	Place and date of incorporation/ establishment/ operation	Principal activities	Issued and paid-in capital/ registered capital	Percentage of effective interest held
Solo X Technology Limited	Limited liability company	Hong Kong/ 30 October 2018	Investment holding	HKD10,000	100%
Newborn Town International Enterprise Limited ("赤子城國際企業有限公司")	Limited liability company	Hong Kong/ 20 December 2013	Traffic monetisation business	HKD10,000	100%
Shandong NewBornTown Network Technology Co., Ltd. ("山東赤子城網絡技術有限公司")	Limited liability company	The PRC/ 30 August 2018	Support services to operation	RMB220,500,000	100%
Great Sailing Media Limited ("航海時代傳媒有限公司")	Limited liability company	Hong Kong/ 16 April 2013	Traffic monetisation business and value-added service business	HKD500,000	100%
NewBornTown Mobile Technology (Beijing) Co., Ltd. ("赤子城移動科技(北京)股份有限公司")	Joint stock Limited liability company	The PRC/ 15 August 2007	Investment holding	RMB58,183,695	100%
NewBornTown Network Technology (Beijing) Co., Ltd. ("赤子城網絡技術(北京)有限公司")	Limited liability company	The PRC/ 28 February 2014	Traffic monetisation business	RMB300,000,000	100%
Ninth Games Pte. Ltd.	Limited liability company	Singapore/ 2 September 2020	Traffic monetisation business	SGD10,000	100%
X Games Pte. Ltd.	Limited liability company	Singapore/ 23 September 2020	Traffic monetisation business	SGD10,000	100%
Beijing Mico World Technology Co., Ltd. ("北京米可世界科技有限公司")	Limited liability company	The PRC/ 30 May 2014	Support services to operation	RMB2,825,000	60.39%
Hainan Jidu Kongjian Network Technology Co., Ltd. ("海南幾度空間網絡科技有限責任公司")	Limited liability company	The PRC/ 15 January 2019	Support services to operation	RMB1,000,000	60.39%
Shenzhen Leyuyou Network Technology Co., Ltd. ("深圳樂娛游網絡科技有限公司")	Limited liability company	The PRC/ 27 September 2017	Support services to operation	RMB1,000,000	60.39%
Mobile Alpha Limited	Limited liability company	Hong Kong/ 02 Mar 2016	Value added service business	HKD1	60.39%

(Expressed in RMB unless otherwise indicated)

19 SUBSIDIARIES (CONTINUED)

Company Name	Kind of legal entity	Place and date of incorporation/ establishment/ operation	Principal activities	Issued and paid-in capital/ registered capital	Percentage of effective interest held
Mico World Egypt Network Ltd.	Limited liability company	Egypt/ 20 January 2020	Value added service business	EGP600,000	60.39%
Hainan Newborn Town Network Technology Co., Ltd. ("海南赤子城網絡技術有限公司")	Limited liability company	The PRC/ 28 January 2021	Support services to operation	RMB1,000,000	100%
NBT Social Networking Inc.	Limited liability company	Cayman/ 16 June 2021	Investment holding	USD50,000	60.39%
NBT Social Networking Pte. Ltd.	Joint stock limited liability company	Singapore/ 6 July 2021	Investment holding	SGD100	60.39%
Mind Vana Limited	Limited liability company	BVI/ 6 January 2021	Value added service business	USD50,000	60.39%
MX Innovation Pte. Ltd.	Limited liability company	Singapore/ 22 January 2021	Value added service business	SGD10,000	60.39%
Meta Town Technology Limited	Limited liability company	Hong Kong/ 3 December 2021	Traffic monetisation business	HKD10,000	100%
Meta Play Technology Limited	Limited liability company	Hong Kong/ 8 December 2021	Traffic monetisation business	HKD10,000	100%
Beijing Mico World Network Technology Co., Ltd. ("北京米可世界網絡技術有限公司")	Limited liability company	The PRC/ 29 September 2021	Support services to operation	RMB1,000,000	60.39%
Mico World Limited	Limited liability company	Hong Kong/ 24 September 2015	Value added service business	HKD1	60.39%

19 SUBSIDIARIES (CONTINUED)

19a Non-controlling interests

Set out below is summarized financial statements for NBT Social Networking 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 2021 *RMB'000*	As at 31 December 2020 *RMB'000*
Current assets	**988,250**	420,599
Current liabilities	**(278,209)**	(160,140)
Current net assets	**710,041**	260,459
Non-current assets	**181,765**	182,755
Non-current liabilities	**(6,403)**	(5,081)
Non-current net assets	**175,362**	177,674
Net assets	**885,403**	438,133
Accumulated NCI	**363,291**	250,536

Summarized statement of comprehensive income	Year ended 31 December 2021 *RMB'000*	For the period from 30 June 2020 to 31 December 2020 *RMB'000*
Revenue	**1,962,722**	604,181
(Loss)/profit of the year	**(177,011)**	142,757
Other comprehensive (loss)/income	**(9,432)**	3,030
Total comprehensive (loss)/income	**(186,443)**	145,787
(Loss)/profit allocated to NCI	**(100,841)**	74,655

19 SUBSIDIARIES (CONTINUED)

19a Non-controlling interests (continued)

Summarized cash flows	Year ended 31 December 2021 *RMB'000*	For the period from 30 June 2020 to 31 December 2020 *RMB'000*
Cash flows from operating activities	**518,913**	180,317
Cash flows from investing activities	**(119,342)**	(66,307)
Cash flows from financing activities	**(3,877)**	(770)
Effects of exchange rate changes on cash and cash equivalents	**(12,699)**	(15,444)
Net increase in cash and cash equivalents	**382,995**	97,796

19b Transaction with non-controlling interests

On 30 December 2021, the Group completed the acquisition of an additional 11.50% equity interests of NBT Social Networking for a total consideration of approximately RMB523,738,000. Immediately prior to the purchase, the carrying amount of the existing 51.11% non-controlling interests in NBT Social Networking was RMB468,765,000. The Group recognised a decrease in non-controlling interests of RMB105,474,000 and a decrease in equity attributable to owners of the Company of RMB418,264,000. The effect on the equity attributable to the owners of NBT Social Networking during the year ended 31 December 2021 is summarised as follows:

	Year ended 31 December 2021 *RMB'000*
Carrying amount of non-controlling interests acquired	**105,474**
Consideration paid to non-controlling interests, including the fair value of the Company's ordinary shares issued	**(523,738)**
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	**(418,264)**

19 SUBSIDIARIES (CONTINUED)

19b Transaction with non-controlling interests (continued)

On 17 August 2020, the Group acquired an additional 23.27% equity interests of Beijing 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 Beijing 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 Beijing Mico during the year ended 31 December 2020 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)

20 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

		As at 31 December	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
Financial assets			
Financial assets at amortised cost	(i)		
Accounts and other receivable	21,22	**250,676**	161,787
Cash and cash equivalents	24	**724,588**	431,015
Restricted bank deposits	23	**1,163**	1,192
Financial assets at fair value through profit and loss			
Investment in WMPs	(ii)	**166,119**	178,009
Investment in equity interests of certain private companies	(iii)	**26,756**	6,495
		1,169,302	778,498
Financial liabilities			
Financial liabilities at amortised cost	(i)		
Accounts and other payable (excluding non-financial liabilities)		**582,921**	290,032
Lease liabilities		**10,733**	3,336
Bank overdraft		**32**	17
		593,686	293,385

Notes:

(i) As at 31 December 2021 and 2020, the fair values of the financial assets and financial liabilities at amortised cost approximated their respective carrying amounts.

(ii) The WMPs were not principal guaranteed and were therefore classified as financial assets as FVPL. The fair value measurement of these assets is disclosed in Note 3.3.

20 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

(iii) The Group made investments in equity interest of certain private companies and the changes in the balances for the years ended 31 December 2021 and 2020 are as follows:

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
At the beginning of the year		**6,495**	187,356
Addition during the year	(iv)	**13,000**	–
Deduction during the year		**–**	(189,501)
Fair value changes		**7,261**	8,640
At the end of the year		**26,756**	6,495

(iv) In 2021, NewBornTown Network Technology made an investment of RMB13,000,000 interest in Beijing AFunTeam Technology Limited, a private company in the mobile internet industry.

21 ACCOUNTS RECEIVABLE

	As at 31 December 2021 RMB'000	2020 RMB'000
Current assets		
Gross carrying amount	**180,534**	163,463
Less: impairment provision (Note 3.1b)	**(33,724)**	(19,077)
Total accounts receivable	**146,810**	144,386

21 ACCOUNTS RECEIVABLE (CONTINUED)

An aging analysis of the gross accounts receivable as at 31 December 2021 and 2020, based on date of recognition, is as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Up to 6 months	**145,760**	134,954
6 months to 1 year	**538**	3,169
1 year to 2 years	**12,033**	12,311
2 years to 3 years	**9,352**	10,035
Over 3 years	**12,851**	2,994
	180,534	163,463

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	
	2021	2020
	RMB'000	*RMB'000*
At the beginning of the year	**(19,077)**	(14,291)
Provision for impairment, net	**(15,174)**	(7,533)
Addition relating to business acquisition	**–**	(370)
Write off	**–**	1,808
Currency translation impacts	**527**	1,309
At the end of the year	**(33,724)**	(19,077)

21 ACCOUNTS RECEIVABLE (CONTINUED)

As at 31 December 2021 and 2020, the analysis of carrying amounts of accounts receivable denominated in different currencies is as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Denominated in USD	**120,799**	115,594
Denominated in HKD	**51,942**	18,156
Denominated in RMB	**7,793**	29,713
	180,534	163,463

22 OTHER RECEIVABLE

		As at 31 December	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
Other receivables from employees	(i)	**31,900**	15,679
Loans to third parties	(ii)	**45,214**	250
Rental deposit		**3,149**	3,203
Deposits placed at foreign licensed platform	(iii)	**25,679**	–
Others		**1,095**	1,319
Less: impairment provision		**(3,171)**	(3,050)
		103,866	17,401
Including:			
current portion		**82,031**	6,020
non-current portion		**21,835**	11,381

Notes:

(i) During the year ended 31 December 2021 and 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.

(ii) The balance mainly represents interest-free short-term loans lent to third parties amounting to RMB38,254,000 and RMB6,000,000 respectively.

(iii) The balance mainly represents the deposits placed at foreign licensed platform such as PayPal, Payoneer, etc..

23 RESTRICTED BANK DEPOSITS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Guarantee deposits at bank	**1,163**	1,192

The restricted bank deposits mainly comprised of bank deposits restricted as guarantee for bank overdraft.

24 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Bank deposits at call	**724,588**	429,749
Other cash and cash equivalents	**–**	1,266
	724,588	431,015

For the years ended 31 December 2021 and 2020, 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 2021 and 2020, the analysis of carrying amounts of cash and cash equivalents denominated in different currencies is as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Denominated in HKD	**391,218**	252,710
Denominated in USD	**320,264**	139,164
Denominated in RMB	**9,204**	37,382
Denominated in EUR	**2,956**	220
Denominated in JPY	**515**	588
Others	**431**	951
	724,588	431,015

25 ACCOUNTS PAYABLE

Aging analysis of the accounts payable as at 31 December 2021 and 2020 based on the date of recognition are as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Up to 3 months	**203,821**	85,239
3 months to 6 months	**12,279**	24,336
6 months to 1 year	**1,034**	37,016
1 year to 2 years	**2,750**	1,368
2 years to 3 years	**570**	1,789
More than 3 years	**5,666**	6,189
	226,120	155,937

Accounts payable are usually paid within 1 year of recognition.

25 ACCOUNTS PAYABLE (CONTINUED)

As at 31 December 2021 and 2020, the analysis of carrying amounts of accounts payable denominated in different currencies is as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Denominated in USD	**180,282**	80,571
Denominated in RMB	**7,033**	65,258
Denominated in IDR	**7,348**	2,996
Denominated in THB	**17,489**	6,599
Denominated in JPY	**3,374**	513
Denominated in HKD	**10,594**	–
	226,120	155,937

26 OTHER PAYABLE

		As at 31 December	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
Deferred consideration	(i)	**112,545**	126,153
Consideration payable to BGFG	(ii)	**230,220**	–
Employee benefits payable		**65,136**	41,653
Refundable advances from customers		**218**	303
Other tax payables		**56,822**	58,845
Others		**13,818**	7,639
		478,759	234,593

Notes:

(i) Deferred consideration is related to the transaction with non-controlling interests to acquire addition equity interest in Beijing 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. The consideration has been fully paid in 2022.

(ii) Consideration payable to BGFG is related to the acquisition of 11.50% equity interest of NBT Social Networking, which has been fully paid in January 2022 (Note 1.1).

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 RMB5,079,000 and RMB2,284,000 as at 31 December 2021 and 2020, respectively. The analysis of deferred income tax assets and liabilities before offsetting is as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Deferred income tax assets		
– to be recovered after 12 months	**–**	14,876
– to be recovered within 12 months	**5,327**	645
	5,327	15,521

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Deferred income tax liabilities		
– to be recovered after 12 months	**41,080**	67,857
– to be recovered within 12 months	**15,807**	5,994
	56,887	73,851

27 DEFERRED INCOME TAX (CONTINUED)

27a Deferred tax assets

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
The balance comprises temporary differences attributable to:		
Accrued operating expenses	**3,841**	1,060
Accumulated tax loss	**–**	645
Restricted shares granted	**–**	12,343
Others	**1,486**	1,473
Total deferred tax assets	**5,327**	15,521

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 2020	369	–	–	1,264	1,633
Acquisition of a subsidiary	–	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
Credited/(charged) to profit or loss	**2,781**	**(645)**	**(12,343)**	**13**	**(10,194)**
At 31 December 2021	**3,841**	**–**	**–**	**1,486**	**5,327**

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 2021 and 2020, the Group did not recognise deferred income tax assets in respect of accumulated tax losses amounting to RMB21,600,000 and RMB1,032,000, respectively, which are expected to expire from 31 December 2024 to 31 December 2025.

27 DEFERRED INCOME TAX (CONTINUED)

27b Deferred tax liabilities

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
The balance comprises temporary differences attributable to:		
Fair value changes	**12,924**	11,844
Intangible assets identified in acquisition of a subsidiary	**43,963**	62,007
Total deferred tax liabilities	**56,887**	73,851

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 2020	10,547	–	10,547
Acquisition of a subsidiary	–	65,005	65,005
Charged to profit or loss	1,297	(2,998)	(1,701)
At 31 December 2020	11,844	62,007	73,851
Charged/(credited) to profit or loss	**1,080**	**(18,044)**	**(16,964)**
At 31 December 2021	**12,924**	**43,963**	**56,887**

The deferred income tax assets relating to restricted shares granted and the deferred income tax liabilities relating to intangible assets identified in acquisition of a subsidiary were attributable to one subsidiary of the Company. On 29 May 2021, this subsidiary was accredited as a software enterprise under the relevant PRC laws and regulations since 2020. Accordingly, this subsidiary is exempt from Enterprise Income Tax for two consecutive years for the years ended December 2021 and 2020, followed by a 50% reduction in the statutory income tax rate of 25% for the next three years from 2022 to 2024. The related deferred tax assets and deferred tax liabilities as at 31 December 2021 were calculated based on the applicable future tax rates accordingly.

28 SHARE CAPITAL

	Notes	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 2019		3,000,000,000	1,000,000,000	100	696	–	95,221
Purchase of own shares	(i)	–	–	–	–	(1,521)	–
Cancellation of shares	(i)	–	(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
Issuance of ordinary shares	(ii)	–	100,000,000	10	64	–	293,455
As at 31 December 2021		**3,000,000,000**	**1,098,850,000**	**109**	**759**	**–**	**387,156**

Share premium

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

Notes:

(i) In December 2020, the Company purchased and cancelled 1,150,000 ordinary shares on market in order to simplify the Company's capital structure.

(ii) On 30 December 2021, the Company issued 100,000,000 ordinary shares to BGFG as part of consideration to acquire approximately 11.50% equity interest of NBT Social Networking (Note 19b).

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 2020		3,475	441,514	6,201	451,190
Other comprehensive loss		–	–	(9,287)	(9,287)
Transaction with non-controlling interests	19b	–	(160,563)	–	(160,563)
Share-based compensation expenses		–	40,775	–	40,775
Others		–	(7,165)	–	(7,165)
As at 31 December 2020		3,475	314,561	(3,086)	314,950
Other comprehensive loss		**–**	**–**	**(6,169)**	**(6,169)**
Issuance of ordinary shares as consideration for a transaction with non-controlling interests	19b	**–**	**(2,254)**	**–**	**(2,254)**
Transaction with non-controlling interests	19b	**–**	**(418,264)**	**–**	**(418,264)**
Share-based compensation expenses		**–**	**359,783**	**–**	**359,783**
As at 31 December 2021		**3,475**	**253,826**	**(9,255)**	**248,046**

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

(a) Cash generated from operations

		Year ended 31 December	
		2021	2020
	Note	***RMB'000***	*RMB'000*
(Loss)/profit before income tax		**(393,881)**	130,180
Adjustments for			
Depreciation and amortisation	7	**51,023**	25,418
Net impairment losses on financial assets	9	**15,339**	7,533
Impairment of goodwill	18	**–**	5,029
Finance income	11	**(2,214)**	(1,799)
Finance costs	11	**5,829**	3,705
Exchange loss	10	**25,240**	29,360
Share-based compensation expense	7, 29	**696,105**	40,775
Share of net loss of associates accounted for using the equity method		**205**	6
Fair value change of financial assets measured at FVPL	10	**(9,812)**	(10,077)
Change in operating assets and liabilities:			
(Increase)/decrease in accounts receivable		**(20,430)**	54,579
Increase in other current assets		**(3,912)**	(147)
(Increase)/decrease in other receivable		**(49,817)**	2,190
(Decrease)/increase in restricted bank deposits		**23**	(250)
Increase/(decrease) in accounts payable		**57,025**	(13,529)
Increase in other payable		**20,926**	25,677
Cash generated from operations		**391,649**	298,650

30 CASH FLOW INFORMATION (CONTINUED)

(b) Net cash 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	
	2021	2020
	RMB'000	*RMB'000*
Cash and cash equivalents	**724,556**	430,998
Lease liabilities	**(10,733)**	(3,336)
Net cash	**713,823**	427,662

	Cash and cash equivalents	Lease liabilities	Total
	RMB'000	***RMB'000***	***RMB'000***
Net cash as at 1 January 2020	182,815	(6,312)	176,503
Cash flows	271,449	4,233	275,682
Non-cash movement	–	(1,257)	(1,257)
Effects of exchange rate changes	(23,266)	–	(23,266)
Net cash as at 31 December 2020	430,998	(3,336)	427,662
Cash flows	**308,920**	**8,680**	**317,600**
Non-cash movement	**–**	**(16,077)**	**(16,077)**
Effects of exchange rate changes	**(15,362)**	**–**	**(15,362)**
Net cash as at 31 December 2021	**724,556**	**(10,733)**	**713,823**

30 CASH FLOW INFORMATION (CONTINUED)

(c) Non-cash investing and financing activities

Non-cash investing and financing activities disclosed in other notes are:

- acquisition of right-of-use assets – Note 16(b)
- Partial settlement of a transaction with non-controlling interest through the issue of ordinary shares – Note 19b.

31 SHARE-BASED PAYMENTS

(a) RSUs granted to employees

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, 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 fair value of RSUs as at the grant date were HK$91.1 million. 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.

On 24 March 2021, the Board of Directors resolved and approved the grant of 957,333 RSUs to 5 grantees pursuant to the Employee RSU Scheme, which amounted to approximately 0.10% of the issued share capital of the Company as at the grant date. The fair value of RSUs as at the grant date was HK$4.2 million. The first batch of the RSUs vested on 20 July 2021, and the second to fourth batches of the RSUs will be vested on 20 July 2022, 20 July 2023 and 20 July 2024 respectively.

(Expressed in RMB unless otherwise indicated)

31 SHARE-BASED PAYMENTS (CONTINUED)

(a) RSUs granted to employees (continued)

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

	Number of RSU	Weighted average grant date fair value per RSU (HK$)
Outstanding as at 31 December 2020	**39,468,905**	**1.65**
Granted during the year	**957,333**	**4.33**
Forfeited during the year	**(249,333)**	**1.65**
Exercised during the year	**(13,352,000)**	**–**
Outstanding as at 31 December 2021	**26,824,905**	**2.57**
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.

The total expenses recognised in the consolidated statement of comprehensive income for RSUs granted under Employee RSU Scheme and Management RSU Scheme were RMB24,113,000 for the year ended 31 December 2021 (2020: RMB39,045,000).

For the year ended 31 December 2021, a subsidiary of the Group has recognised share-based compensation expenses of RMB280,000 related to the RSU Scheme awarded in 2018 (2020: RMB1,730,000).

(Expressed in RMB unless otherwise indicated)

31 SHARE-BASED PAYMENTS (CONTINUED)

(b) Share options granted to executive directors and employees

On 31 May 2021, the shareholders of the Company approved the adoption of Share Option Scheme with the purpose of attracting, retaining and motivating eligible participants to strive towards long term performance target set by the Group and to provide them with an incentive to work better for the interest of the Group.

On 30 August 2021, the Board of Directors proposed to grant in aggregate 80,000,000 share options to 32 eligible persons, including four executive directors under the Share Option Scheme adopted on 31 May 2021 to subscribe for a total of 80,000,000 ordinary shares of US$0.0001 each in the share capital of the Company at the exercise price of HK$4.81 per share, of which the grant of 30,000,000 share options is subject to the approval of the shareholders of the Company. The grant includes performance-based share options to grantees, which are generally vested over 10 years. Share Options of each grantee will be vested in four tranches subject to the fulfilment of certain performance targets relating to the Company. The performance target are determined by the Board of Directors. For those awards, evaluations are made as of 31 December 2021 to access the likelihood of performance criteria being met. Share-based compensation expenses are then adjusted to reflect the revision of original estimates.

Movements in the number of share options granted to employees and their related weighted average exercise prices are as below:

	Number of share options	Average exercise price per share option (HK$)
Outstanding as at 1 January 2021	–	–
Granted during the year	80,000,000	4.81
Forfeited during the year	–	–
Exercised during the year	–	–
Outstanding as at 31 December 2021	80,000,000	4.81
Exercisable as at 31 December 2021	–	–

(Expressed in RMB unless otherwise indicated)

31 SHARE-BASED PAYMENTS (CONTINUED)

(b) Share options granted to executive directors and employees (continued)

Among the 80,000,000 share options, 30,000,000 share options granted to Mr. Liu Chunhe and Mr. Li Ping are subject to the approval of the independent shareholders at an extraordinary general meeting.

The options outstanding as at 31 December 2021 had a weighted average remaining contractual life of 9.7 years.

The Company has used the Binomial Model to determine the fair value of the Share Options as at the grant date, which is to be recorded in profit or loss over the vesting period.

The weighted average fair value of the Share Options granted by the Company was HK$2.00 per share. Other than the exercise price mentioned above, the model inputs to determine the fair value of Share Options granted during the year ended 31 December 2021 included:

	Year ended 31 December 2021
The closing price at the grant date	**HK$4.67**
Risk-free interest rates	**1.07%-1.36%**
Expected dividend yield	**–**
Expected volatility	**61.15%-61.62%**

The total expenses recognised in the consolidated statement of comprehensive income for Share Option Scheme were RMB81,252,000 for the year ended 31 December 2021 (2020: nil).

(c) Share-based payments during reorganization

As part of the reorganization of Beijing Mico mentioned in Note 1.1, the minority shareholders of NBT Social Networking transferred 11.25% equity interest in NBT Social Networking to a subsidiary of the Group's senior management and the core management team for free to recognize the management team's contribution to the development of the Group. There is no service or performance conditions attached in respect of the transfer of equity interest, therefore in accordance with IFRS 2 Share-based Payments, the Company recorded share-based compensation expense amounting to approximately RMB590,460,000 in general and administrative expenses at the time when such share-based payments arrangement was entered into. The fair value of the share-based payment was determined with reference to the fair value of Beijing Mico determined in the transaction with BGFG (Note 1.1).

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	
	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**47**	115

33 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.

33a 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**
Ye Chunjian	Director of the Company
Phoenix Fortune	Shareholder of the Company
BGFG	Shareholder of a subsidiary the Company

33 RELATED PARTY TRANSACTIONS (CONTINUED)

33b 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.

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 RMB100,000,000. The acquisition was completed on 29 June 2020. The transaction with BGFG as described in Note 1.1 and Note 19b also constituted as the related party transaction of the Group.

33c 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	
	2021	2020
	RMB'000	*RMB'000*
Other payable to related party		
BGFG	**230,220**	–
Ye Chunjian	**112,545**	126,153

33 RELATED PARTY TRANSACTIONS (CONTINUED)

33d Key management personnel remuneration

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Wages, salaries and bonus	**3,633**	2,878
Discretionary bonuses	**–**	–
Contributions to pension plans	**265**	19
Other social security costs, housing allowance and other allowance	**390**	323
Share-based compensation expenses	**303,944**	4,854
Total employee benefit expense	**308,232**	8,074

34 EVENT OCCURRING AFTER THE REPORTING

On 13 January 2022, the Board has approved entering into the Partnership Agreement in relation to the proposed establishment of the Fund. The Partnership Agreement is expected to be entered into among the Company, Spriver and Chizicheng Strategy Investment, subject to Independent Shareholders' approval at an extraordinary general meeting. Pursuant to the Partnership Agreement, the total fund-raising target of the Fund to be established shall be in the amount of US$100 million, of which, the Chizicheng Strategy Investment (as the General Partner) shall make cash Contribution in the amount of US$0.1 million, Spriver (as the Limited Partner) shall make cash Contribution in the amount of US$49.9 million, and the Company (as the Limited Partner) shall make cash Contribution in the amount of US$50 million.

On 24 January 2022, the Company, Spriver Tech Limited, as the Seller and CLSA Limited, as the Sole Placing Agent entered into the Placing and Subscription Agreement, pursuant to which, (i) the Seller agreed to sell, and the Sole Placing Agent agreed, as agent of the Seller, to procure on a best effort basis not less than six purchasers to purchase 92,366,000 Shares held by the Seller at a price of HK$3.80 per Share, and (ii) the Seller conditionally agreed to subscribe for, and the Company conditionally agreed to issue, 92,366,000 new Shares at a price, which is equivalent to the Purchase Price of HK$3.80 per Share. The completion of the Placing and the Subscription took place on 27 January 2022 and 4 February 2022, respectively.

35 BALANCE SHEET AND OTHER RESERVES MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Investment in subsidiaries		**2,688,698**	2,025,000
Total non-current assets		**2,688,698**	2,025,000
Current assets			
Other current assets		**377**	388
Other receivable		**84,416**	81,547
Cash and cash equivalents		**22,205**	114,161
Total current assets		**106,998**	196,096
Total assets		**2,795,696**	2,221,096
LIABILITIES			
Current liabilities			
Other payable		**337,873**	178,611
Total liabilities		**337,873**	178,611
EQUITY			
Share capital		**759**	695
Share premium	35(b)	**2,411,997**	2,118,542
Other reserves	35(b)	**71,847**	(45,732)
Accumulated losses		**(26,780)**	(31,020)
Total equity		**2,457,823**	2,042,485
Total liabilities and equity		**2,795,696**	2,221,096

The balance sheet of the Company was approved by the Board of Directors on 31 March 2022 and were signed on its behalf:

Liu Chunhe	**Li Ping**
Director	Director

35 BALANCE SHEET AND OTHER RESERVES MOVEMENT OF THE COMPANY (CONTINUED)

(a) Balance sheets of the Company (continued)

As at 31 December 2021 and 2020, other receivable primarily included the loan to subsidiaries of the Group. As at 31 December 2021, other payable primarily include amount due to the acquisition of NBT Social Networking from BGFG. As at 31 December 2020, other payable primarily included amount due to a subsidiary for the repurchase of shares and the accrued listing expense.

(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 2019	2,120,062	–	(40,358)	(2,554)	2,077,150
Other comprehensive loss	–	–	–	(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
Other comprehensive loss	**–**	**–**	**–**	**(4,980)**	**(4,980)**
Issuance of ordinary shares (Note 28)	**293,455**	**–**	**–**	**–**	**293,455**
Shares-based compensation expenses	**–**	**–**	**122,559**	**–**	**122,559**
As at 31 December 2021	**2,411,997**	**–**	**82,201**	**(10,354)**	**2,483,844**

"Adoption Date"	the date on which the Share Option Scheme was conditionally adopted by a resolution of the Shareholders
"AGM"	the annual general meeting of the Company to be held on 31 May 2021
"AI"	artificial intelligence
"Articles" or "Articles of Association"	the articles of association of our Company as amended from time to time
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"BGFG"	BGFG Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
"Business Day(s)"	any day (excluding Saturday) on which banks in Hong Kong generally are open for business and the Stock Exchange is open for the business of dealing in securities
"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
"Chizicheng Strategy Investment"	Chizicheng Strategy Investment Limited, an exempted company with limited liability incorporated in the Cayman Islands on 11 January 2022 and was wholly owned by Spriver Tech Limited as of the Latest Practicable Date
"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
"Director(s)"	the director(s) of our Company or any one of them
"Equity Transfer Agreement"	the equity transfer agreement entered into between the Company and BGFG on 9 October 2021
"Employee(s)"	any employee(s) or senior management of the Company or its subsidiaries
"Employee RSU Scheme"	the restricted share unit scheme of the Company adopted and revised by our Board on 11 December 2019 and 28 May 2020
"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
"Exercise Price"	the price per Share at which a Grantee may subscribe for the Shares on the exercise of an Option as described in paragraph 8 of Appendix III to the circular of the Company dated 14 April 2021
"Grantee"	any Participant who accepts an Offer in accordance with the terms of the Share Option Scheme, or (where the context so permits) any person who is entitled to any Option in consequence of the death of the original Grantee
"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"	20 April 2022, 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 and revised by our Board on 11 December 2019 and 28 May 2020
"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
"NBT Social Networking"	NBT Social Networking Inc., a company incorporated under the laws of the Cayman Islands with limited liability
"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
"Offer(s)"	the offer(s) of the grant of Share Option(s) made by the Board in accordance with the Share Option Scheme
"Offer Date"	the date on which an Offer(s) is/are made to Participant(s), which date must be a Business Day
"Option(s)" or "Share Option(s)"	a right granted to subscribe for the Shares pursuant to the Share Option Scheme
"Option Period"	a period to be determined and notified by the Board to each Grantee, during which an Option may be exercised (provided that such period shall not be more than ten (10) years commencing on the Offer Date and expiring on the last day of such period and the Board may also at its discretion impose any restrictions thereon)

"Participant(s)"	any director(s) of the Group (including any Director(s)) or Employee(s) who the Board considers, in its sole discretion, have contributed or will contribute to the Group
"Prospectus"	the prospectus of the Company dated 17 December 2019
"Relevant Period"	the period from 1 January 2021 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$0.0001 each
"Share Option Scheme" or "Scheme"	the share option scheme proposed to be adopted by the Company at the Annual General Meeting pursuant to the ordinary resolution as set out in the notice of the Annual General Meeting, a summary of the principal terms of which is set out in the Appendix III to the circular of the Company dated 14 April 2021
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed thereto in the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers issued by SFC, as amended or supplemented from time to time
"U.S. dollars" or "US$"	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 NewBornTown"	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