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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)

INSIDE INFORMATION PROFIT WARNING

This announcement is made by Newborn Town Inc. (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors (the “**Board**”) of the Company hereby informs the shareholders of the Company and potential investors that, based on the preliminary review of the unaudited consolidated management accounts of the Group for the six months ended 30 June 2020 and other information currently available to the Company, it is expected that, for the six months ended 30 June 2020, (i) the Group will record a net loss of not more than RMB3 million as compared with a net profit for the corresponding period in 2019; and (ii) the Group will record positive adjusted net profit, down by more than 50% as compared with the corresponding period in 2019. This is primarily attributable to: (i) in respect of the expected net loss, the shared-based compensation expenses due to completion of grant of the restricted share units by the Company in the first half of the year to better attract and motivate employees in the long term; and (ii) in respect of the expected net loss and decrease in adjusted net profit, the decrease in revenue from the Company’s programmatic advertising platform business as compared with the corresponding period in 2019 as the Company scaled down the development of such business in view of the outbreak of novel coronavirus epidemic and economic downturn, and the Company’s increased efforts in research and development and promotion on its social networking apps and game apps.

Adjusted net profit is defined as profit/(loss) for the period adjusted by share-based compensation expenses, listing expenses and fair value changes of convertible redeemable preferred shares after deducting their respective tax effects.

The Company completed the consolidation of financial statement of Beijing Mico World Technology Co., Ltd. in June 2020. In addition, the Company implemented the “Traffic+” strategy, actively diversified the product mix and expanded the scale of the social networking segment. The Company recorded a considerable increase in both the revenue of game apps and social networking apps as compared with the corresponding period in 2019. The Company will continue to expand the scale of game apps and social networking apps to further increase its revenue, so as to maximise returns for shareholders of the Company.

The Company is still in the process of finalising the results of the Group for the six months ended 30 June 2020. The information contained in this announcement is only based on a preliminary review of the unaudited consolidated management accounts of the Group and other information currently available to the Board, which has not been reviewed by the Company's auditors and is subject to possible adjustments arising from further review. The actual results of the Group for the six months ended 30 June 2020 may be different to the information referred in this announcement. Further details of the Group's financial results and performance will be disclosed in the announcement of interim results of the Group for the six months ended 30 June 2020, which is expected to be published by the end of August 2020.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

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

Beijing, 3 August 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.