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**newborntown**

**NEWBORN TOWN INC.**

**赤子城 科技 有限 公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 9911)**

## **CHANGE OF AUDITOR**

This announcement is made by Newborn Town Inc. (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.51(4) of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

### **Resignation of auditor**

PricewaterhouseCoopers (“**PwC**”) was re-appointed as auditor of the Group at the annual general meeting of the Company held on 21 June 2023 to hold office until the conclusion of the next annual general meeting of the Company.

However, the board (the “**Board**”) of directors (the “**Directors**”) of the Company hereby announces that PwC has agreed to resign as the auditor of the Group with effect from 8 August 2023, as the Company and PwC could not reach a consensus in respect of the proposed auditor’s remuneration for the year ending 31 December 2023.

The Company is incorporated under the laws of the Cayman Islands and to the knowledge of the Board, there is no requirement under the laws of the Cayman Islands for the outgoing auditor to confirm whether or not there is any circumstance in connection with their resignation which they consider should be brought to the attention of the shareholders (the “**Shareholders**”) and creditors of the Company (the “**Creditors**”). Therefore, PwC has not issued such confirmation.

The Board and the audit committee of the Company (the “**Audit Committee**”) confirmed that, there is no disagreement or dispute between the Company and PwC and that are no other matters or circumstances in respect of the change of auditor which should be brought to the attention of the Shareholders, the Creditors and the Stock Exchange.

As at the date of this announcement, the Board confirms that PwC has not commenced any audit work for the year ending 31 December 2023. The Board therefore believes that the change of auditor will not have any significant impact on the annual audit and the release of annual results of the Group for the year ending 31 December 2023.

The Board would like to express its sincere appreciation to PwC for the professionalism and care they have demonstrated in their services as external auditor of the Group.

## Appointment of auditor

The Board, with the recommendation of the Audit Committee, has resolved to appoint KPMG as the new auditor of the Company with effect from 8 August 2023 to fill the casual vacancy arising from the resignation of PwC and to hold office until the conclusion of the next annual general meeting of the Company.

Such recommendation was made by the Audit Committee after due consideration of, *inter alia*, (i) the Stock Exchange's Enforcement Bulletin (March 2023 edition), (ii) the open letter dated 27 October 2022 and the follow-up open letter dated 11 January 2023 issued by the Accounting and Financial Reporting Council ("AFRC"), and (iii) AFRC's Guidelines for Effective Audit Committees – Selection, Appointment and Reappointment of Auditors; as well as careful assessment of KPMG's eligibility and suitability to act as the auditor of the Group in accordance with the rules and requirements set forth therein. The Audit Committee has thus considered various factors when selecting KPMG as the auditor of the Group, including, *inter alia*, (i) the standard of business integrity from its track records and its reputation in the industry; (ii) its independence and objectivity; (iii) its industry knowledge, technical competence/expertise and performance capability; (iv) its familiarity with the requirements under the Listing Rules and the International Financial Reporting Standard; (v) its infrastructure, resources and capability of completing the audit of the Group's consolidated financial statements for the year ending 31 December 2023 (the "2023 Audit") within the stipulated schedule; (vi) its audit proposal, and its presentation to and communication with the Audit Committee; (vii) its governance and corporate culture and team structure; and (viii) its familiarity with BlueCity Holdings Limited ("BlueCity") (being its auditor since its listing on the NASDAQ), the financial statements of which will be consolidated into that of the Group's.

The Audit Committee also noted that KPMG, being known for its reputation and standing, has extensive audit experience through its acting or having acted as auditors for many Hong Kong listed companies, including some well-known and sizable enterprises, and a vast global network with extensive internal expert support. The Audit Committee has also assessed the size and structure of its engagement team for the 2023 Audit and considered that KPMG has sufficient resources and manpower to achieve audit quality. Based on the above, the Audit Committee is satisfied that KPMG has a high standard of integrity, and possesses the requisite expertise and technical competence, sufficient manpower and time available for service, which coupled with its satisfactory track records and industry reputation, will ensure its independence, competence, as well as its capability of conducting high-quality audit work for the Group. The Board and the Audit Committee also consider that the appointment of KPMG as auditor of the Group would align the audit arrangements between the Company and BlueCity (which forms the core of the Company's strategic business development plan going forward) with a view to increasing the synergistic efficiency and cost-effectiveness of the Group's audit work, and thus KPMG's appointment would be in the best interests of the Company and its Shareholders as a whole.

The Board hereby extends its welcome to KPMG on its appointment as the auditor of the Group.

By order of the Board  
**Newborn Town Inc.**  
**LIU Chunhe**  
*Chairman*

Beijing, 8 August 2023

*As at the date of this announcement, the executive Directors of the Company are Mr. LIU Chunhe, Mr. LI Ping, Mr. YE Chunjian and Mr. SU Jian; and the independent non-executive Directors of the Company are Mr. GAO Ming, Mr. CHI Shujin and Mr. HUANG Sichen.*