NEWBORN TOWN INC.
赤子城科技有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 9911)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The board of directors (the "**Board**") of Newborn Town Inc. (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2019 (the "**Annual Results**"). The Annual Results have been reviewed by the Company's Audit Committee.

In this announcement, "we", "us", and "our" refer to the Company and where the context otherwise requires, the Group.

FINANCE HIGHLIGHT

- Revenue from contracts with customers for the year ended 31 December 2019 amounted to RMB389.7 million, representing an increase of 40.8% from RMB276.7 million recorded in 2018.
- Gross profit for the year ended 31 December 2019 amounted to RMB261.5 million, representing an increase of 84.9% from RMB141.4 million recorded in 2018.
- Profit for the year for the year ended 31 December 2019 amounted to RMB68.4 million, representing an increase of 14.5% from RMB59.7 million recorded in 2018.
- Adjusted net profit for the year ended 31 December 2019 amounted to RMB109.4 million, representing an increase of 82.3% from RMB60.0 million recorded in 2018.

	Years ended December 31	
	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers	**389,685**	276,686
Gross profit	**261,512**	141,420
Profit before income tax	**78,386**	68,610
Profit for the year	**68,415**	59,737
Basic and diluted earnings per share (expressed in RMB per share)[(1)]	**0.082**	0.069
Profit for the year	**68,415**	59,737
Add:		
Share-based compensation expense[(2)]	**36,847**	–
Listing expenses[(3)]	**35,407**	338
Less:		
Interest income from the application monies locked-up during the initial public offering	**(20,926)**	–
Fair value changes of convertible redeemable preferred shares[(3)]	**(7,434)**	–
Tax effect[(4)]	**(2,867)**	(51)
Adjusted net profit	**109,442**	60,024

Notes:

(1) The weighted average number of ordinary shares in issue used for the calculation of basic and diluted earnings per share for the years ended 31 December 2019 and 2018 have been retrospectively adjusted for the capitalisation issue before listing.

(2) In June 2019, the Company repurchased certain Series B Preferred Shares (as defined in the Prospectus) which the holders had a put option to sell to certain senior management members of the Company. An one-off share-based compensation expense of RMB36,847,000 was recorded which represented the deemed economic benefits in relation to the reduction in the redemption liabilities of such senior management members.

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

(4) Including tax effects on listing expenses, which are calculated with tax rates of 15%.

BUSINESS REVIEW

The Company is a fast-growing global AI information distribution platform, developing mobile applications and providing mobile advertising platform services based on AI technology. As of the end of 2019, our mobile applications and mobile advertising platform services have covered users in more than 200 countries and regions around the world. Based on two core businesses, we have established a large-scale global traffic ecosystem, accumulated abundant data on user behaviour and further upgraded our AI engine – Solo Aware. Consequently, we gained "Traffic +" abilities to tap into different vertical segments which provides more possibility for beefing up our fast growth in the future.

1. Ever-expanding traffic ecosystem created an outstanding platform effect

In 2019, with our increasingly enlarged product matrix and upgraded advertising platform, our global traffic ecosystem, which integrates nearly 1 billion users accumulated from proprietary products and 1.82 million apps through advertising platform, is gradually enriching.

Expansion of Solo X product matrix at C-end has enabled us to collect more refined data in larger scale, thereby deepening our insight into global market and further improving our capabilities in R&D, user acquisition and monetisation. Meanwhile, it is also conducive for the advertising platform Solo Math at B-end to generating more effective recommendations and establishing more accurate connection between advertisers and publishers. Continuing development of the B-end advertising platform has empowered us with more diversified external traffic and data in larger scale, enabling us to grasp the industrial trend at the macro level and swiftly launch products catering to the needs of users from different segments.

Growing traffic ecosystem has continuously improved our traffic acquisition and monetisation capabilities, enriching our database and code base, achieving constant upgrade of Solo Aware AI engine while creating synergy effect at both ends as a virtuous circle.

In 2019, our total revenue increased from RMB276.7 million in 2018 to RMB389.7 million, with a year-on-year increase of 40.8%. In terms of profit, our gross profit and gross profit margin in 2019 were RMB261.5 million and 67.1%, with a year-on-year increase of 84.9% and 31.3%, respectively. Profit for the year increased from RMB59.7 million in 2018 to RMB68.4 million, witnessing a year-on-year increase of 14.5%.

2. Significant growth of product matrix enhanced proprietary traffic value

Solo X product matrix has improved significantly in terms of scale and monetisation efficiency, with the total number of users increasing from 670 million in 2018 to 967 million. Among them, content products especially games witnessed notable growth, total users of game products and daily active users recorded a respective year-on-year increase of 275.6% and 198.5%, featuring the characteristics of long-duration, high-stickiness and high-frequency. Therefore, the depth of proprietary traffic pool has continued to ramp up, enhancing the traffic value and increasing the monetisation efficiency by 110.25% year-on-year.

With the development of content-based products, we have achieved considerable progress in multiple segments. In terms of game products, trendy apps were launched frequently. The multiplayer battle game Beetles.io squeezed into top 10 games in terms of daily downloads in Google Play over 17 countries and regions. The archery themed game Archery Go topped the App Store download list and game download list in 6 and 14 countries respectively, ranking No.1 in action game/sports game download lists in 32/50 countries and regions, respectively. Additionally, Beetles.io entered the TOP30 overseas Chinese mobile game download list released by Sensor Tower in December 2019.

3. Enhancement in programmatic technologies of advertising platform

Solo Math programmatic advertising platform has reached an average of 281 million mobile devices per day. In 2019, we served 200,000 advertisers and integrated 1.82 million publishers. As compared with last year, the programmatic advertising business has been advancing steadily, and the revenue of programmatic advertising as a percentage of our total revenue generated by mobile advertising platform has increased from 94.1% to 99.9%. Solo Math has been basically converted into a programmatic platform.

In addition, in response to the radical market change requiring higher quality of traffic, we have been actively implementing the industry norms. Publishers shall disclose the flow of their traffic in accordance with the norms, whereby greatly improving the credibility of traffic. Furthermore, advertisers can not only trace back to the level of publishers, but also closely monitor the entire sales chain, which guarantees the transparency of the traffic supply chain.

4. Continuous upgrade of AI technologies

Solo Aware continues to optimise in fields of learning models, data scale, tag volume. Solo Aware's tag database is gradually diversified on account of the enlarged user scale of Solo X and the accumulation of user behaviour data. Through in-depth machine learning, Solo Aware is able to make targeted responses to user behavior faster, providing global users with customized experience.

Meanwhile, utilising the huge and extensive data collected by the Solo Math advertising platform, Solo Aware can perform a full range of model training on horizontal comparison and vertical expansion, enabling us to grasp the needs of users more accurately.

STRATEGY AND OUTLOOK

Looking forward to 2020, we will seize opportunities and meet challenges to accelerate the construction of a global traffic ecosystem.

1. Global dividends will be further released

Mobile Market Report 2020 released by American mobile data and analysis company App Annie shows that global app downloads in 2019 reached a new record of 204 billion, representing an increase of 45% within three years. With continued enthusiasm on app downloads in both mature and emerging markets, app store's expenditure has reached $120 billion in 2019, which is 2.1 times that of in 2016.

The increase in global mobile internet users and further advancement of internet infrastructure has brought a huge incremental space for overseas internet services. Accordingly, our proprietary product matrix will also obtain more opportunities in acquiring users. At the same time, the domestic trend in overseas internet service will become more prominent, and developers' demand on acquisition of overseas users will increase along with the advertising budgets. The Company, through operating Solo X product matrix and Solo Math advertising platform, has placed itself in a favourable position in the global internet dividend release.

2. Proprietary products will promote the expansion of traffic ecosystem

We will continue to dedicate to R&D and upgrades of products, further enhance the user acquisition capability of the Solo X product matrix and promote the expansion of global traffic ecosystem. Based on the existing product matrix, we will focus on developing content-based products, creating high-frequency, high-stickiness and long-duration products in view of enhancing monetisation efficiency and gaining higher gross profit margin. We will implement the "Traffic+" strategy and diligently extend our products towards different vertical directions in phases, achieving swift expansion of traffic ecology to different domains and rapid growth. We will firstly deploy "Traffic + Games" and "Traffic + Social Networking" and intend to create large-scale, popular, diversified, and synergetic product matrix in these two segments, which in turn will benefit our traffic ecosystem and gradually transform into a super global traffic ecosystem platform. At the same time, we will also increase our investment in the domestic market and expand users scale in Mainland China to further supplement our global deployment.

3. The efficiency of AI and middle platform will continue to improve

We will continue to devote to the R&D and application of AI technology, deploy AI technology to real business scenarios and achieve personalized content presentation in apps, such as providing different game content and scene settings for game players based on their historical operation data. In addition, the further improvement of AI technology will increase our internal work efficiency and reduce unnecessary manual intervention.

In the meantime, we will keep upgrading the middle platform architecture of Solo Cells to integrate data, algorithms, infrastructure, development framework in the two core business modules, with a view to increasing the speed of R&D, optimising data management and reducing development costs. The upgrade of AI and middle platform can help draw up an efficient and standardised process in matrix R&D, data testing, rapid screening and resource reconfiguration, thereby greatly enhancing the overall work efficiency.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Our total revenue increased by 40.8% to RMB389.7 million for the year ended 31 December 2019 as compared to RMB276.7 million for the year ended 31 December 2018. The following table sets forth a breakdown of our revenue by segments for the years indicated:

	Years ended December 31				
	2019		2018		
	RMB'000	***% of Total revenue***	*RMB'000*	*% of Total revenue*	*YoY Change*
Proprietary app traffic monetisation business	243,654	62.5	92,924	33.6	162.2%
Traffic monetisation	232,016	59.5	90,495	32.7	156.4%
In-app purchase	11,638	3.0	2,429	0.9	379.1%
Mobile advertising platform and related business	146,031	37.5	183,762	66.4	-20.5%
Programmatic advertising platform and related business	145,885	37.5	172,840	62.5	-15.6%
Media buy business	146	0.0	10,922	3.9	-98.7%
Total	**389,685**	**100.0**	**276,686**	**100.0**	**40.8%**

The revenue from proprietary app traffic monetisation business increased by 162.2% to RMB243.7 million in 2019 as compared to RMB92.9 million in 2018, primarily because (i) our continuous efforts in developing and launching new apps, especially our user system and games apps, and the upgrade of our existing apps enabled us to maintain and attract users; (ii) our increased promotion efforts and the synergy effect to cross-market our apps also contributed to the growth of our user base and (iii) our cooperation with a leading global mobile internet company based in the People's Republic of China (the "**PRC**") in 2019, we spent more efforts to launch and operate our apps in the PRC market.

The revenue from mobile advertising platform and related business decreased by 20.5% to RMB146.0 million in 2019 as compared to RMB183.8 million in 2018, primarily because (i) revenue from programmatic advertising service recorded a decrease due to a decrease in our performance-based advertising services, which was partially offset by an increase in our OpenRTB-based programmatic mobile advertising service and (ii) we further reduced our media buy business, which resulted in a decrease of RMB10.8 million in the corresponding revenue. Such decrease in the media buy business was due to our strategy to reduce our intermediary media buy service since 2017. The decrease in the performance-based advertising services was primarily because our advertising customers reduced their advertising spending for long-tail mobile traffic in view of uncertainties in the global and local economies. We plan to improve the quality of mobile traffic on our mobile advertising platform by integrating our proprietary apps with our mobile advertising platform.

The following table sets forth a breakdown of revenue by geographic regions of our customers, which are mainly advertisers, for the years indicated:

	Years ended December 31				
	2019		2018		
	RMB'000	***% of Total revenue***	*RMB'000*	*% of Total revenue*	*YoY Change*
Asia (excluding mainland China)[1]	248,455	63.8	189,354	68.4	31.2%
Europe[2]	39,095	10.0	34,475	12.5	13.4%
Mainland China	50,511	13.0	23,536	8.5	114.6%
North America[3]	48,636	12.5	28,250	10.2	72.2%
Rest of the world[4]	2,988	0.7	1,071	0.4	179.0%
Total	**389,685**	**100.0**	**276,686**	**100.0**	**40.8%**

Notes:

(1) Primarily includes Hong Kong, Macau, Taiwan, India, Israel, Japan, South Korea, Singapore and Indonesia.

(2) Primarily includes Germany, United Kingdom, Portugal, Spain, Uruguay and Netherlands.

(3) Primarily includes United States and Canada.

(4) Primarily includes Seychelles, Cyprus, Brazil, Australia and Argentina.

(5) The classification of the geographic regions are based on the Company's internal categorisation.

Cost of Revenue

Our costs of revenue decreased by 5.2% to RMB128.2 million for the year ended 31 December 2019, as compared to RMB135.3 million for the year ended 31 December 2018. The following table sets forth a breakdown of our costs of revenue by nature for the years indicated:

	Years ended December 31				
	2019		2018		
	RMB'000	***% of Total revenue***	*RMB'000*	*% of Total revenue*	*YoY Change*
Cost for advertising placement	86,557	22.2	89,868	32.5	-3.7%
Employee benefit expense	20,211	5.2	20,430	7.4	-1.1%
Server capacity expense	16,711	4.3	11,765	4.3	42.0%
Intangible assets amortisation	800	0.2	800	0.3	0.0%
Technical service fee	–	0.0	8,491	3.1	-100.0%
Others	3,894	1.0	3,912	1.4	-0.5%
Total	**128,173**	**32.9**	**135,266**	**49.0**	**-5.2%**

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

	Years ended December 31				
	2019		2018		
	RMB'000	***%***	*RMB'000*	*%*	*YoY Change*
Proprietary app traffic monetisation business	13,120	10.2	7,259	5.4	80.7%
Mobile advertising platform and related business	115,053	89.8	128,007	94.6	-10.1%
Total	**128,173**	**100.0**	**135,266**	**100.0**	**-5.2%**

The slight decrease in the cost of revenue from 2018 to 2019 was mainly attributable to a decrease of RMB13.0 million in the cost of revenue for mobile advertising platform and related business, partially offset by an increase in the cost of revenue for proprietary app traffic monetisation business.

The cost of revenue for proprietary app traffic monetisation business increased by 80.7% to RMB13.1 million in 2019 as compared to RMB7.3 million in 2018, primarily due to an increase in our employee benefit expense as we hired more staff dedicated to our proprietary app traffic monetisation business to accommodate the growth of such business.

The cost of revenue for mobile advertising platform and related business decreased by 10.1% to RMB115.1 million in 2019 as compared to RMB128.0 million in 2018, generally in line with the performance of our programmatic advertising platform and related business.

Gross Profit and Gross Profit Margin

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

	Years ended December 31						
	2019			2018			
	Gross profit	*%*	***Gross profit margin***	*Gross profit*	*%*	*Gross profit margin*	*YoY Change*
	(RMB'000, except percentages)						
Proprietary app traffic monetisation business	230,534	88.2	94.6%	85,665	60.6	92.2%	169.1%
Mobile advertising platform and related business	30,978	11.8	21.2%	55,755	39.4	30.3%	-44.4%
Total	**261,512**	**100.0**	**67.1%**	**141,420**	**100.0**	**51.1%**	**84.9%**

Our gross profit increased by 84.9% to RMB261.5 million for the year ended 31 December 2019 as compared to RMB141.4 million for the year ended 31 December 2018. Our gross profit margin increased to 67.1% in 2019 from 51.1% in 2018, primarily because the gross profit of our proprietary app traffic monetisation business, which records a much higher gross profit margin than our mobile advertising platform business, accounted for a higher proportion of our total gross profit.

The gross profit margin of our proprietary app monetisation business increased to 94.6% for the year ended 31 December 2019 from 92.2% for the year ended 31 December 2018, which was mainly driven by the improvement in the monetisation efficiency of our apps due to the continuing optimization of our apps and emergence of popular apps. The decrease in the gross profit margin of our mobile advertising platform and related business to 21.2% for the year ended 31 December 2019 from 30.3% for the year ended 31 December 2018 was mainly because we recorded an increase in our server capacity expense for the operation of our programmatic advertising platform, despite the decrease in our cost for advertising placement, which was generally in line with the decrease in the revenue from mobile advertising platform and related business. We intend to accelerate the integration of our proprietary apps and mobile advertising platform, thereby improving the mobile traffic quality on our mobile advertising platform and creating a synergy between our business segments.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 74.8% to RMB120.5 million in 2019 as compared to RMB69.0 million in 2018, primarily due to the increase in the cost for advertising placement for our proprietary app monetisation business as we continued our promotional efforts in marketing our apps in both the PRC and overseas market.

General and Administrative Expenses

Our general and administrative expenses increased by 545.9% to RMB96.8 million in 2019 as compared to RMB15.0 million in 2018, primarily due to (i) an increase of RMB35.1 million in listing expenses in 2019, (ii) an amount of RMB36.8 million in our share-based compensation expenses and (iii) an increase of RMB4.8 million in employee benefit expenses as a result of our overall business growth.

Operating Profit

Our operating profit decreased by 27.5% to RMB49.9 million in 2019 as compared to RMB68.8 million in 2018, primarily due to (i) an increase in our selling and marketing expenses due to our increased promotional efforts in marketing our apps, (ii) increased one-time listing expenses and share-based compensation expenses in general and administrative expenses and (iii) a decrease in our other gain due to decrease in the fair value change of financial assets measured at FVPL.

Finance Income/(Cost), net

The finance income/(cost) increased to RMB21.1 million in 2019 as compared to RMB(0.2) million in 2018. The increase was mainly due to higher interest income arising from the application monies locked-up during the initial public offering.

Fair value changes of convertible redeemable preferred shares

Upon the completion of the initial public offering on 31 December 2019, all our convertible redeemable preferred shares granted in 2019, as disclosed in our prospectus dated 17 December 2019 (the "**Prospectus**"), were converted into ordinary shares. Therefore, no convertible redeemable preferred shares were recognised as at 31 December 2019. We recorded a fair value change of convertible redeemable preferred shares of RMB7.4 million for the year ended 31 December 2019.

Income Tax

Income tax expense increased to RMB10.0 million in 2019 as compared to RMB8.9 million in 2018, mainly driven by the increase of our taxable profits. Our effective tax rate decreased from 12.9% in 2018 to 12.7% in 2019, primarily because our Company incurred a share-based compensation expense of RMB36.8 million in 2019, which was a non-deductible expense for our Group as a whole, considering our exemption from corporate tax in Cayman Islands.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 14.5% to RMB68.4 million in 2019 as compared to RMB59.7 million in 2018.

Non-IFRS Measures

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

We define adjusted net profit as profit for the year adjusted by share-based compensation expenses, listing expenses, interest income from the application monies locked-up during the initial public offering and fair value changes of convertible redeemable preferred shares, net of their respective tax effects. The use of adjusted net profit has limitations as an analytical tool because they do not reflect all items of income and expenses that affect our operations. When assessing our operating and financial performance, you should not consider adjusted net profit in isolation from or as a substitute for our financial performance or financial position as reported in accordance with IFRS. The terms adjusted net profit are not defined under IFRS, and such terms may not be comparable to other similarly titled measures used by other companies.

Non-IFRS Measures (Continued)

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

	Years ended December 31	
	2019	2018
	RMB'000	*RMB'000*
Profit for the year	**68,415**	59,737
Add:		
Share-based compensation expense(1)	**36,847**	–
Listing expenses(2)	**35,407**	338
Less:		
Interest income from the application monies locked-up during the initial public offering	**(20,926)**	–
Fair value changes of convertible redeemable preferred shares(2)	**(7,434)**	–
Tax effect(3)	**(2,867)**	(51)
Adjusted net profit	**109,442**	60,024
Adjusted net profit growth	**82.3%**	93.0%

Notes:

(1) In June 2019, the Company repurchased certain Series B Preferred Shares of which the holders had a put option to sell to certain senior management members of the Company. An one-off share-based compensation expense of RMB36,847,000 was recorded which represented the deemed economic benefits in relation to the reduction in the redemption liabilities of such senior management members.

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

(3) Including tax effects on listing expenses, which are calculated with tax rates of 15%.

Capital Structure

We continued to maintain a healthy and sound financial position. Our total assets grew from RMB614.2 million as at 31 December 2018 to RMB777.6 million as at 31 December 2019, while our total liabilities increased from RMB105.9 million as at 31 December 2018 to RMB143.0 million as at 31 December 2019. Liabilities-to-assets ratio increased from 17.2% at the end of 2018 to 18.4% at the end of 2019.

Financial Resources and Operating Cash Flow

We funded our cash requirement principally from capital contribution from shareholders and cash generated from our operations. We adopt a prudent treasury management policy.

As at 31 December 2019, our cash and cash equivalents was RMB182.8 million, compared with RMB80.5 million at 31 December 2018.

Compared with RMB1.6 million in 2018, the cash generated from operations in 2019 increased to RMB154.5 million, primarily due to the repayment from customers of our media buy business.

Financial Assets Measured at Fair Value Through Profit or Loss

To preserve funds for future capital expenditure and new business opportunities, we continue to invest surplus cash in commercial bank wealth management products and funds issued by major and reputable financial institutions, which generate relatively low risk income for us. We recognised such investments as financial assets measured at fair value through profit or loss of current portion and manage such investments in accordance with our internal policies as disclosed in the Prospectus. As at 31 December 2019, the fair value of such investments decreased to RMB132.7 million, compared with RMB198.0 million as at 31 December 2018. Such decrease was primarily due to the disposal and maturity of our investments.

Capital Expenditure

Our capital expenditure primarily consisted of expenditures on property and equipment, including purchases of computers and other office equipment. The capital expenditure decreased from RMB0.6 million in 2018 to RMB0.2 million in 2019, primarily due to the decrease in the purchase amount of computers and other electronic devices during the year ended 31 December 2019.

Significant Investment

As at 31 December 2018, we held an equity interest of 8.95% in Beijing Mico World Technology Co., Ltd. ("**Mico**") with a fair value of RMB63.7 million. In March 2019, we made an additional investment in Mico with a consideration of RMB100.0 million, after which, we held an equity interest of approximately 16.77% in Mico. Mico is a private company which provides a social networking platform with users from more than 150 countries and regions. We believe such investment allows us to forge a close partnership with Mico to create synergies across our own businesses. Please refer to the Prospectus for details of such investment. As at 31 December 2019, fair value of our equity investment in Mico was RMB184.0 million, representing 23.7% of our total assets of RMB777.6 million. Sets forth below are the fair value of our investment in Mico as at the dates indicated and the performance of such investment during the periods indicated:

(RMB'000)	**2019**	**2018**
Fair value as at 31 December	184,000	63,700
Fair value gain for the year ended 31 December	20,300	24,600
Dividend income for the year ended 31 December	–	–

We consider our strategic investment in Mico a long-term asset and will continue to closely monitor the performance of such investment.

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 year ended 31 December 2019.

Pledge of Assets

As at 31 December 2019, 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 a view to creating synergies across our own business. We aim to target companies that have competitive strengths in technology, data and other areas or participants in the upstream and downstream industries. We intend to use the cash generated from our operating activities to fund such investment or acquisition.

Contingent Liabilities

As at 31 December 2019, we did not have any material contingent liabilities.

Foreign Exchange Risk Management

We operate our business internationally and the major currencies of our receipts and payments are denominated in our functional currency, Renminbi. We are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. dollar and the Hong Kong dollar. Therefore, foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the respective functional currency of our Group's entities. We managed foreign exchange risk by performing regular reviews of our foreign exchange exposures. We did not hedge against any fluctuations in foreign currency during the year ended 31 December 2019.

Other Principal Risks And Uncertainties

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

- We face competition in the rapidly evolving industry and we may not be able to keep continuous research and development and innovation, and may not able to compete successfully against our existing and future competitors.

- If the mobile internet industry fails to continue to develop, our profitability and prospects may be materially and adversely affected.

- Any failure to retain existing advertisers and media publishers or attract new advertisers and media publishers may negatively impact our revenue and business.

- Most of our representative mobile apps in operation have a relatively short expected lifecycle of 12 months to 18 months. If we fail to continuously develop and launch new popular apps, our proprietary app traffic monetisation business will be adversely affected.

- We may be held liable for information or content displayed on, distributed by or linked to our mobile apps and may suffer a loss of users and damage to our reputation.

- Misappropriation or misuse of privacy information and failure to comply with laws and regulations on data protection, including the GDPR, 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

We had a total of 177 full-time employees as at 31 December 2019, based in our headquarter in Beijing and Jinan. Among all employees, 80 are in R&D department. As a percentage of the total full-time employees, the R&D employee percentage was 45%. Salaries is determined with reference to market conditions and individual employees' performance, qualification and experience.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 31 December 2019 (the "**Listing Date**"). 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 Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") (the "**Corporate Governance Code**"). The Corporate Governance Code has been applicable to the Company with effect from the Listing Date and was not applicable to the Company during the period from 1 January 2019 to 30 December 2019.

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

Save as the above, the Company has complied with the principles and code provisions as set out in the Corporate Governance Code for the year ended 31 December 2019 (i.e. the Listing Date).

COMPLIANCE WITH 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. As the shares of the Company were listed on the Stock Exchange on 31 December 2019, the Model Code was not applicable to the Company during the period from 1 January 2019 to 30 December 2019. Having made specific enquiry of all directors of the Company (the "**Directors**"), each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code for the year ended 31 December 2019 (i.e. the Listing Date).

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

Neither the Company nor any member of the Group has purchased, sold or redeemed any of the Company's shares for the year ended 31 December 2019 (i.e. the Listing Date).

ANNUAL GENERAL MEETING

The forthcoming Annual General Meeting ("**AGM**") will be held on 15 June 2020. A notice convening the AGM and all other relevant documents will be published and despatched to shareholders of the Company.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend the vote at the AGM to be held on 15 June 2020, the registers of members of the Company will be closed from 10 to 15 June 2020, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on 9 June 2020.

PUBLIC FLOAT

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Company has established the Audit Committee with written terms of reference in compliance with the Corporate Governance Code. As at the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely Mr. CHI Shujin, Mr. PAN Xiya and Mr. LIU Rong. Mr. CHI Shujin is the chairman of the Audit Committee. The Annual Results of the Group for the year ended 31 December 2019 have been reviewed by the Audit Committee of the Company.

The figures in this preliminary announcement of the results of the Group for the year ended 31 December 2019 have been agreed by the Company's auditor, PricewaterhouseCoopers to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

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

As stated in the Prospectus, the intended uses of the net proceeds are set out as follows:

Approximately 41.1% of the net proceeds (approximately HK$68.6 million) is expected to be used to develop, expand and upgrade our Solo X product matrix.

Approximately 34.6% of the net proceeds (approximately HK$57.7 million) is expected to be used to upgrade our Solo Math programmatic advertising platform.

Approximately 17.0% of the net proceeds (approximately HK$28.4 million) is expected to be used to enhance the big data and AI capabilities of our Solo Aware AI engine.

Approximately 3.9% of the net proceeds (approximately HK$6.5 million) is expected to be used to enhance our local service capabilities and build our global information distribution network.

Approximately 3.4% of the net proceeds (approximately HK$5.7 million) is expected to be used for working capital and other general corporate purposes.

As of 31 December 2019, due to the proximity in time between completion of the initial public offering and the year-end date the net proceeds had not been utilised by the Group. The Group will gradually utilise the net proceeds in accordance with the intended purposes as disclosed in the Prospectus.

FINAL DIVIDEND

No final dividend would be recommended by the Board for the year ended 31 December 2019.

PUBLICATION OF 2019 ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.newborntown.com. The annual report of the Group for the year ended 31 December 2019 containing all applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the above websites in April 2020.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019
(Expressed in Renminbi ("RMB"))

		Year ended 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Revenue from contracts with customers	*4*	**389,685**	276,686
Cost of revenue	*5*	**(128,173)**	(135,266)
Gross Profit		**261,512**	141,420
Selling and marketing expenses	*5*	**(120,538)**	(68,975)
Research and development expenses	*5*	**(20,271)**	(17,492)
General and administrative expenses	*5*	**(96,755)**	(14,981)
Net impairment losses on financial assets		**(3,299)**	(6,963)
Other income		**1,393**	58
Other gain – net		**27,838**	35,723
Operating profit		**49,880**	68,790
Finance income		**21,167**	39
Finance cost		**(95)**	(219)
Finance income/(cost), net		**21,072**	(180)
Fair value changes of convertible redeemable preferred shares		**7,434**	–
Profit before income tax		**78,386**	68,610
Income tax expenses	*6*	**(9,971)**	(8,873)
Profit for the year		**68,415**	59,737
Profit attributable to:			
Owners of the Company		**68,415**	59,737
Non-controlling interests		**–**	–
Other comprehensive income, net of tax			
Items that maybe subsequently reclassified to profit or loss			
Currency translation differences		**2,225**	8,028
Total comprehensive income for the year		**70,640**	67,765
Total comprehensive income attributable to:			
Owners of the Company		**70,640**	67,765
Non-controlling interests		**–**	–
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic earnings per share	*7*	**0.082**	0.069
Diluted earnings per share	*7*	**0.082**	0.069

CONSOLIDATED BALANCE SHEET
as at 31 December 2019
(Expressed in RMB)

		As at 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**6,960**	3,851
Intangible assets		**3,933**	4,733
Goodwill		**5,066**	4,955
Financial assets measured at fair value through profit or loss		**187,356**	66,518
Accounts receivable	*9*	**–**	9,015
Total non-current assets		**203,315**	89,072
Current assets			
Other current assets		**1,487**	4,094
Accounts receivable	*9*	**163,383**	183,137
Other receivable		**92,948**	58,441
Financial assets measured at fair value through profit or loss		**132,651**	197,963
Cash and cash equivalents		**182,863**	80,628
Restricted bank deposits		**913**	894
Total current assets		**574,245**	525,157
Total assets		**777,560**	614,229

CONSOLIDATED BALANCE SHEET (CONTINUED)
as at 31 December 2019
(Expressed in RMB)

		As at 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Current liabilities			
Accounts payable	*10*	**89,938**	89,396
Other payable		**32,575**	9,086
Lease liabilities		**3,238**	2,999
Bank overdraft		**48**	88
Tax payable		**5,228**	143
Total current liabilities		**131,027**	101,712
Non-current liabilities			
Deferred tax liabilities		**8,914**	4,171
Lease liabilities		**3,074**	–
Total non-current liabilities		**11,988**	4,171
Total liabilities		**143,015**	105,883
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**696**	–*
Combined capital		**–**	58,184
Share premium		**95,221**	–
Other reserves		**451,190**	431,139
Retained earnings		**87,438**	19,023
		634,545	508,346
Non-controlling interests		**–**	–
Total equity		**634,545**	508,346
Total liabilities and equity		**777,560**	614,229

* The amount is less than RMB1,000

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019
(Expressed in RMB)

	Attributable to owners of the Company					
	Share capital *RMB'000*	**Combined capital** *RMB'000*	**Share premium** *RMB'000*	**Other reserves** *RMB'000*	**(Accumulated loss)/ Retained earnings** *RMB'000*	**Total equity** *RMB'000*
Balance at 1 January 2018	–	58,184	–	420,731	(38,334)	440,581
Profit for the year	–	–	–	–	59,737	59,737
Other comprehensive income	–	–	–	8,028	–	8,028
Total comprehensive income	–	–	–	8,028	59,737	67,765
Transaction with owners:						
Appropriation to statutory reserves	–	–	–	2,380	(2,380)	–
Balance at 31 December 2018	–	58,184	–	431,139	19,023	508,346
Balance at 1 January 2019	–	58,184	–	431,139	19,023	508,346
Profit for the year	–	–	–	–	68,415	68,415
Other comprehensive income	–	–	–	2,225	–	2,225
Total comprehensive income	–	–	–	2,225	68,415	70,640
Transaction with owners:						
Reorganisation of the group	–	(58,184)	–	58,184	–	–
Conversion of ordinary shares to preferred shares	–	–	(18,059)	–	–	(18,059)
Capital contribution from shareholders	113	–	(113)	–	–	–
Issuance of shares	58	–	498	–	–	556
Repurchase of shares	(12)	–	(83,025)	(40,358)	–	(123,395)
Capitalisation issue	437	–	(437)	–	–	–
Issuance of shares upon Initial Public Offering	95	–	204,577	–	–	204,672
Share issuance costs	–	–	(19,082)	–	–	(19,082)
Conversion of shares with preferred rights issued in December 2019	5	–	10,862	–	–	10,867
Balance at 31 December 2019	696	–	95,221	451,190	87,438	634,545

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2019
(Expressed in RMB)

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash generated from operations	**154,496**	1,639
Interest received	**21,167**	39
Payment of income tax	**(143)**	–
Net cash inflow from operating activities	**175,520**	1,678
Cash flows from investing activities		
Purchase of Wealth Management Products measured at fair value through profit or loss	**(521,644)**	(393,035)
Maturity of Wealth Management Products measured at fair value through profit or loss	**591,107**	421,922
Additional investment in equity interests of private company measured at fair value through profit or loss	**(100,000)**	–
Purchase of property and equipment	**(184)**	(576)
Loans granted to third parties	**–**	(27,150)
Proceeds of loans repayments from third parties	**36,240**	3,410
Net cash inflow from investing activities	**5,519**	4,571
Cash flows from financing activities		
Capital injections from shareholders of the companies now comprising the Group	**560**	–
Net proceeds from issuance of shares upon Initial Public Offering	**80,282**	–
Repayment of lease liabilities (including interest paid)	**(3,400)**	(3,343)
Repurchase of shares	**(160,000)**	–
Net cash outflow from financing activities	**(82,558)**	(3,343)
Net increase in cash and cash equivalents	**98,481**	2,906
Cash and cash equivalents at the beginning of year	**80,540**	71,738
Effects of exchange rate changes on cash and cash equivalents	**3,794**	5,896
Cash and cash equivalents at end of year	**182,815**	80,540
Including:		
Cash and cash equivalents	**182,863**	80,628
Bank overdraft	**(48)**	(88)

NOTES:

(Expressed in RMB unless otherwise indicated)

1 GENERAL INFORMATION

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

The Company is an investment holding company. The Group is principally engaged in providing mobile application development and mobile advertising platform services worldwide.

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

Prior to the incorporation of the Company and the completion of the reorganisation as described below, the business of the Group was carried out by NewBornTown Mobile Technology (Beijing) Holdings Co., Ltd. (赤子城移動科技（北京）股份有限公司, "NewBornTown Mobile Technology") and its subsidiaries, mainly including NewBornTown Network Technology (Beijing) Co., Ltd. ("NewBornTown Network Technology") and Newborn Town International Enterprise Limited ("Newborn Town International"). NewBornTown Mobile Technology was incorporated in Beijing, People's Republic of China (the "PRC") on 15 August 2007.

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

The Company's initial public offering of its shares ("Initial Public Offering") on the Main Board of The Stock Exchange of Hong Kong Limited has been completed on 31 December 2019 with issuance of 136,000,000 new shares with normal value of US$0.0001 each at an offer price of HK$1.68 per value.

2 BASIS OF PREPARATION

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

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

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

The Group has already adopted new standards, amendments to standards and interpretations, which are mandatory for the financial year beginning on 1 January 2019, on the financial information prior to 1 January 2018.

The Group applies all standards, amendment and interpretations to standards consistently throughout the years ended 31 December 2019 and 2018.

New standards, amendments not yet adopted

Certain new standards, amendments to standards and interpretations have been published that are not mandatory for the year ended 31 December 2019 and have not been early adopted by the Group. These are not expected to have a significant effect on the consolidated financial information of the Group in the current or future reporting periods and on foreseeable future transactions.

3 SEGMENT INFORMATION

The Group's business activities are mainly in mobile marketing services and related service and are regularly reviewed and evaluated by the chief operating decision maker ("CODM"). As a result of this evaluation, the Group is organised into two reporting segments according to the revenue streams of the Group. The revenue streams of the Group are mobile advertising platform and related business, and proprietary applications traffic monetisation business.

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

3 SEGMENT INFORMATION (CONTINUED)

The segment results for the years ended 31 December 2019 and 2018 are as follows:

	Mobile advertising platform and related business	**Proprietary applications traffic monetisation business**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
2019			
Revenue	**146,031**	**243,654**	**389,685**
Cost of revenue	**(115,053)**	**(13,120)**	**(128,173)**
Gross profit	**30,978**	**230,534**	**261,512**
2018			
Revenue	183,762	92,924	276,686
Cost of revenue	(128,007)	(7,259)	(135,266)
Gross profit	55,755	85,665	141,420

4 REVENUE FROM CONTRACTS WITH CUSTOMERS

An analysis of the Group's revenue by category for the years ended 31 December 2019 and 2018 was as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Recognised at a point in time		
Mobile advertising platform and related business	**146,031**	183,762
Proprietary applications traffic monetisation business	**243,654**	92,924
Total	**389,685**	276,686

5 EXPENSES BY NATURE

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Cost for advertising placement:		
– Recognised in cost of revenue	**86,557**	89,868
– Recognised in selling and marketing expenses	**114,223**	65,856
Employee benefit expense	**54,518**	47,943
Share-based compensation expenses	**36,847**	–
Server capacity expense	**16,711**	11,765
Consultancy and professional service fee	**706**	543
Technical and other service fee	**5,552**	9,992
Depreciation and amortisation	**4,492**	4,537
Travel expense	**3,603**	2,596
Office supplies expense	**421**	666
Meeting expense	**29**	14
Short-term lease expense	**87**	205
Listing expense	**35,407**	338
Auditor's remuneration	**1,300**	400
Utilities	**395**	143
Others	**4,889**	1,848
Total	**365,737**	236.714

6 INCOME TAX EXPENSES

Income tax expenses in the consolidated statement of comprehensive income represents:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current tax		
Current tax on profits for the year	**5,228**	–
Deferred income tax		
Changes in deferred tax assets/liabilities	**4,743**	8,873
Income tax expenses	**9,971**	8,873

7 EARNINGS PER SHARE

7a Basic

Basic earnings per share for the years ended 31 December 2019 and 2018 are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Net profit attributable to the owners of the Company	**68,415**	59,737
Weighted average number of ordinary shares in issue (thousand)	**834,701**	866,496
Basic earnings per share (expressed in RMB per share)	**0.082**	0.069

The weighted average number of ordinary shares in issue used for the calculation of basic earnings per share for the years ended 31 December 2019 and 2018 have been retrospectively adjusted for the capitalisation issue. The ordinary shares which were issued and allotted by the Company in connection with the Reorganisation, had been treated as if these shares were in issue since the beginning. The new shares of the Company issued on 14 May 2019 to the pre-IPO investors, the shares repurchased in June 2019 and the issuance of shares upon Initial Public Offering in December 2019 are accounted at time portion basis.

7b Diluted

For the years ended 31 December 2019 and 2018, there were no dilutive potential ordinary shares on the Company outstanding. Therefore, there was no dilution impact on weighted average number of shares (diluted) on the Company.

8 DIVIDENDS

No dividends have been paid or declared by the Company or any companies now comprising the Group during all years presented.

9 ACCOUNTS RECEIVABLE

Aging analysis of the gross accounts receivable as at 31 December 2019 and 2018, based on date of recognition, is as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Up to 6 months	**131,799**	113,491
6 months to 1 year	**17,118**	5,289
1 year to 2 years	**13,275**	28,901
2 year to 3 years	**12,028**	57,326
Over 3 years	**3,454**	7,334
Gross carrying amount	**177,674**	212,341
Less: impairment provision	**(14,291)**	(20,189)
Total accounts receivable	**163,383**	192,152

10 ACCOUNTS PAYABLE

Aging analysis of the accounts payable as at 31 December 2019 and 2018 based on the date of recognition are as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Up to 3 months	**60,796**	63,213
3 months to 6 months	**15,938**	5,863
6 months to 1 year	**63**	2,158
1 year to 2 years	**2,376**	10,163
2 years to 3 years	**6,109**	7,160
More than 3 years	**4,656**	839
	89,938	89,396

Accounts payable are usually paid within 1 year of recognition.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to the management and staff of the Group for their commitment and contribution during the year. I would also like to express my appreciation to the guidance from the regulators and continued support from our shareholders and customers.

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

Beijing, 30 March 2020

As at the date of this announcement, the executive Directors of the Company are Mr. LIU Chunhe, Mr. LI Ping and Mr. WANG Kui; and the independent non-executive Directors of the Company are Mr. PAN Xiya, Mr. CHI Shujin and Mr. LIU Rong.

This announcement contains forward-looking statements relating to the business outlook, estimates of financial performance, forecast business plans and growth strategies of the Group. These forward-looking statements are based on information currently available to the Group and are stated herein on the basis of the outlook at the time of this announcement. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond our control. These forward-looking statements may prove to be incorrect and may not be realised in future. Underlying these forward-looking statements are a large number of risks and uncertainties. In light of the risks and uncertainties, the inclusion of forward-looking statements in this announcement should not be regarded as representations by the Board or the Company that the plans and objectives will be achieved. Shareholders and potential investors should therefore not place undue reliance on such statements.