

赤子城

newborntown

Newborn Town Inc.

赤子城科技有限公司

Stock Code : 9911

(Incorporated in the Cayman Islands with limited liability)

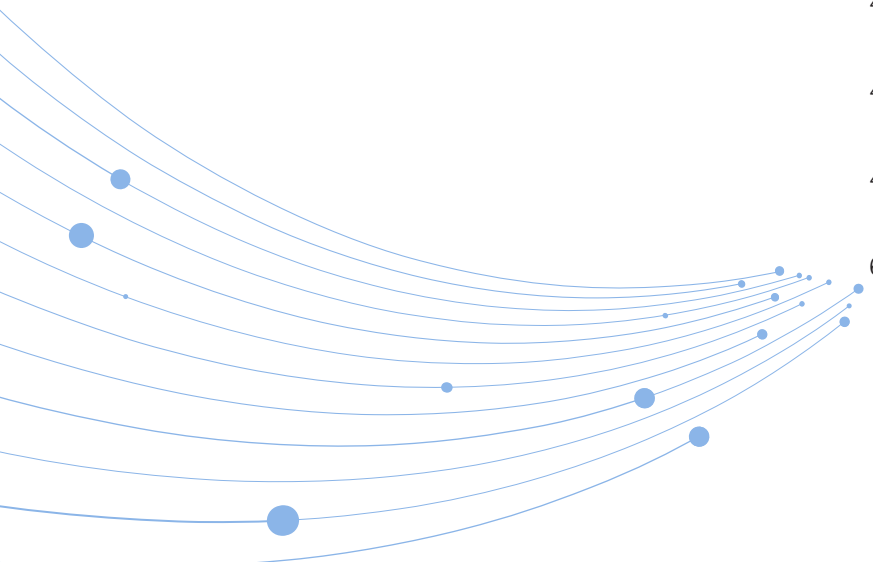
2023
INTERIM
REPORT





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LIU Chunhe (Chairman)
Mr. LI Ping
Mr. YE Chunjian
Mr. SU Jian

Independent Non-executive Directors

Mr. GAO Ming
Mr. CHI Shujin
Mr. HUANG Sichen

JOINT COMPANY SECRETARIES

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

AUTHORISED REPRESENTATIVES

Mr. LI Ping
Mr. AU-YEUNG Wai Ki, Joseph

AUDIT COMMITTEE

Mr. CHI Shujin (Chairman)
Mr. HUANG Sichen
Mr. GAO Ming

REMUNERATION COMMITTEE

Mr. HUANG Sichen (Chairman)
Mr. SU Jian
Mr. GAO Ming

NOMINATION COMMITTEE

Mr. LIU Chunhe (Chairman)
Mr. HUANG Sichen
Mr. CHI Shujin

AUDITOR

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STOCK CODE

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COMPANY'S WEBSITE

www.newborntown.com

FINANCIAL HIGHLIGHTS

- Revenue from contracts with customers for the six months ended 30 June 2023 amounted to RMB1,374.6 million, being largely stable as compared to RMB1,374.2 million recorded for the six months ended 30 June 2022.
- Gross profit for the six months ended 30 June 2023 amounted to RMB706.9 million, representing an increase of 46.5% from RMB482.4 million recorded for the six months ended 30 June 2022.
- Profit for the period for the six months ended 30 June 2023 amounted to RMB302.3 million, representing an increase of 95.8% from RMB154.4 million recorded for the six months ended 30 June 2022.
- Profit attributable to the owners of the Company for the six months ended 30 June 2023 amounted to RMB185.3 million, representing an increase of 124.1% from RMB82.7 million recorded for the six months ended 30 June 2022.
- Adjusted EBITDA for the six months ended 30 June 2023 amounted to RMB347.0 million, representing an increase of 64.9% from RMB210.4 million recorded for the six months ended 30 June 2022.

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 <i>RMB'000</i> <i>(unaudited)</i>
Revenue from contracts with customers	1,374,558	1,374,210
Gross profit	706,884	482,361
Profit before income tax	312,114	154,094
Profit for the period	302,273	154,374
Basic earnings per share (expressed in RMB per share)	0.16	0.07
Diluted earnings per share (expressed in RMB per share)	0.16	0.07
Operating profit	277,468	153,750
<i>Add:</i>		
Share-based compensation expenses ^{(1) (2)}	33,785⁽²⁾	30,565 ⁽¹⁾
Depreciation and amortisation	35,740	26,059
Adjusted EBITDA	346,993	210,374

Notes:

- (1) 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 were recognised based on the vesting period of the RSU Schemes, and amounted to RMB7,576,000 for the six months ended 30 June 2022, tantamount to the economic benefits which 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 recognised share-based compensation expenses amounting to RMB5,465,000 for the six months ended 30 June 2022.

On 30 August 2021, the Board granted 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 30 June 2022 to assess the likelihood of meeting the performance targets. Share-based compensation expenses amounting to RMB17,524,000 were recognised for the six months ended 30 June 2022.

- (2) In May 2020, March 2021 and March 2023, the Board approved the grant of an aggregate of 55,227,573 RSUs, 957,333 RSUs and 2,441,170 RSUs respectively to certain employees and management pursuant to the RSU Schemes. Share-based compensation expenses were recognised based on the vesting period of the RSU Schemes, and amounted to RMB4,259,000 for the six months ended 30 June 2023, tantamount to the economic benefits which certain employees and management obtained from the Company. For further details, please refer to the announcements dated 28 May 2020, 24 March 2021 and 24 March 2023 of the Company. A subsidiary of the Company has recognised share-based compensation expenses amounting to RMB15,525,000 for the six months ended 30 June 2023.

On 30 August 2021, the Board granted 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 30 June 2023 to assess the likelihood of meeting the performance targets. Share-based compensation expenses amounting to RMB14,001,000 were recognised for the six months ended 30 June 2023.

BUSINESS HIGHLIGHTS

SIGNIFICANT INCREASE IN PROFIT



Net profit amounted to RMB**302** million increased by **96%** period-on-period



Profit attributable to owners of the Company amounted to RMB**185** million increased by **124%** period-on-period



Adjusted EBITDA amounted to RMB**347** million increased by **65%** period-on-period

CONSTANT ENHANCEMENT OF PRODUCT COMMERCIALISATION AMID HIGH-QUALITY DEVELOPMENT OF SOCIAL NETWORKING BUSINESS

Over **50%** period-on-period growth in gross profit of social networking business

Over **20%** period-on-period growth in revenue in social networking business in the Middle East and North Africa Regions



Significant increase in profit margin



a period-on-period increase of **about 30%** in revenue in the Middle East and North Africa



a period-on-period increase of **over 150%** in revenue



a period-on-period increase of **over 500%** in revenue in the first half of the year

RAPID GROWTH IN INNOVATIVE BUSINESS AND SUCCESSFUL SCALABLE GROWTH REALISED IN NICHE GAMES

Revenue from innovative business amounted to RMB**131** million

A period-on-period increase by **21.1%**

Mergeland-Alice's Adventure

Featured as a recommended new game on Google Play globally with monthly revenue exceeding US\$**2** million in the second quarter

Launch of three new niche games



MICO

Open social networking platform



YoHo

Audio social networking platform



TopTop

Game-oriented social networking



SUGO

Companion-based social networking platform



Blued

Diverse-audience social networking platform



Mergeland-Alice's Adventure

Niche synthetic mobile game

Dear Shareholders,

The year 2023 has proven to be a year of importance for us as we have made some crucial progress in our three core business segments, namely the “pan-audience social networking business”, “the diverse-audience social networking business”, and the “niche game-related innovative business”, enabling us to enter the stage of gaining momentum.

Through the optimisation of operation strategies, our pan-audience social networking business has completed a phased adjustment of its content ecosystem, seeing marked improvements in operational efficiency. The acquisition of BlueCity also marked our official entrance into the social networking realm of diversified user groups worldwide, opening up a trillion-level new space. Meanwhile, we have scaled up the niche game business through continuous refinement and verification, and entered into a new stage of accelerated growth.

After ten years of foray into the global market, Newborn Town has grown into a company dedicated to providing creative and interactive lifestyles, consistently creating positive emotional value, thereby enriching the social networking and entertainment life for the enjoyment of everyone around the world.

This line of business is one that is of high value and spatially vast. We believe the higher-order needs in Maslow's theory of needs, i.e. the spiritual needs such as belongingness, esteem, and self-actualisation, will increasingly thrive as society progresses towards economic development and continuous materialistic enrichment. The social networking, gaming products developed by us, as well as the wider range of products that we may launch in the future, are designed to cater to these common and rigid humanly needs.

At this stage, we are working on the providing of interactive scenes and creative platforms for people to seek out friends and companions, to produce and consume content. Going forward, we will continue to expand our scale, improve our efficiency and create value along the set direction, charting growth in the “global social networking and entertainment” track.

Specifically, by leveraging our key edge of “localisation capabilities”, we will pursue the strategic approach of “product replication” plus “national replication”, whilst striving to cultivate leading products and establish regional advantages in each and every regional market and vertical track, so as to continuously perfecting our global social networking and entertainment ecological layout.

Under the guidance of this strategy, in the first half of the year, all businesses of Newborn Town saw improvements in terms of quality and efficiency, and achieved solid growth in revenue and profit. In the first half of 2023, our total revenue reached RMB1.375 billion, being largely stable as compared to that of the corresponding period of the preceding year, and profit for the period reached RMB302 million, representing a period-on-period increase of 95.8%; profit attributable to owners of the Company was RMB185 million, representing a period-on-period increase of 124.1%, and having doubled in growth; and adjusted EBITDA reached RMB347 million, representing a period-on-period increase of 64.9%. In particular, our social networking business achieved high quality development, with revenue reaching RMB1.243 billion, meanwhile the second growth curve of our innovative business further manifested itself in the revenue for the first half of the year reaching RMB131 million, representing a period-on-period increase of 21.1%.

CHAIRMAN'S STATEMENT

Apart from market exploration, we also adhere to the principle of 'Longtermism' and actively fulfilling social responsibilities. When powerful earthquakes struck Turkey and Syria this February, we donated to local charities and provided channels for fundraising, encouraging users around the globe to lend a helping hand to those affected by such disasters. During the holy month of Ramadan in the Middle East, we launched a series of campaigns such as "Help Cancer Children" for donation to groups of cancer-stricken children, encouraging people to spread the power of kindness and gratitude during Ramadan month. By creating wide ranging job opportunities, we have helped improve the living standards of underprivileged groups in many parts of the world. We are committed to social responsibility and the realisation of ESG values in more than 10 countries around the world.

Moving forward, with pan-audience and diverse-audience social networking businesses as our core, we will step up our efforts in developing our niche game business whilst continuing on such extension beyond borders in order to explore diversified development opportunities in the global market, and endeavor to create products that reign supreme such that users around the world can have their lives enriched by such wonders of social networking and entertainment whilst generating long-term value for our Shareholders.

I hereby present the Company's financial position and operating highlights for the first half of 2023 and summarise the strategies and outlook of the Company for the second half of 2023.

BUSINESS REVIEW

I. Pan-audience social networking business: completion of the adjustment of content ecosystem and significant improvements in commercialisation efficiency

Social networking is our core business, to meet needs of the general user base, we have developed a diverse mix of products that cater to different needs of users, forming a product matrix that includes the live-streaming social networking platform MICO, audio social networking platform YoHo, game-oriented social networking platform TopTop as well as the companion-based social networking platform SUGO, making it to the list of top players among emerging markets such as Middle East and North Africa and Southeast Asia, etc., and makes breakthroughs in developed markets including North America, Japan, and South Korea.

In the first half of 2023, our pan-audience social networking business achieved solid, high-quality growth. As the adjustment of the content ecosystem, the content quality, community stickiness and interactive experience of the platform have all been improved, and the commercialisation efficiency has also increased significantly.

Amongst which, catering to the needs of its users from the Middle East, MICO has made comprehensive upgrades and revamps and provided more opportunities for new needs of the general user base, we have developed a diverse mix of products that cater to different needs of users, forming a product matrix that includes the content creators to showcase their talents. Whilst YoHo has strengthened its content operations by training creators through YoHo Academy to produce quality content more aligned with Muslim culture. TopTop has further revitalised its community ecosystem via enriching localised activities, thereby having significantly increased its user base and product awareness. While SUGO, the companion-based social networking platform, has mainly focused on optimising its matching and recommendation efficiency, having secured, among similar products overseas, the top spot in terms of growth rate, with revenue for the first half of the year having increased over five-fold period-on-period.

Three of our products were listed among the top 30 Chinese non-game overseas applications in terms of revenue, making Newborn Town the top social networking and entertainment enterprise by number of products named in the list. Such was achieved through the diversification of our pan-audience social networking business through multi-faceted initiatives.

The continuous and rapid growth of our social networking business is attributable to the Company's strategy of "Multiple Products, Multiple Markets", and the continuous improvement of the global social networking and entertainment ecosystem through "Product Replication" and "National Replication".

The past ten years of globalisation efforts in digging into users' needs have enabled Newborn Town to form a set of reusable R&D systems, which helped us quickly develop and iterate products and constantly enrich our product matrix. Meanwhile, we have accumulated mature localised operational methodologies and a wealth of local resources. These reusable knowledge, teams and resources have enabled the launching and growth of our products in each market and continue on the expansion path. As our first social networking app, MICO is an excellent example as it has outstretched its footprints in many countries, with subsequent products being effectively launched following Mico's footsteps as a result of the Company's replication strategy.

Overall, the Company's pan-audience social networking business has achieved solid and quality growth in the first half of the year. Matured products have accomplished the expected goals, having completed the adjustment of the content ecosystem; meanwhile high potential products realised rapid growth while showing potential and room for it. The Company is confident that it will roll out more quality social networking products for the general public, and achieve success in more countries and regions in the future.

II. Diverse-audience social networking business: give full play to operational advantages and unleash overseas potential

Since last year, Newborn Town has started to explore the social networking realm that targets diversified user groups. This August, the Company completed the acquisition of Chizicheng Strategy Investment and its subsidiaries, and BlueCity's flagship products like Blued and Finka were incorporated into our globalised social networking products matrix, further expanding the boundaries of our social networking business landscape, marking our official entrance to the diverse-audience social networking business.

During the year, Blued has achieved dramatic growth in its overseas operation and commercialisation capabilities via a series of optimisation approaches adopted by Newborn Town on customer acquisition model, monetisation scenes, and localised operations. The Company sets its sights on penetrating the Southeast Asia markets, whilst actively expanding its reach into the developed markets like North America, Japan, and South Korea.

We have also attached great importance to Blued's community operation, KOL operation, and brand promotion efforts in overseas market. By strengthening the content and operation management and optimising the community ecosystem, we hope to turn such product into a content-rich social networking platform, thereby setting up a higher barrier for competition among comparable products.

Next up, through continuous product iteration and deepening of localised operations, we will significantly improve the growth rate, user retention, and operational efficiency of our social networking business for multiple demographics, continue to strengthen the competitive advantage of our products on the LGBTQ+ track, and help further expand the scale of our global social business and commercialisation.

CHAIRMAN'S STATEMENT

III. Innovative business: large-scale growth achieved and three niche games launched

In addition to the high-quality growth achieved in social networking business, we have been actively developing our innovative business, laying out and cultivating niche games and other business directions, and progress has been smooth so far. In the first half of the year, the growth model of our niche games has been further verified, with three new products of high potential having been developed.

Currently, the core products of our niche game business are our self-developed casual merge mobile games, the “Mergeland” series, which comes recommended by Google Play globally for its unique gameplay, rich thematic activities and exquisite artistic scenes. Notably, the monthly revenue of “Mergeland-Alice’s Adventure” has exceeded US\$2 million in April.

At the same time, our team is continuing to develop more games and diverse content. It has incubated many niche games in the likes of merge mobile game “Taylor’s Secret”, “Merge Cove” and the logic puzzle game “Sudoku”, development of which is progressing smoothly. And “Sudoku” was ranked among the top 3 in the list of newly released U.S. medium-sized new casual games in June by data.ai.

In addition, the Company is also closely eyeing the AIGC field. From the second half of last year till now, we have been continually exploring the deep integration of AIGC technology with our businesses as AIGC has been making waves in the social networking entertainment scene. In various social networking scenarios such as audio and video socialisation, we are committed to actively seeking more diversified ways of AIGC+X application by creating different AI-driven roles to be applied to various gameplay and scenarios of our products, bringing users more interactive experiences and companionship.

STRATEGY AND OUTLOOK

I. Strive for the Middle East market and create a social entertainment ecosystem through product replication

In the second half of 2023, the Company will continue upholding its strategies for quality growth in each business segment and improving its operational efficiency, aligning with our essential business goals. As for the pan-audience social networking business, we will enhance the investment and further explore the space for growth regarding social networking and entertainment in Middle East and North Africa.

Over the past few years, the Company has accumulated extensive experience in the Middle East market, and established deep connections with local content creators and institutions. With these advantages, we will continue consolidating MICO’s leading position in the Middle East, accelerating the growth of YoHo, TopTop, SUGO and others in the Middle East market, expanding market share, and seeking more diversified commercialisation methods.

Simultaneously, we will further enhance the localised operational capabilities by deepening cooperation with local content creators in the Middle East to jointly create content that finds favour with user groups in the Middle East, while strengthening close collaboration with partners in the Middle East to continuously enhance the brand influence of products in the Middle East market. These efforts will consolidate the leading position of the Company’s pan-audience social networking business in the core market, thereby maximizing profits.

In addition, we will further improve our “national replication” capabilities, by increasing our products’ penetration rate in multiple markets and continue on our exploration endeavours in various regions worldwide, while intensifying our efforts in the advantageous market. We will continue to improve on our “product replication” capabilities, so as to incubate more social networking products that meet the different needs of users, which will continue to improve the global social networking entertainment ecosystem.

II. Strive to promote diverse-audience social networking and expand market share through national replication

Frost & Sullivan, a market research institution, estimates that, by 2023, the global diverse audience is expected to grow to 591 million and the market for global diverse audiences is expected to reach US\$5.4 trillion with a CAGR of 7% with the diverse demographic having demonstrated considerable spending power.

Currently, the penetration rate of social networking products for various diverse demographic remains at a low worldwide, and with there being still much room for growth in regional markets like Southeast Asia, Japan, South Korea, Europe, and the United States, indicating that Newborn Town still has a fairly wide berth in exploring such realms of business.

We will continue to explore the value that lies in the diverse-audience social networking track by proactively developing our diverse-audience social networking business. While selecting and intensifying our efforts in target markets suitable for the growth and penetration of Blued and other products, we aim to gradually complete presence and coverage of Blued and other diverse-audience social networking products in multiple markets, expand their market shares, and, simultaneously, improve their efficiency of customer acquisition, operation, and monetisation in markets outside China under the “national replication” strategy, thereby realising rapid and sustained growth in both revenue and profit in our diverse-audience social networking business.

III. Work on niche games and cultivate long-cycle products through product replication

We will committedly invest in the niche game-related innovative business and increase the scale of its revenue so derived, and strive to transform this business segment into the Company's growth driver and innovation hub for the Company in the next decade.

Based on this goal, we will continue to expand the game R&D team, further enrich the gameplay of existing game products, optimise the gaming experience, and continue to develop and incubate more high-quality games that can be operated for 5 years or reaching even more than 10 years through our “product replication” capabilities. We will further improve the monetisation capabilities of the niche game business to cultivate new long-cycle niche games for the Company.

We will further explore the possibility of such integration of the game business and social networking business by providing more diversified services and meeting users' different social networking and entertainment needs whilst generating more cash flow and profits. Besides, we will also focus on expanding our business boundaries and exploring more innovation fields such as AIGC.

We will also look for more quality cooperation opportunities and extending our reach to more vertical and specific business tracks to meet different social and entertainment needs via multiple dimensions, further scaling up businesses and invigorating the Company's development.

In addition, we will continue to strengthen our branding and pay attention to resources connection in various locations. We will also actively fulfill corporate social responsibility while enhancing the global brand influence to extend new business and social values.

“Globalisation” as envisioned by Newborn Town, means maintaining a foothold in the world and allocating resources globally to enhance efficiency. At present, we are continuing on our efforts in vigorously developing our technologies, products, and services in the hopes of enabling everyone around the world, as far as our capability goes, to enjoy better lives in both the realms of reality and spiritual entertainment.

CHAIRMAN'S STATEMENT

We are confident in achieving this goal. As a “born global” company, Newborn Town’s strategy regarding “global replication” is being verified by both the times and the market. Moving forward, we will continue to focus on the “pan-audience social networking business”, the “diverse-audience social networking business”, and the “niche game-related innovative business” by applying this strategy to accelerate the Company’s globalisation process. Meanwhile, we will continually adhere to the principle of “Longtermism”, and having our sights trained on new technology and new opportunities in the hopes of seeking higher quality, more sustainable, and more diversified growth so as to provide higher quality and meaningful products and services to global users and creating long-run return for Shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

Our total revenue from contracts with customers for the six months ended 30 June 2023 amounted to RMB1,374.6 million, being largely stable as compared to RMB1,374.2 million recorded for the six months ended 30 June 2022. The following table sets forth a breakdown of our revenue by segments for the periods indicated:

	Six months ended 30 June				YoY Change
	2023		2022		
	<i>RMB'000</i> <i>(unaudited)</i>	<i>% of Total</i> <i>revenue</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>% of Total</i> <i>revenue</i> <i>(unaudited)</i>	
Social networking business	1,243,450	90.5	1,265,945	92.1	-1.8%
Innovative business	131,108	9.5	108,265	7.9	21.1%
Total	1,374,558	100.0	1,374,210	100.0	0.0%

The revenue from social networking business for the six months ended 30 June 2023 was RMB1,243.5 million, a decrease of 1.8% from RMB1,265.9 million for the six months ended 30 June 2022, mainly due to the impact of the adjustments to the social networking content ecosystem which helped the Company achieve profit margin improvement in the social networking business in the main markets and further release the profitability.

The revenue from innovative business for the six months ended 30 June 2023 was RMB131.1 million, representing an increase of 21.1% from RMB108.3 million for the six months ended 30 June 2022, mainly due to the steady development of the innovative business of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

COST OF REVENUE

Our cost of revenue for the six months ended 30 June 2023 was RMB667.7 million, representing a decrease of 25.1% from RMB891.8 million for the six months ended 30 June 2022. The following table sets forth a breakdown of our cost of revenue by nature for the periods indicated:

	Six months ended 30 June		2022		YoY Change
	2023		2022		
	RMB'000 (unaudited)	% of Total revenue (unaudited)	RMB'000 (unaudited)	% of Total revenue (unaudited)	
Revenue sharing to streamers	398,152	29.0	625,095	45.5	-36.3%
Payment handling costs	114,615	8.3	125,686	9.1	-8.8%
Employee benefit expense	53,897	3.9	54,137	3.9	-0.4%
Depreciation and amortisation	29,653	2.2	23,566	1.7	25.8%
Server capacity expense	27,614	2.0	31,509	2.3	-12.4%
Share-based compensation expenses	17,170	1.2	12,772	0.9	34.4%
Technical and other service fee	12,560	0.9	10,772	0.8	16.6%
Others	14,013	1.0	8,312	0.6	68.6%
Total	667,674	48.5	891,849	64.8	-25.1%

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

	Six months ended 30 June		2022		YoY Change
	2023		2022		
	RMB'000 (unaudited)	% (unaudited)	RMB'000 (unaudited)	% (unaudited)	
Social networking business	649,454	97.3	875,030	98.1	-25.8%
Innovative business	18,220	2.7	16,819	1.9	8.3%
Total	667,674	100.0	891,849	100.0	-25.1%

The cost of revenue for the six months ended 30 June 2023 was significantly lower than the amount for the same period in 2022, primarily due to our effective adjustments to the social content ecosystem to drive cost reduction and improve benefit.

The cost of revenue for the social networking business for the six months ended 30 June 2023 was RMB649.5 million, representing a decrease of 25.8% from RMB875.0 million for the six months ended 30 June 2022, mainly due to lower revenue sharing to streamers related to the social networking business.

The cost of revenue for the innovative business for the six months ended 30 June 2023 was RMB18.2 million, representing an increase of 8.3% from RMB16.8 million for the six months ended 30 June 2022, mainly due to the increased cost of the Company's innovative business, coupled with the rise in revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

GROSS PROFIT AND GROSS PROFIT MARGIN

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

	Six months ended 30 June						YOY Change in gross profit
	2023			2022			
	<i>Gross profit (unaudited)</i>	<i>% (unaudited)</i>	<i>Gross profit margin (unaudited)</i>	<i>Gross profit (unaudited)</i>	<i>% (unaudited)</i>	<i>Gross profit margin (unaudited)</i>	
	<i>(RMB'000, except percentages)</i>						
Social networking business	593,996	84.0	47.8%	390,915	81.0	30.9%	52.0%
Innovative business	112,888	16.0	86.1%	91,446	19.0	84.5%	23.4%
Total	706,884	100.0	51.4%	482,361	100.0	35.1%	46.5%

Our gross profit for the six months ended 30 June 2023 was RMB706.9 million, representing an increase of 46.5% from RMB482.4 million for the six months ended 30 June 2022. The gross profit of the social networking business increased from RMB390.9 million for the six months ended 30 June 2022 to RMB594.0 million for the six months ended 30 June 2023, mainly due to the effective adjustment of the content ecosystem of the Group's social networking products, which improved the Group's operating efficiency. The gross profit from innovative business increased from RMB91.4 million for the six months ended 30 June 2022 to RMB112.9 million for the six months ended 30 June 2023, mainly due to the steady development of the innovative business.

Our gross profit margin increased from 35.1% for the six months ended 30 June 2022 to 51.4% for the six months ended 30 June 2023. The gross profit margin of the social networking business increased from 30.9% for the six months ended 30 June 2022 to 47.8% for the six months ended 30 June 2023, mainly due to the impact of the adjustments to the social networking content ecosystem. The gross profit margin of the innovative business increased from 84.5% for the six months ended 30 June 2022 to 86.1% for the six months ended 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

SELLING AND MARKETING EXPENSES

For the six months ended 30 June 2023, our selling and marketing expenses increased by 24.0% to RMB246.6 million as compared to RMB198.8 million for the six months ended 30 June 2022, primarily due to intensified efforts to promote our innovative business.

RESEARCH AND DEVELOPMENT EXPENSES

For the six months ended 30 June 2023, our research and development expenses increased by 49.8% to RMB136.5 million from RMB91.1 million for the six months ended 30 June 2022, primarily due to the increase in employee benefit expenses.

GENERAL AND ADMINISTRATIVE EXPENSES

For the six months ended 30 June 2023, our general and administrative expenses increased by 63.4% to RMB83.5 million as compared to RMB51.1 million for the six months ended 30 June 2022, primarily due to an increase in employee benefit expenses and in consultancy and professional service fee.

OPERATING PROFIT

For the six months ended 30 June 2023, our operating profit increased by 80.4% to RMB277.5 million as compared to RMB153.8 million for the six months ended 30 June 2022, primarily due to (i) an increase of RMB224.5 million in our gross profit; (ii) an increase of RMB47.8 million in our selling and marketing expenses; (iii) an increase of RMB45.4 million in our research and development expenses; (iv) an increase of RMB25.4 million in other net gains; and (v) an increase of RMB32.4 million in our general and administrative expenses.

FINANCE COST/(INCOME), NET

For the six months ended 30 June 2023, we recorded a net finance cost of RMB0.2 million as compared to a net finance income of RMB0.5 million for the six months ended 30 June 2022.

INCOME TAX EXPENSES/(CREDITS)

For the six months ended 30 June 2023, we recorded income tax expenses of RMB9.8 million as compared to the income tax credits of RMB0.3 million for the six months ended 30 June 2022.

PROFIT FOR THE PERIOD

As a result of the foregoing, our profit for the period increased by 95.8% to RMB302.3 million for the six months ended 30 June 2023 as compared to RMB154.4 million for the six months ended 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

NON-IFRS MEASURES

To supplement our consolidated statement of comprehensive income, which is presented in accordance with IFRS, we also use adjusted EBITDA as additional financial measure, which is not required by, or presented in accordance with IFRS. We believe that this non-IFRS measure helps our investors to identify underlying trends in our business and provides 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 this non-IFRS measure provides useful information about our operating results, enhances the overall understanding of our past performance and future prospects and allows for greater visibility with respect to key metrics used by our management in its financial and operational decision-making.

We define adjusted EBITDA as operating profit adjusted by share-based compensation expenses, depreciation and amortisation. When assessing our operating and financial performance, you should not consider adjusted EBITDA in isolation from or as a substitute for our financial performance or financial position as reported in accordance with IFRS. The term adjusted EBITDA is not defined under IFRS, and such term may not be comparable to other similarly titled measures used by other companies.

The following table sets forth the reconciliation of our non-IFRS financial measure for the periods indicated, to the nearest measures prepared in accordance with IFRS:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Operating profit	277,468	153,750
Add:		
Share-based compensation expenses ⁽¹⁾⁽²⁾	33,785⁽²⁾	30,565 ⁽¹⁾
Depreciation and amortisation	35,740	26,059
Adjusted EBITDA	346,993	210,374
Adjusted EBITDA growth	64.9%	19.5%

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (1) 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 were recognised based on the vesting period of the RSU Schemes, and amounted to RMB7,576,000 for the six months ended 30 June 2022, tantamount to the economic benefits which 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 recognised share-based compensation expenses amounting to RMB5,465,000 for the six months ended 30 June 2022.

On 30 August 2021, the Board granted 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 30 June 2022 to assess the likelihood of meeting the performance targets. Share-based compensation expenses amounting to RMB17,524,000 were recognised for the six months ended 30 June 2022.

- (2) In May 2020, March 2021 and March 2023, the Board approved the grant of an aggregate of 55,227,573 RSUs, 957,333 RSUs and 2,441,170 RSUs respectively to certain employees and management pursuant to the RSU Schemes. Share-based compensation expenses were recognised based on the vesting period of the RSU Schemes, and amounted to RMB4,259,000 for the six months ended 30 June 2023, tantamount to the economic benefits which certain employees and management obtained from the Company. For further details, please refer to the announcements dated 28 May 2020, 24 March 2021 and 24 March 2023 of the Company. A subsidiary of the Company has recognised share-based compensation expenses amounting to RMB15,525,000 for the six months ended 30 June 2023.

On 30 August 2021, the Board granted 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 30 June 2023 to assess the likelihood of meeting the performance targets. Share-based compensation expenses amounting to RMB14,001,000 were recognised for the six months ended 30 June 2023.

CAPITAL STRUCTURE

We continued to maintain a healthy and sound financial position. Our total assets increased from RMB1,720.2 million as at 31 December 2022 to RMB1,897.8 million as at 30 June 2023, while our total liabilities decreased from RMB482.2 million as at 31 December 2022 to RMB431.1 million as at 30 June 2023. Liabilities-to-assets ratio decreased from 28.0% as at 31 December 2022 to 22.7% as at 30 June 2023.

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 30 June 2023, our cash and cash equivalents were RMB774.9 million, compared with RMB596.7 million as at 31 December 2022.

Compared with RMB80.9 million for the six months ended 30 June 2022, the cash generated from operations for the six months ended 30 June 2023 increased to RMB181.9 million.

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

To preserve funds for future capital expenditure and new business opportunities, we continue to invest surplus cash in commercial bank wealth management products and funds issued by major and reputable financial institutions, which generate relatively low risk income for us. We recognised such investments as financial assets measured at fair value through profit or loss of current portion and manage such investments in accordance with our internal policies as disclosed in the Prospectus. As at 30 June 2023, the fair value of such investments decreased to RMB37.7 million, compared with RMB149.4 million as at 31 December 2022. Such decrease was primarily due to the maturity of our investments.

CAPITAL EXPENDITURE

For the six months ended 30 June 2023, our capital expenditure primarily consisted of expenditures on property and equipment, including purchases of computers and other office equipment. The capital expenditures for the six months ended 30 June 2023 were RMB3.5 million, representing an increase of RMB0.4 million from RMB3.1 million for the six months ended 30 June 2022.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

We did not have any investment, acquisition or disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2023.

PLEDGE OF ASSETS

As at 30 June 2023, we did not pledge any of our assets.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

We intend to pursue strategic investment or acquire businesses with an expectation to creating synergies 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 30 June 2023, we did not have any material contingent liabilities.

GEARING RATIO

As at 30 June 2023, the gearing ratio of the Company was 22.72%, which is calculated as total liabilities divided by total assets.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE RISK MANAGEMENT

We operate our business internationally and our major receipts and payments are denominated in the U.S. dollar. We are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. dollar and the Hong Kong dollar. Therefore, foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the respective functional currency of our Group's entities. We managed foreign exchange risk by performing regular reviews of our foreign exchange exposures. We did not hedge against any fluctuations in foreign currency during the six months ended 30 June 2023.

OTHER PRINCIPAL RISKS AND UNCERTAINTIES

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

- We face competition in the rapidly evolving industry and we may not be able to keep continuous research and development and innovation, and may not be able to compete successfully against our existing and future competitors.
- If the mobile internet industry fails to continue to develop, our profitability and prospects may be materially and adversely affected.
- Any failure to retain existing advertisers and media publishers or attract new advertisers and media publishers may negatively impact our revenue and business.
- 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 30 June 2023, we had a total of 826 full-time employees, mainly based in Beijing, Shenzhen, Jinan, Chengdu and Hainan. Among all employees, 459 of them are in R&D department, representing 55.6% of the total fulltime employees. The number of employees employed by the Group varies from time to time depending on needs, and employees are remunerated with reference to market conditions and individual employees' performance, qualification and experience.

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.

DIRECTORS

During the Relevant Period and up to the date of this interim report, the Board comprised four executive Directors and three independent non-executive Directors as set out below:

Executive Directors:

Mr. LIU Chunhe (Chairman)
 Mr. LI Ping (Executive Director and Chief Executive Officer)
 Mr. YE Chunjian (Executive Director and Chief Technology Officer)
 Mr. SU Jian (Executive Director and Mico Chief Executive Officer)

Independent Non-executive Directors:

Mr. HUANG Sichen
 Mr. CHI Shujin
 Mr. GAO Ming

CHANGE IN INFORMATION IN RESPECT OF DIRECTORS

During the Relevant Period and up to the date of this interim report, the Directors confirmed that the relevant information has been disclosed in accordance with Rule 13.51B (1) of the Listing Rules.

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

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

Name of Director	Capacity/ Nature of interest	Number of Shares and underlying Shares ⁽¹⁾	Approximate percentage of shareholding ⁽²⁾
Mr. Liu Chunhe ⁽³⁾ ⁽⁵⁾	Interest in a controlled corporation ⁽³⁾	238,706,646	20.04%
	Concert party ⁽⁵⁾	341,828,420	28.70%
	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⁾	341,828,420	28.70%
	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%

OTHER INFORMATION

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 Options respectively by the Company under the Share Option Scheme adopted by the Company on 31 May 2021. 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 of the Company held 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.

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 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:

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 SFO.
- (4) Phoenix Auspicious FinTech Investment L.P. is an exempted limited partnership established under the laws of Cayman Islands, the general partner of which is Phoenix Wealth (Cayman) Asset Management Limited, an exempted company incorporated under the laws of Cayman Islands. Phoenix Wealth (Cayman) Asset Management Limited is wholly owned by Phoenix Wealth (Hong Kong) Asset Management Limited, a limited company incorporated under the laws of Hong Kong, which is in turn wholly owned by Mr. Du Li. Mr. Du Li is therefore deemed to be interested in all the Shares held by Phoenix Auspicious FinTech Investment L.P. under the SFO.

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.

OTHER INFORMATION

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.

Maximum entitlement of each participant

There is no limit on the maximum entitlement of each participant under the Employee RSU Scheme.

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). As of the date of this interim report, the remaining life of the Employee RSU Scheme is less than seven (7) years.

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.

Vesting of RSUs

The Employee RSU Administrator can determine the vesting criteria, conditions and time schedule for the vesting of the RSUs and such criteria, conditions and time schedule shall be stated in the Employee RSU Grant Letter.

Within a reasonable time after the vesting criteria, conditions and time schedule have been met, reached, fulfilled, satisfied or waived, the Employee RSU Administrator shall send a vesting notice ("**Employee RSU Vesting Notice**") to each of the relevant Employee RSU Participants. The Employee RSU Vesting Notice will confirm the extent to which the vesting criteria, conditions and time schedule have been met, reached, fulfilled, satisfied or waived, and the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions with respect of those Shares) involved. The Employee RSU Scheme does not provide for the vesting period of awards granted under the Employee RSU Scheme.

Total number of Shares available for issue under the Employee RSU Scheme and % of issued share capital as of the date of this interim report

No new Shares will be issued under the Employee RSU Scheme.

Exercise of the RSUs

RSUs held by an Employee RSU Participant that are vested as evidenced by the Employee RSU Vesting Notice may be exercised (in whole or in part) by the Employee RSU Participant serving an exercise notice in writing on the Employee RSU Trustee and the Company. The Employee RSU Scheme does not provide for the period within which the RSUs may be exercised by the grantee under the scheme.

Amounts to be paid on acceptance of RSUs

An Employee RSU Selected Person may accept an offer of the grant of RSUs in such manner as set out in the Employee RSU Grant Letter. Once accepted, the RSUs are deemed granted from the date of the Employee RSU Grant Letter. The amount to be paid on acceptance of RSUs is nil under the Employee RSU Scheme.

Basis of determining the purchase price

No purchase price is to be paid by the grantees for the RSUs granted under the Employee RSU Scheme.

OTHER INFORMATION

Details of the RSUs granted under the Employee RSU Scheme

As of 30 June 2023, details of the RSUs granted under the Employee RSU Scheme were as follows:

Date of grant	Number of grant (units)	Vesting period	Market price	Purchase price per Share (HK\$)
28 May 2020	29,494,240	The RSUs granted shall normally be vested in the grantees within three and a half years from the date of grant. 25% of the total RSUs granted shall be vested on 20 July 2020, 20 July 2021, 20 July 2022 and 20 July 2023, respectively. No performance target is attached to the vesting of RSUs granted.	29,494,240 RSUs represent a value of approximately HK\$51.4 million, based on the average closing price of HK\$1.744 per Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; or approximately HK\$48.7 million, based on the closing price of HK\$1.650 per Share as quoted on the Stock Exchange on the date of grant.	Nil
24 March 2021	957,333	The RSUs granted shall normally be vested in the grantees within three and a half years from the date of grant. 25% of the total RSUs granted shall be vested on 20 July 2021, 20 July 2022, 20 July 2023 and 20 July 2024, respectively. No performance target is attached to the vesting of RSUs granted.	957,333 RSUs represent a value of approximately HK\$4.6 million, based on the average closing price of HK\$4.78 per Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; or approximately HK\$4.1 million, based on the closing price of HK\$4.33 per Share as quoted on the Stock Exchange on the date of grant.	Nil
24 March 2023	2,441,170	The RSUs granted shall normally be vested in the grantees within three and a half years from the date of grant. 25% of the total RSUs granted shall be vested on 20 July 2023, 20 July 2024, 20 July 2025 and 20 July 2026, respectively. No performance target is attached to the vesting of RSUs granted.	2,441,170 RSUs represent a value of approximately HK\$3.7 million, based on the average closing price of HK\$1.52 per Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; or approximately HK\$4.1 million, based on the closing price of HK\$1.67 per Share as quoted on the Stock Exchange on the date of grant.	Nil

Note: To the best of knowledge of the Directors, none of the grantees of the above grants is a connected person of the Company under Chapter 14A of the Listing Rules.

Since the adoption of the Employee RSU Scheme and as of 30 June 2023, no grant under the Employee RSU Scheme has been made to any of (i) the directors, chief executive or substantial shareholders of the Company, or their respective associates; (ii) any related entity participant or service provider with RSUs granted in any 12-month period exceeding 0.1% of the relevant class of shares in issue of the Company; and (iii) any other participant with RSUs granted in excess of the 1% individual limit (with the aforementioned terms having the same meanings as given to such terms in the Listing Rules).

As of 1 January 2023, the aggregate number of Shares underlying the granted RSUs under the Employee RSU Scheme was 30,451,573 (of which 2,600,668 RSUs previously granted to the grantees under the Employee RSU Scheme were forfeited at the date of their resignation), representing approximately 2.56% of the issued share capital of the Company as of 1 January 2023. Save as disclosed in this interim report, no RSUs were granted, canceled and lapsed during the six months ended 30 June 2023, pursuant to the Employee RSU Scheme. As of 30 June 2023, the aggregate number of Shares underlying the granted RSUs under the Employee RSU Scheme was 32,892,743 (of which 2,844,668 RSUs previously granted to the grantees under the Employee RSU Scheme were forfeited at the date of their resignation), representing approximately 2.76% of the issued share capital of the Company as of 30 June 2023. As of the respective dates of 1 January 2023 and 30 June 2023, the aggregate number of Shares underlying the unvested RSUs were 6,640,905 and 8,838,075. As of the respective dates of 1 January 2023 and 30 June 2023, the aggregate number of shares involved in RSUs vested under the Employee RSU Scheme were 21,210,000 and 21,210,000.

As of the respective dates of 1 January 2023 and 30 June 2023, the total number of Shares underlying the RSUs available for grant under the RSU Employee Scheme were 4,689,451 and 2,492,281 Shares, representing approximately 0.39% and 0.21% of the issued share capital of the Company and approximately 0.39% and 0.21% of the issued share capital of the Company as of the date of this interim report, respectively.

Details of movements in the RSUs under the RSU Schemes are also set out in note 18(b) 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.

Maximum entitlement of each participant

There is no limit on the maximum entitlement of each participant under the Management RSU Scheme.

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). As of the date of this interim report, the remaining life of the Management RSU Scheme is less than seven (7) years.

OTHER INFORMATION

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.

Vesting of RSUs

The Management RSU Administrator can determine the vesting criteria, conditions and the time schedule when the RSUs will vest and such criteria, conditions and time schedule shall be stated in the Management RSU Grant Letter.

Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, the Management RSU Administrator will send a vesting notice ("**Management RSU Vesting Notice**") to each of the relevant Management RSU Participants. The Management RSU Vesting Notice will confirm the extent to which the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, and the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) involved. The Management RSU Scheme does not provide for the the vesting period of awards granted under the Management RSU Scheme.

Total number of Shares available for issue under the Management RSU Scheme and % of issued share capital as of the date of this interim report

No new Shares will be issued under the Management RSU Scheme.

Exercise of the RSUs

RSUs held by a Management RSU Participant that are vested as evidenced by the Management RSU Vesting Notice may be exercised (in whole or in part) by the Management RSU Participant serving an exercise notice in writing on the Management RSU Trustee and the Company. The Management RSU Scheme does not provide for the period within which the RSUs may be exercised by the grantee under the Management RSU scheme.

Amounts to be paid on acceptance of RSUs

A Management RSU Selected Person may accept an offer of the grant of RSUs in such manner as set out in the Management RSU Grant Letter. Once accepted, the RSUs are deemed granted from the date of the Management RSU Grant Letter. The amount to be paid on acceptance of RSUs is nil under the Management RSU Scheme.

Basis of determining the purchase price

No purchase price is to be paid by the grantees for the RSUs granted under the Management RSU Scheme.

OTHER INFORMATION

Details of the RSUs granted under the Management RSU Scheme

As of 30 June 2023, details of the RSUs granted under the Management RSU Scheme were as follows:

Date of grant	Number of grant (units)	Vesting period	Market price	Purchase price per Share (HK\$)
28 May 2020	25,733,333	The RSUs granted shall normally vest in the grantees within three and a half years from the date of grant. 25% of the total RSUs granted shall be vested on 20 July 2020, 20 July 2021, 20 July 2022 and 20 July 2023, respectively. No performance target is attached to the vesting of RSUs granted.	25,733,333 RSUs represent a value of approximately HK\$44.9 million, based on the average closing price of HK\$1.744 per Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Date of Grant; or approximately HK\$42.5 million, based on the closing price of HK\$1.650 per Share as quoted on the Stock Exchange on the date of grant.	Nil

Note: To the best of knowledge of the Directors, none of the grantees of the above grant is a connected person of the Company under Chapter 14A of the Listing Rules.

Since the adoption of the Management RSU Scheme and as of 30 June 2023, no grant under the Management RSU Scheme has been made to any of (i) the directors, chief executive or substantial shareholders of the Company, or their respective associates; (ii) any related entity participant or service provider with RSUs granted in any 12-month period exceeding 0.1% of the relevant class of shares in issue of the Company, and (iii) any other participant with RSUs granted in excess of the 1% individual limit (with the aforementioned terms having the same meanings as given to such terms in the Listing Rules).

As of 1 January 2023, the aggregate number of Shares underlying the granted RSUs under the Management RSU Scheme was 25,733,333, representing approximately 2.16% of the issued share capital of the Company as of 1 January 2023. No RSUs were granted, cancelled and lapsed during the half year ended 30 June 2023, pursuant to the Management RSU Scheme. As of 30 June 2023, the aggregate number of Shares underlying the granted RSUs under the Management RSU Scheme was 25,733,333, representing approximately 2.16% of the issued share capital of the Company as of 30 June 2023, and none of the granted RSUs under the Management RSU Scheme has been forfeited. As of the respective dates of 1 January 2023 and 30 June 2023, the aggregate number of Shares underlying the unvested RSUs were 6,419,333 and 6,419,333. As of the respective dates of 1 January 2023 and 30 June 2023, the aggregate number of shares underlying the RSUs vested under the Management RSU Scheme were 19,314,000 and 19,314,000.

As of the respective dates of 1 January 2023 and 30 June 2023, the total number of Shares available for grant under the RSU Management Scheme were 2,061,877 Shares and 2,061,877 Shares, representing approximately 0.17% and 0.17% of the then issued share capital of the Company and approximately 0.17% and 0.17% of the issued share capital of the Company as at the date of this interim report, respectively.

Details of movements in the RSUs under the RSU Schemes are also set out in note 18(b) to the consolidated financial statements.

OTHER INFORMATION

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.

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.

Participants

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

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 Share Option 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 interim 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 interim 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.

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.

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 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.

Amounts to be paid on acceptance of Options

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.

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.

OTHER INFORMATION

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. As of the date of this interim report, the remaining life of the Share Option Scheme is less than eight (8) years.

Details of the Options granted under the Share Option Scheme

As of 30 June 2023, details of the Options granted under the Share Option Scheme were as follows:

Date of grant	Number of grant (units)	Exercise period	Vesting period	Exercise Price per Share (HK\$)
30 August 2021	80,000,000	From date of grant to 29 August 2031 (both dates inclusive), save and except for the Share Options granted to Mr. Liu Chunhe and Mr. Li Ping which will be exercisable from 31 March 2022 to 29 August 2031 (both dates inclusive).	80,000,000 share options granted by the Company will be vested in four phases after several performance targets related to the Company are achieved from date of grant to 29 August 2031 (both dates inclusive).	HK\$4.81 per Share, which represents the higher of (rounding up to 2 decimal places): (i) the closing price of HK\$4.67 per Share as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (ii) the average closing price of HK\$4.81 per Share as stated in the daily quotations sheets of the Stock Exchange for five business days immediately preceding the date of grant; and (iii) the nominal value of US\$0.0001 per Share.

OTHER INFORMATION

The details of Options previously granted to, but not yet exercised by, under the Share Option Scheme for the six months ended 30 June 2023 are as follows:

Grantee and position	Held on	Granted for the	Expired for the	Exercised for the	Lapsed for the	Held on	Exercise Price (HK\$) ⁽²⁾	The closing price immediately before the		Exercisable from	Exercisable until
	1 January 2023	six months ended 30 June 2023	six months ended 30 June 2023	six months ended 30 June 2023	six months ended 30 June 2023	30 June 2023		Date of Grant (HK\$)	Date of grant		
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	34,230,000	-	-	-	(1,000,000) ⁽⁴⁾	33,230,000	4.81	4.73	30 August 2021	30 August 2021	29 August 2031
Total	79,230,000	-	-	-	(1,000,000) ⁽⁴⁾	78,230,000					

Notes:

- The total number of Shares issued and to be issued upon exercise of the Options granted to each of Mr. Liu Chunhe and Mr. Li Ping exceeded in a 12-month period 1% of the Shares in issue and such grant in a 12-month period represented over 0.1% of the Shares in issue, and have an aggregate value, based on the closing price of HK\$4.67 per Share on the date of grant, in excess of HK\$5 million. 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.
- 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.

OTHER INFORMATION

3. As at 30 June 2023, 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.
4. 1,000,000 share options have lapsed according to the terms of the Share Option Scheme due to resignation of the relevant grantees.

Save as disclosed above, no Share Options expired or were granted, exercised or lapsed in accordance with the terms of the Share Option Scheme during the Reporting Period.

As no Options were granted under the Share Option Scheme of the Company during the six months ended 30 June 2023, the number of Shares that may be issued in respect of the options and awards granted under all share schemes of the Company during the Reporting Period is nil. Accordingly, the value of the number of Shares that may be issued in respect of options and awards granted under all share schemes of the Company during the Reporting Period divided by the weighted average number of Shares in issue for the Reporting Period is nil.

As of the respective dates of 1 January 2023 and 30 June 2023, the total number of Options available for grant under the Share Option Scheme were 19,885,000 Shares and 19,885,000 Shares, respectively, representing approximately 1.7% and 1.7% of the then issued share capital of the Company and approximately 1.7% and 1.7% of the issued share capital of the Company as of the date of this interim report, respectively.

Details of the Share Option Scheme and movements in Share Options during the Reporting Period are disclosed in note 18(b) to the condensed consolidated interim financial information.

RSU AWARD SCHEME

The Company has adopted the RSU Award Scheme on 7 June 2022. The purpose is to incentivise the Group's Directors (excluding independent non-executive Directors), senior management, officers and consultants for their contribution to the Group, to attract and retain skilled and experienced personnel to strive for the future growth of the Group by providing them with the opportunity to own equity interests in the Company. The Company has appointed RSU trustee ("**RSU Trustee**") to help the management and vesting of the RSU Awards granted under the RSU Award Scheme. A summary of the terms of the RSU Award Scheme has been set out in the announcement dated 9 June 2022 of the Company in relation to the adoption of RSU scheme.

RSU Award Scheme Participants

The participants of RSU Award Scheme ("**RSU Award Scheme Participants**") include Directors (excluding independent non-executive Directors), senior management, officers and consultants of the Company or its subsidiaries. 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 RSU Administrator selects the RSU Award Scheme Participants to grant RSU Award under the RSU Award Scheme at its discretion.

Maximum entitlement of each participant

The RSU Award Scheme does not provide for a maximum entitlement of each RSU Award Scheme Participant.

Term of RSU Award Scheme

The RSU Award Scheme will be valid and effective for a period of ten (10) years, commencing from the adoption date of the RSU Award Scheme, unless it is terminated earlier in accordance with its terms. As of the date of this interim report, the remaining life of the RSU Award Scheme is less than nine (9) years.

Maximum number of Shares that may be granted under the RSU Award Scheme

The aggregate number of Shares involved in the RSU Awards under the RSU Award Scheme (excluding the RSU Awards that have lapsed or been cancelled in accordance with the rules of the RSU Award Scheme) shall not exceed 3% of the Company's share capital in issue on the adoption date of the RSU Award Scheme, being 35,736,480 Shares.

Total number of Shares available for issue under the RSU Award Scheme and % of issued share capital as of the date of this interim report.

No new Shares will be issued under the RSU Award Scheme.

Grant and acceptance

(i) Making an offer

Relevant Shares of the RSU Awards will be granted in accordance with the RSU Award Scheme Participants' contribution to the Group and the overall business performance of the Group. An offer to grant the RSU Awards will be made to a RSU Award Scheme Participant selected by the RSU Administrator (the "**RSU Selected Person**") by a letter (the "**RSU Grant Letter**"). The RSU Grant Letter should specify the RSU Selected Person's name, the manner of acceptance of the RSU Award, the number of RSU Award granted and the number of underlying Shares represented by the RSU Award, the vesting criteria and conditions, the vesting schedule and such other details as the RSU Administrator considers necessary.

(ii) Acceptance of an offer

A RSU Selected Person may accept an offer of the grant of the RSU Awards in such manner as set out in the RSU Grant Letter. Once accepted, the RSU Award is deemed granted from the date of the RSU Grant Letter (the "**RSU Grant Date**").

Vesting of the RSU Awards

The RSU Administrator determined the vesting criteria, conditions and time schedule for the RSU Awards at the time of vesting of the RSU Awards as follows:

(i) Lock-up of the RSU Awards

The RSU Awards are subject to lock-up once granted to RSU Award Scheme Participants. The Lock-up Period of the RSU Awards are from the date on which the RSU Award Scheme Participants are granted the RSU Awards and until three years after the date of the first unlocking of the RSU Awards. The date of the first unlocking is within six months after the grant of the RSU Awards and shall be at the discretion of Mr. LIU Chunhe under the authorisation of the Board.

OTHER INFORMATION

(ii) **Unlock of the RSU Awards**

(a) **Unlock time schedule**

Unless the Board shall otherwise determine and so notify the RSU Award Scheme Participant in writing, the RSU Awards will be unlocked in four successive equal proportions. The RSU Award Scheme Participant may unlock the RSU Awards in equal shares at the rate of 25% year by year after the date of the first unlocking; thereafter, the RSU Award Scheme Participant unlocks the RSU Awards successively and proportionally at the first anniversary, the second anniversary and the third anniversary of the date of the first unlocking.

(b) **Requirements for unlock**

Until the RSU Awards can be unlocked in the current period, where a RSU Award Scheme Participant is an employee of the Group who is under the employment of the Group, then he/she may perform the unlock of RSU Awards in current period; where a RSU Award Scheme Participant is an external consultant of the Group who is under the employment of the Group, he/she may perform the unlock of RSU Award in current period. As agreed under the RSU Award Scheme, where a RSU Award Scheme Participant falls under the circumstance that “the unvested portion of the RSU Awards granted to the RSU Award Scheme Participant is automatically and immediately terminated”, “the unvested portion of the RSU Awards granted to the RSU Award Scheme Participant” will be revoked by Three D Partners Limited or the Company, and the RSU Award Scheme Participant ceases to have any right to “the unvested portion of the RSU Awards granted to the RSU Award Scheme Participant”. As agreed under the RSU Award Scheme, where a RSU Award Scheme Participant falls under the circumstance that “the vested and unvested RSU Awards are automatically and immediately terminated”, “the vested and unvested RSU Awards” of the RSU Award Scheme Participant will be revoked by Three D Partners Limited or the Company, and the RSU Award Scheme Participant ceases to have any right to “the vested and unvested RSU Awards”.

Unless otherwise arranged in the RSU Award Scheme or permitted by a Board resolution of the Company, the locked part of the RSU Awards may not be used to pledge, guarantee or repay debts.

Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, the RSU Administrator shall send the vesting notice (“**Vesting Notice on RSU**”) to each of the relevant RSU Award Scheme Participants. The Vesting Notice on RSU will confirm the extent to which the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, and the number of Shares involved and, if applicable, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares.

Amounts to be paid on acceptance of RSU Awards

The amount to be paid on acceptance of RSU Awards is nil under the RSU Award Scheme.

Basis of determining the purchase price

No purchase price is to be paid by the RSU Award Scheme Participant for the RSU Awards granted under the RSU Award Scheme.

As of the respective dates of 1 January 2023 and 30 June 2023, the total number of Shares underlying the RSU Awards that are available for grant were 35,736,480 and 35,736,480, respectively. The RSU Trustee has purchased a total of 24,218,000 shares pursuant to RSU Award Scheme as of 30 June 2023, accounting for 2.03% of the existing total number of Shares in issue of the Company.

Since the adoption of the RSU Award Scheme and as of 30 June 2023, no RSU Awards have been granted, cancelled and lapsed under the RSU Award Scheme. Since the adoption of the RSU Award Scheme and as of 30 June 2023, no grant has been made to the following persons: (i) each of the directors, chief executive or substantial shareholders of the Company, or their respective associates; (ii) each participant with options to be granted in excess of the 1% individual limit; (iii) each related entity participant or service provider with options to be granted in any 12-month period exceeding 0.1% of the relevant class of shares in issue of the Company; (iv) the five highest paid individuals during the financial year; and (v) other employee participants, related entity participants and service providers.

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

For the six months ended 30 June 2023, neither the Company nor any member of the Group has purchased, sold or redeemed any of the Company's listed securities as of the date of the interim report.

SHARE PURCHASE PURSUANT TO RSU AWARD SCHEME

The details of Shares purchased by Three D Partners Limited pursuant to RSU Award Scheme during the Reporting Period are as follows:

Total number of Shares purchased: 15,794,000

Percentage of the Shares purchased to the existing total number of Shares in issue: Approximately 1.33%

Average consideration per Share: Approximately HK\$1.60

Total consideration of Shares purchased: Approximately HK\$25,276,260.00

For further details, please refer to the announcements dated 28 April 2023, 5 May 2023, 12 May 2023, 19 May 2023, 25 May 2023, 2 June 2023, 9 June 2023, 16 June 2023, 23 June 2023 and 30 June 2023 of the Company.

BANK BORROWING

As at 30 June 2023, the Group did not have any short-term or long term bank borrowings. As of the Latest Practicable Date, we did not have any bank facilities.

AUDIT COMMITTEE

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

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

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

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

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

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 accordingly.

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

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

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

INTERIM DIVIDEND

The Board has resolved that the interim dividend for the six months ended 30 June 2023 would not be declared.

EVENT OCCURRING AFTER THE REPORTING PERIOD

On 2 August 2023, the major and connected transactions between the Company and Spriver, namely the acquisition of Chizicheng Strategy Investment by the Company (the "**Acquisition**"), was completed. Upon completion of the Acquisition, the results of Chizicheng Strategy Investment, Metaclass Management ELP ("**Metaclass**") and the companies held by Metaclass, including Mutelements Limited ("**Mutelements**"), which is held as to 78.9% directly by Metaclass, Land of Glory Ltd., which is held as to 78.9% directly by the Metaclass, and BlueCity, which is held as to 100% directly by Mutelements, will be consolidated into the consolidated financial statements of the Group. For further details, please refer to the announcements of the Company dated 23 March 2023, 26 June 2023 and 2 August 2023, the circular of the Company dated 30 June 2023 and the poll results announcement of the Company dated 19 July 2023.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



Review report to the board of directors of Newborn Town Inc.

(Incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 40 to 60 which comprises the interim condensed consolidated balance sheet of Newborn Town Inc. (the “Company”) as of 30 June 2023 and the related interim condensed consolidated statement of comprehensive income and interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2023 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants
8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong

30 August 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2023 – unaudited

(Expressed in Renminbi (“RMB”))

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Revenue from contracts with customers	7	1,374,558	1,374,210
Cost of revenue	8	(667,674)	(891,849)
Gross profit		706,884	482,361
Selling and marketing expenses	8	(246,612)	(198,820)
Research and development expenses	8	(136,481)	(91,059)
General and administrative expenses	8	(83,467)	(51,117)
Net impairment losses on financial assets		(982)	(235)
Other income		1,139	1,009
Other gain, net	9	36,987	11,611
Operating profit		277,468	153,750
Finance income		2,363	630
Finance cost		(2,538)	(124)
Finance (cost)/income, net		(175)	506
Share of net gain/(loss) of associates accounted for using the equity method		34,821	(162)
Profit before income tax		312,114	154,094
Income tax (expenses)/credits	10	(9,841)	280
Profit for the period		302,273	154,374
Profit attributable to:			
Owners of the Company		185,302	82,705
Non-controlling interests		116,971	71,669
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss			
Currency translation differences		(5,507)	4,299
Items that maybe subsequently reclassified to profit or loss			
Currency translation differences		(5,466)	12,768
Share of other comprehensive income of investments accounted for using the equity method		26,284	–
Total comprehensive income for the period		317,584	171,441
Total comprehensive income attributable to:			
Owners of the Company		212,300	102,531
Non-controlling interests		105,284	68,910
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic earnings per share	11.1	0.16	0.07
Diluted earnings per share	11.2	0.16	0.07

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

as at 30 June 2023 – unaudited
(Expressed in RMB)

	Note	30 June 2023 RMB'000	31 December 2022 RMB'000
ASSETS			
Non-current assets			
Property and equipment	13	113,012	122,155
Intangible assets		165,245	185,635
Goodwill		197,287	197,287
Financial assets measured at fair value through profit or loss	4	38,226	38,226
Investments accounted for using the equity method		253,121	176,051
Other receivable	15	23,049	22,812
Deferred tax assets		715	224
Other non-current assets		–	1,210
Total non-current assets		790,655	743,600
Current assets			
Other current assets		7,295	7,445
Accounts receivable	14	175,120	164,877
Other receivable	15	110,832	56,893
Financial assets measured at fair value through profit or loss	4	37,723	149,401
Cash and cash equivalents		774,894	596,729
Restricted bank deposits		1,320	1,272
Total current assets		1,107,184	976,617
Total assets		1,897,839	1,720,217

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

as at 30 June 2023 – unaudited

(Expressed in RMB)

	Note	30 June 2023 RMB'000	31 December 2022 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		74,771	86,244
Deferred tax liabilities		44,118	46,889
Total non-current liabilities		118,889	133,133
Current liabilities			
Accounts payable	16	132,305	189,739
Contract liabilities		24,415	18,089
Tax payable		13,103	4,934
Bank overdraft		60	67
Lease liabilities		24,016	25,879
Other payable	17	118,315	110,366
Total current liabilities		312,214	349,074
Total liabilities		431,103	482,207
EQUITY			
Equity attributable to the owners of the Company			
Share capital	18	818	818
Share premium	18	669,523	669,523
Treasury shares	18	(35,363)	(12,719)
Other reserves	18	133,154	80,636
Retained earnings/(Accumulated losses)		154,866	(30,436)
		922,998	707,822
Non-controlling interests		543,738	530,188
Total equity		1,466,736	1,238,010
Total liabilities and equity		1,897,839	1,720,217

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2023 – unaudited

(Expressed in RMB)

	Attributable to owners of the Company							
	Share capital	Share premium	Treasury Shares	Other reserves	Retained earnings/ (Accumulated losses)	Sub-total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2022	759	387,156	-	248,046	(159,158)	476,803	363,291	840,094
Profit for the period	-	-	-	-	82,705	82,705	71,669	154,374
Other comprehensive income	-	-	-	19,826	-	19,826	(2,759)	17,067
Total comprehensive income	-	-	-	19,826	82,705	102,531	68,910	171,441
Transaction with owners:								
Issuance of shares upon placement	59	282,367	-	-	-	282,426	-	282,426
Share-based compensation expenses	-	-	-	26,691	-	26,691	4,558	31,249
Purchase of own shares	-	-	(12,719)	-	-	(12,719)	-	(12,719)
Balance at 30 June 2022	818	669,523	(12,719)	294,563	(76,453)	875,732	436,759	1,312,491
Balance at 1 January 2023	818	669,523	(12,719)	80,636	(30,436)	707,822	530,188	1,238,010
Profit for the period	-	-	-	-	185,302	185,302	116,971	302,273
Other comprehensive income	-	-	-	26,998	-	26,998	(11,687)	15,311
Total comprehensive income	-	-	-	26,998	185,302	212,300	105,284	317,584
Transaction with owners:								
Share-based compensation expenses	-	-	-	25,520	-	25,520	8,265	33,785
Purchase of own shares	-	-	(22,644)	-	-	(22,644)	-	(22,644)
Transaction with non-controlling interests	-	-	-	-	-	-	(99,999)	(99,999)
Balance at 30 June 2023	818	669,523	(35,363)	133,154	154,866	922,998	543,738	1,466,736

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2023 – unaudited

(Expressed in RMB)

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash generated from operations		181,862	80,858
Payment of income tax		(4,981)	(2)
Net cash inflow from operating activities		176,881	80,856
Cash flows from investing activities			
Purchase of Wealth Management Products (“WMP”) measured at fair value through profit or loss		(1,380,128)	(119,931)
Maturity of WMPs measured at fair value through profit or loss		1,494,626	153,373
Prepayment for investment in equity interest of a private company measured at fair value through profit or loss		–	(6,500)
Investments accounted for using the equity method		(4,085)	–
Purchase of property and equipment		(3,478)	(3,112)
Loans to other parties		(5,450)	(1,160)
Proceeds of loans repayments from third parties		–	6,000
Net cash inflow from investing activities		101,485	28,670
Cash flows from financing activities			
Issuance of shares upon placement		–	285,567
Transaction costs relating to issuance of shares upon placement		–	(3,141)
Repayment of lease liabilities (including interest paid)		(15,885)	(4,545)
Purchase of own shares	18	(22,644)	(12,719)
Transactions with non-controlling interests		(99,999)	(395,217)
Net cash outflow from financing activities		(138,528)	(130,055)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of period		596,662	724,556
Effects of exchange rate changes on cash and cash equivalents		38,334	33,883
Cash and cash equivalents at end of period		774,834	737,910
Including:			
Cash and cash equivalents		774,894	737,951
Bank overdraft		(60)	(41)

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 Act, Cap. 22 (Act 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 social networking business (mainly through social networking apps such as MICO, Yumy and YoHo) and innovative business (mainly through niche games and casual games).

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

The interim condensed consolidated financial information comprises the interim condensed consolidated balance sheet as at 30 June 2023, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six months ended 30 June 2023, and a summary of significant accounting policies and other explanatory notes (the “Interim Financial Information”). The Interim Financial Information is presented in RMB, unless otherwise stated.

2 BASIS OF PREPARATION

The Interim Financial Information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, “Interim financial reporting”, issued by the International Accounting Standards Board (“IASB”).

The Interim Financial Information has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in note 3.

This interim financial information contains interim condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The interim condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRSs.

The interim financial information is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 39.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in the preparation of the Interim Financial Information are consistent with those used in the preparation of the 2022 Financial Statements.

The following amended and revised standards are mandatory for the first time for the Group's financial year beginning on 1 January 2023 and are applicable for the Group:

- IFRS 17 – Insurance contracts
- Amendments to IAS 8 – Definition of Accounting Estimates
- Amendments to IAS 12 – Income taxes: International tax reform – Pillar Two model rules

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

In addition, the IASB also published a number of new standards and amendments to standards which are effective for the financial year beginning on or after 1 January 2024 and have not been early adopted by the Group. Management is assessing the impact of such standards and will adopt the relevant standards in the subsequent periods as required.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 FINANCIAL RISK MANAGEMENT

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

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 period. 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 financial instruments (Such as unlisted equity securities and WMPs) are included in level 3.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table presents the Group's asset that are measured at fair value at 30 June 2023 and 31 December 2022.

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at 30 June 2023				
Assets				
Financial assets measured at FVPL				
– WMPs	–	–	37,723	37,723
– Equity interests of certain private companies	–	–	38,226	38,226
	–	–	75,949	75,949

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2022				
Assets				
Financial assets measured at FVPL				
– WMPs	–	–	149,401	149,401
– Equity interests of certain private companies	–	–	38,226	38,226
	–	–	187,627	187,627

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

The following table presents the changes in level 3 instruments of investment in WMPs measured at fair value through profit or loss for the six months ended 30 June 2023:

	Six months ended 30 June	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
At the beginning of the period	149,401	166,119
Additions	1,380,128	119,931
Disposals	(1,494,626)	(153,373)
Changes in fair value	193	1,457
Exchange gains	2,627	4,292
At the end of the period	37,723	138,426
Net unrealized gains for the period	193	1,457

The following table presents the changes in level 3 instruments of investments in equity interests of certain private companies measured at fair value through profit or loss for the six months ended 30 June 2023:

	Six months ended 30 June	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
At the beginning of the period	38,226	26,756
Changes in fair value	–	(693)
At the end of the period	38,226	26,063
Net unrealized losses for the period	–	(693)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 CRITICAL ESTIMATES AND JUDGMENTS

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

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2022 Financial Statements.

6 SEGMENT INFORMATION

The Group's business activities are regularly reviewed and evaluated by the chief operating decision maker ("CODM") and the Group is organised into segments according to the revenue streams of the Group. The reportable segments comprise (i) Social networking business, which is aggregated from many social network apps such as MICO, YoHo and Yumy; (ii) Innovative business, which is included niche games and casual games.

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

The segment results for six months ended 30 June 2023 and 2022 are as follows:

	Social networking business RMB'000	Innovative business RMB'000	Total RMB'000
Six months ended 30 June 2023			
Revenue	1,243,450	131,108	1,374,558
Cost of revenue	(649,454)	(18,220)	(667,674)
Gross profit	593,996	112,888	706,884
Six months ended 30 June 2022			
Revenue	1,265,945	108,265	1,374,210
Cost of revenue	(875,030)	(16,819)	(891,849)
Gross profit	390,915	91,446	482,361

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 REVENUE FROM CONTRACTS WITH CUSTOMERS

	Six months ended 30 June	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<i>Recognised at a point in time</i>		
Social networking business	1,231,554	1,255,894
Innovative business	131,108	108,265
<i>Recognised over time</i>		
Social networking business	11,896	10,051
Total	1,374,558	1,374,210

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

8 EXPENSES BY NATURE

	Six months ended 30 June	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue sharing to streamers	398,152	625,095
Promotion expenses	240,205	194,097
Employee benefit expenses	237,212	168,461
Payment handling costs	114,615	125,686
Server capacity expenses	27,614	31,509
Share-based compensation expenses (Note 18(b))	33,785	30,565
Depreciation and amortisation	35,740	26,059
Technical and other service fee	18,936	14,874
Travel expense	4,683	2,432
Rent expense	1,404	1,940
Consultancy and professional service fee	8,172	2,690
Others	13,716	9,437
Total	1,134,234	1,232,845

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 OTHER GAIN, NET

	Six months ended 30 June	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Other gain, net		
Fair value change of financial assets measured at FVPL	2,401	764
Exchange gain	34,683	11,630
Others	(97)	(783)
Total	36,987	11,611

10 INCOME TAX EXPENSES/(CREDITS)

	Six months ended 30 June	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current tax		
Current tax on profits for the period	13,103	2,321
Deferred income tax		
Changes in deferred tax assets/liabilities	(3,262)	(2,601)
Income tax expenses/(credits)	9,841	(280)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 EARNINGS PER SHARE

11.1 Basic

Basic earnings per share for the six months ended 30 June 2023 were calculated by dividing the profit attributable to owners of the Company of RMB185,302,000 (for the six months ended 30 June 2022: RMB82,705,000) by the weighted average number of ordinary shares of 1,152,040,000 (for the six months ended 30 June 2022: 1,140,310,000) in issue during the period.

Purchase of ordinary shares in April, May and June were accounted at time portion basis.

11.2 Diluted

For the six months ended 30 June 2023, the Group has considered the impact from the restricted share units ("RSU") and share options issued by the Group (Note 18(b)). The RSUs issued by the Group had a dilutive effect during the period, while as the exercise price of the share options exceeded the average price of ordinary shares during the period for which the share options were in issue, such share options did not have any dilutive effect on earnings per share.

For the six months ended 30 June 2023, dilutive earnings per share were calculated by dividing the profit attributable to owners of the Company of RMB185,302,000 (for the six months ended 30 June 2022: RMB82,636,000) by the weighted average number of ordinary shares of 1,163,443,000 (for the six months ended 30 June 2022: 1,164,114,000) to assume conversion of all dilutive potential ordinary shares in issue during the period. As the dilutive effect on earnings per share resulting from the assumed exercise of RSUs was negligible, diluted earnings per share were the same as basic earnings per share.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended 30 June 2023 (for the six months ended 30 June 2022: nil).

13 PROPERTY AND EQUIPMENT

During the six months ended 30 June 2023 and 2022, the Group acquired items of property and equipment with a cost of RMB6,209,000 (six months ended 30 June 2022: RMB3,958,000)

14 ACCOUNTS RECEIVABLE

	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Current assets		
Gross carrying amount	215,575	203,817
Less: impairment provision	(40,455)	(38,940)
Total accounts receivable	175,120	164,877

An aging analysis of the gross accounts receivable as at 30 June 2023 and 31 December 2022, based on date of recognition, is as follows:

	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Up to 6 months	175,604	161,854
6 months to 1 year	2,150	7,246
1 year to 2 years	3,440	532
2 years to 3 years	4,782	12,022
Over 3 years	29,599	22,163
	215,575	203,817

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 OTHER RECEIVABLE

	Note	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Deposits placed at foreign licensed platform	(i)	57,220	13,966
Loans to other parties	(ii)	35,142	30,050
Other receivables from employees	(iii)	32,541	25,665
Rental deposits		11,833	11,910
Others		1,414	1,754
Less: impairment provision		(4,269)	(3,640)
		133,881	79,705
Including:			
current portion		110,832	56,893
non-current portion		23,049	22,812

Note:

- (i) The balance mainly represents the deposits placed at foreign licensed platform such as PayPal, Payoneer, etc.
- (ii) The balance mainly represents interest-free short-term loans lent to Gaming Lab Limited ("Gaming"), an associate of the Company and other associates during the six-month period ended 30 June 2023, amounting to RMB25,892,000 and RMB9,250,000 respectively.
- (iii) 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 ACCOUNTS PAYABLE

Aging analysis of the accounts payable as at 30 June 2023 and 31 December 2022 based on the date of recognition is as follows:

	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Up to 1 year	123,668	179,093
1 year to 2 years	565	3,206
More than 2 years	8,072	7,440
	132,305	189,739

Accounts payable are usually paid within 1 year of recognition.

17 OTHER PAYABLE

	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Employee benefits payable	102,319	91,252
Other tax payables	5,007	5,262
Others	10,989	13,852
	118,315	110,366

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 CAPITAL AND RESERVES

(a) Share capital

During the interim period, the company purchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares purchased	Highest price paid per share <i>HK\$</i>	Lowest price paid per share <i>HK\$</i>	Aggregate price paid <i>HK\$'000</i>
April 2023	1,000,000	1.70	1.54	1,667
May 2023	8,800,000	1.85	1.41	14,903
June 2023	5,994,000	1.56	1.39	8,706
				25,276

The total amount paid on the purchased shares of HK\$25,276,000 (equivalent to RMB22,644,000) was paid wholly out of retained profits.

(b) Equity settled share-based transactions

RSUs granted to employees and management

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

	Number of RSU	Weighted average grant date fair value per RSU (HK\$)
Outstanding as at 1 January 2023	13,060,238	1.86
Granted during the period	2,441,170	1.67
Forfeited during the period	(244,000)	1.65
Exercised during the period	—	—
Outstanding as at 30 June 2023	15,257,408	1.83

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 CAPITAL AND RESERVES (CONTINUED)

(b) Equity settled share-based transactions (continued)

RSUs granted to employees and management (continued)

	Number of RSU	Weighted average grant date fair value per RSU (HK\$)
Outstanding as at 1 January 2022	26,824,905	1.75
Granted during the period	–	–
Forfeited during the period	–	–
Exercised during the period	–	–
Outstanding as at 30 June 2022	26,824,905	1.75

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

For the six months ended 30 June 2023, the total expenses recognised in the interim condensed consolidated statement of comprehensive income for RSUs granted under Employee RSU Scheme and Management RSU Scheme were RMB19,784,000 (for the six months ended 30 June 2022: RMB7,576,000).

For the six months ended 30 June 2023, a subsidiary of the Group has recognised share-based compensation expenses RMB15,525,000 related to the RSU Scheme awarded by the subsidiary in 2022 and 2018 (for the six months ended 30 June 2022: RMB5,465,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 CAPITAL AND RESERVES (CONTINUED)

(b) Equity settled share-based transactions (continued)

Share options granted to executive directors and employees

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 2023	79,230,000	4.81
Granted during the year	–	–
Forfeited during the year	(1,000,000)	4.81
Exercised during the year	–	–
Outstanding as at 30 June 2023	78,230,000	4.81
Exercisable as at 30 June 2023	43,000,000	4.81

For the six months ended 30 June 2023, the total expenses recognised in the interim condensed consolidated statement of comprehensive income for Share Option Scheme were RMB14,001,000 (for the six months ended 30 June 2022: RMB17,524,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the interim financial information, the Group entered into the following significant related party transactions for the six months ended 30 June 2023:

Key management personnel remuneration

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Wages, salaries and bonus	1,701	1,805
Contributions to pension plans	157	141
Other social security costs, housing allowance and other allowance	236	205
Share-based compensation expenses	10,593	12,409
Total employee benefit expenses	12,687	14,560

20 EVENT OCCURRING AFTER THE REPORTING PERIOD

On 2 August 2023, the major and connected transactions between the Company and Spriver, namely the acquisition of Chizicheng Strategy Investment Limited by the Company (the “**Acquisition**”) was completed. Upon completion of the Acquisition, the results of Chizicheng Strategy Investment, Metaclass Management ELP (“**Metaclass**”) and the companies held by Metaclass, including Multelements Limited (“**Multelements**”), which is held as to 78.9% directly by Metaclass, Land of Glory Ltd., which is held as to 78.9% directly by the Metaclass, and BlueCity, which is held as to 100% directly by Multelements will be consolidated into the consolidated financial statements of the Group. The Company is still in the process of assessing the fair value of the identifiable acquired assets and liabilities at the completion date and hence the disclosure of the amounts to be recognised in each line items in the consolidated balance sheet is impracticable in this interim financial report.

DEFINITIONS

“Adoption Date”	the date on which the Share Option Scheme was conditionally adopted by a resolution of the Shareholders
“AIGC”	Artificial Intelligence Generated Content
“Audit Committee”	the audit committee of the Company
“BGFG”	BGFG Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
“BlueCity”	BlueCity Holdings Limited, an exempted company with limited liability incorporated in the Cayman Islands and a wholly-owned subsidiary of Multelements Limited
“Board”	the board of directors
“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
“CAGR”	compound annual growth rate
“Chizicheng Strategy Investment”	Chizicheng Strategy Investment Limited, an exempted company with limited liability incorporated in the Cayman Islands on 11 January 2022 and is wholly owned by the Company as of the date of this interim report
“Company”, “our Company”, “the Company” or “Newborn Town”	Newborn Town Inc. (赤子城科技有限公司), a company with limited liability incorporated in the Cayman Islands whose shares are listed on the Stock Exchange
“Director(s)”	the director(s) of our Company or any one of them
“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 by the Board on 11 December 2019
“Employee RSU Trustee”	TMF Trust (HK) Limited, an independent and professional trustee appointed by our Company to act as the trustee of the Employee RSU Scheme
“ESG”	environmental, social and governance
“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

DEFINITIONS

“Group”, “our Group” or “the Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	the International Financial Reporting Standards, amendments and interpretation issued from time to time by the International Accounting Standards Board
“KOL”	key opinion leader
“Latest Practicable Date”	14 September 2023, being the latest practicable date prior to the printing of this interim report for the purpose of ascertaining certain information contained herein
“LGBTQ+”	lesbian, gay, bisexual, transgender, queer or questioning, intersex, asexual, and more
“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)
“Lock-up Period”	from the date on which the RSU Award Scheme Participant is granted the RSU Awards to the date that expires three years after the date of the first unlock of the RSU Awards
“Management RSU Scheme”	the restricted share unit scheme of the Company adopted by the Board on 11 December 2019
“Management RSU Trustee”	TMF Trust (HK) Limited, an independent and professional trustee appointed by our Company to act as the trustee of the Management RSU Scheme
“Mico”	Beijing Mico World Technology Co., Ltd. (北京米可世界科技有限公司) (formerly known as Beijing Zhongluo Technology Co., Ltd. (北京眾絡科技有限公司)), a company incorporated under the laws of the PRC with limited liability
“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
“PRC” or “China”	the People’s Republic of China, which for the purpose of this interim report only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated 17 December 2019
“R&D”	research and development
“Relevant Period” or “Reporting Period”	the six months ended 30 June 2023
“RMB”	Renminbi yuan, the lawful currency of China
“RSU”	a restricted share unit award granted to a participant under the RSU Scheme
“RSU Administrator”	a committee under the Board that the Board may authorize to administer the RSU Award Scheme and if no such committee is appointed, the Board
“RSU Award”	restricted share unit which gives the RSU Award Scheme Participant a conditional right when the RSU Award vests to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of exercise of the RSU Award, less any tax, stamp duty and other charges applicable, as determined by the RSU Administrator in its absolute discretion, and may include (where appropriate), cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares, as determined by the RSU Administrator in its absolute discretion
“RSU Award Scheme”	RSU award scheme adopted by the Company on 7 June 2022
“RSU Schemes”	the Employee RSU Scheme and the Management RSU Scheme adopted by the Board on 11 December 2019
“SFO”	the Securities and Futures Ordinance

DEFINITIONS

“Share(s)”	ordinary share(s) in the share capital of our Company with a par value of US\$0.0001 each
“Shareholder(s)”	holder(s) of the Share(s)
“Spriver”	Spriver Tech Limited, an investment holding company incorporated in the British Virgin Islands with limited liability
“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.” or “the United States”	The United States of America
“U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States
“We”, “us” or “our”	our Company or our Group, as the context may require
“%”	per cent

