NEWBORN TOWN INC.
赤子城科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9911)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board of directors (the "**Board**") of Newborn Town Inc. (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2020 (the "**Reporting Period**"). The interim results have been reviewed by the Audit Committee and by PricewaterhouseCoopers, in accordance with International Standards on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the International Auditing and Assurance Standards Board. PricewaterhouseCoopers's unmodified review report is included in the interim report to be sent to the Shareholders.

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

FINANCIAL HIGHLIGHT

- Revenue from contracts with customers for the six months ended 30 June 2020 amounted to RMB150.3 million, representing a decrease of 18.5% from RMB184.4 million recorded for the six months ended 30 June 2019.

- Gross profit for the six months ended 30 June 2020 amounted to RMB116.7 million, representing a decrease of 5.1% from RMB122.9 million recorded for the six months ended 30 June 2019.

- Profit for the period for the six months ended 30 June 2020 amounted to RMB3.4 million, representing a decrease of 70.9% from RMB11.7 million recorded for the six months ended 30 June 2019.

- Adjusted net profit for the six months ended 30 June 2020 amounted to RMB18.7 million, representing a decrease of 70.1% from RMB62.5 million recorded for the six months ended 30 June 2019.

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Revenue from contracts with customers	**150,336**	184,367
Gross profit	**116,661**	122,874
Profit before income tax	**4,428**	20,496
Profit for the period	**3,416**	11,726
Basic earnings per share (expressed in RMB per share) [(1)]	**0.003**	0.014
Diluted earnings per share (expressed in RMB per share) [(1)]	**0.003**	0.013
Profit for the period	**3,416**	11,726
Add:		
Share-based compensation expenses[(2) (3)]	**15,262[(3)]**	36,847[(2)]
Listing expenses[(4)]	**–**	15,230
Less:		
Fair value changes of convertible redeemable preferred shares[(4)]	**–**	(91)
Tax effect[(5)]	**–**	(1,168)
Adjusted net profit	**18,678**	62,544

Notes:

(1) The weighted average number of ordinary shares in issue used for the calculation of basic and diluted earnings per share for the six months ended 30 June 2019 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. A 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) In May 2020, the Board approved the grant of an aggregate of 55,227,573 RSUs to certain employees and management pursuant to the RSU Schemes. Share-based compensation expenses was recognised based on the vesting period of the RSU Schemes, and amounted to RMB15,262,000 in the current period, tantamount to the economic benefits in relation to the benefit of the certain employees and management obtained from the Company. For further details, please refer to the announcement dated 28 May 2020 of the Company.

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

(5) Including tax effects on listing expenses, which are calculated with a tax rate of 15%.

BUSINESS HIGHLIGHT

STABLE GROWTH IN PROPRIETARY PRODUCTS

The cumulative number of users amounted to 1,130.0 million

Revenue amounted to RMB 137.5 million

representing an increase of 20.1% YOY

SIGNIFICANT INCREASE IN PROFITABILITY

The overall gross profit margin was 77.6 %

representing an increase of 11.0%

SIGNIFICANT INCREASE IN REVENUE FROM IN-APP PURCHASE

Revenue from in-app purchase increased by 864.9% YOY

accounting for 10.5% of total revenue

EXPONENTIAL GROWTH IN GAME BUSINESS

The cumulative number of game users amounted to 89.1 million

The average monthly active users amounted to 8.2 million

representing an increase of 57.7 % YOY

EXPANDING SOCIAL NETWORKING BUSINESS TERRITORY

The cumulative number of social networking users amounted to 127.1 million

The average monthly active users amounted to 8.9 million

CHAIRMAN'S STATEMENT

Dear Shareholders,

For the first half of 2020, Newborn Town Inc. believes that it was a critical period to advance its strategic deployment in synchronisation with the changing global market. During the first half of 2020, the Company began to proceed with the "Traffic+" strategy, and strived to penetrate into the game and social networking segments by utilising the large-scale traffic ecosystem and accumulated abundant data. By tapping into the full-range capabilities developed over years of global market expansion, including insight, research and development, operation, user acquisition, and monetisation, we have expeditiously achieved successes towards new vertical segments.

Driven by the "Traffic + Games" and "Traffic + Social Networking", the Company's products have increasingly manifested such features as "long-duration, high-stickiness and high-frequency". We continued to identify vertical user demands in the social networking and entertainment so as to further expand the user base and increase the monetisable values. On the other hand, we strived to scale up the traffic ecosystem by attracting new users with diversified content-based products. As a result, we witnessed an accelerating release of traffic potential, resulting in stable revenue growth in proprietary products, as well as a significant improvement in monetisation efficiency.

I hereby review the Company's business development for the first half of 2020, and summarise strategies and outlook of the Company for the second half of 2020.

BUSINESS REVIEW

Further expansion of the traffic ecosystem resulted in the initial "Traffic+" effects

By implementing the "Traffic+" strategy in the game and social networking segments during the first half of 2020, we succeeded in the rapid and vertical extension of our traffic ecosystem, thereby achieving fast growth. Currently, our proprietary product portfolio has accumulated 1,130.0 million users, as a result of which, revenue from our proprietary products grew to RMB137.5 million, representing an increase of 20.1% as compared with the corresponding period in 2019.

In our commitment to implementing the strategies of "Traffic + Games" and "Traffic + Social Networking", we reported further improvement in our traffic ecosystem values, based on which, our overall gross profit margin also grew to 77.6% in the midst of monetisation.

Benefiting from premium products continuously introduced under the "stay-at-home economy" model, such as game and social networking, our product portfolio has been increasingly diversified, while monetisation models expanded to in-app purchase, membership subscriptions, and advertising, among which, revenue from in-app purchase grew by 864.9%, accounting for 10.5% of total revenue.

Exponential growth in game business

In recent years, we have introduced various popular games, including the multiplayer battle game Beetles.io, the archery themed game Archery Go, and the arcade game Tank Heroes. For the first half of 2020, we continued to scale up investments in research and development of the game segment. From light-core games in the early stage to mid-core games at the current stage, our product portfolio has further been upgraded with the life cycle extended.

For instance, Archery Go was once again entered into the list of "Top 20 Chinese Mobile Game Downloads in the United States" published by Sensor Tower during the first quarter of 2020. Archery Go was listed for three consecutive quarters beginning from the third quarter of last year. In addition, Archery Go topped the App Store game downloads list in 14 countries and regions, and remained a top-10 sports game in 102 countries and regions on the App Store. These records have manifested the popularity of this game in the overseas market and its relatively long life cycle.

Due to these popular games, our game user base has grown rapidly. For the first half of 2020, the cumulative number of game users amounted to 89.1 million. The average monthly active users amounted to 8.2 million, representing an increase of 57.7% as compared with the corresponding period in 2019.

Expanding social networking business territory

During the year, we explored the social networking business by introducing the audio and video social networking product 一呀. According to Google Play, this social networking app tapped into top 10 in terms of downloads in 9 countries and regions, top 10 in terms of sales in 6 countries and regions, and top 20 in terms of downloads in the global market.

In addition, we completed the consolidation of financial statement of Mico. According to the App Store, with a user base exceeding 100 million, Mico ranked first among the social networking apps in terms of downloads in 71 countries and regions, and was a top-10 social networking app in terms of sales in 79 countries and regions. Our consolidation of Mico has provided more momentum to our social networking business in terms of traffic, data, technology, and resources.

Mico focuses on the open-end social networking and entertainment, while 一呀 focuses on audio and video social networking. Due to their different user segmentation, the Company has preliminarily established a differentiated product portfolio in the social networking segment. For the first half of 2020, the Company reported a sum of 127.1 million cumulative users in the social networking apps with average monthly active users of 8.9 million.

Continuous upgrade of AI technologies

In line with the growing traffic ecosystem and extended product portfolio, the Company continued to accumulate data, as a result of which, Solo Aware, an artificial intelligence ("**AI**") engine, also continued to improve in various aspects, including algorithm models and number of labelling. In particular, we witnessed a growth in the number of "heavy" users in the game and social networking segments, generating much more granular data that facilitated the advancement of the AI engine at a fast pace.

In applying the AI technology to diverse scenarios, including game and social networking products, we extensively uncovered the customisation requirements of users so that every user can enjoy a unique experience. With the upgrade of Solo Aware, for instance, 一呀 further improved its accuracy in connecting to users with matching features, significantly enhancing the social networking efficiency and experience of the users.

PERFORMANCE AND OUTLOOK

To achieve infinite traffic monetisation by continuing the expansion of the traffic ecosystem and deepening the implementation of the "Traffic+" strategy

We will closely keep abreast of the development trajectory of the mobile internet industry across the globe, while continuing to monitor new market opportunities in the process of implementing the "Traffic+" strategy. In doing so, we can take responsive actions based on market demands promptly. By deepening and identifying the differentiated demands of global users, we will develop popular and trendy products in a swift manner, which in return will continue to scale up our traffic ecosystem.

We will expedite the release of traffic potential, and continue to scale up the investments in the games and social networking products, business models of which have been vindicated. As a result, user stickiness and active hours will be improved, thereby increasing revenue and percentage of in-app purchase. In return, the growth of revenue and the profitability of the Company will be promoted.

By further consolidating and improving the positions of our products in the segment market and industry, we will expand our product coverage and improve penetration rate, as a result of which, the "global super traffic ecosystem" will manifest its scale effect, and thus realising the continuous growth of traffic and commercial values.

To build the presence of niche games by enriching game types and extending the life cycle

We will continue with the "Traffic + Games" strategy. On top of the current product operation, we will reinforce our efforts to develop the mid-core games, including the research and development of different types of games, such as sports competition-based type, puzzle-based type, education-based type, mixed type, so that the user base and market coverage will be expanded. Furthermore, we will secure the attractive values of the mid-core games at an accelerated pace.

Our game business will persist in the principle of niche products. By committing ourselves to improving the active hours and user stickiness of the products, we will extend the life cycle of games, while introducing more niche games. Furthermore, we will further optimise the operation and monetisation efficiency of the products, enrich the in-game payment scenarios, and expand in-app purchase scale and its percentage.

To achieve efficient monetisation by committing to social networking business and differentiated vertical product

As regards to social networking segment, given a good market response, we will accelerate the implementation of the "Traffic + Social Networking" strategy. To expand the user base, we will continue to optimise and iterate our existing products, and refine the operation of 一呀 and Mico. On the other hand, based on the differentiated segmentation requirements of global users, we will research and develop new vertical social networking products.

We will focus on and deepen the development of the open-end social networking sector in the global market. In response to the 5G technology momentum and the new era of social networking practice, we will stress the importance of new models of social networking via audio, video, and games, while exploring markets in the developed countries and emerging markets to carve out a global business presence.

In the midst of operating social networking products, we will persist in deepening the localisation strategy, which requires us to adapt to local user practices, strictly comply with local laws and regulations, and respect local religions, beliefs, culture and custom. In doing so, we will continue to expand our global market share in the open-end social networking sector.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Our total revenue decreased by 18.5% to RMB150.3 million for the six months ended 30 June 2020 as compared to RMB184.4 million for the six months ended 30 June 2019. The following table sets forth a breakdown of our revenue by segments for the periods indicated:

	Six months ended 30 June				
	2020		2019		
	RMB'000 **(unaudited)**	***% of Total revenue*** **(unaudited)**	*RMB'000* (audited)	*% of Total revenue* (audited)	*YoY Change*
Proprietary app traffic monetisation business	**137,465**	**91.4**	114,460	62.1	20.1%
Traffic monetisation	**121,640**	**80.9**	112,820	61.2	7.8%
In-app purchase	**15,825**	**10.5**	1,640	0.9	864.9%
Mobile advertising platform and related business	**12,871**	**8.6**	69,907	37.9	-81.6%
Programmatic advertising platform and related business	**12,871**	**8.6**	69,787	37.9	-81.6%
Media buy business	**–**	**–**	120	0.0	-100.0%
Total	**150,336**	**100.0**	184,367	100.0	-18.5%

The revenue from proprietary app traffic monetisation business increased by 20.1% to RMB137.5 million for the six months ended 30 June 2020 as compared to RMB114.5 million for the six months ended 30 June 2019, primarily because (i) our continuous efforts in developing and launching new games apps and the upgrade of our existing apps enabled us to maintain and attract users, which further updated our product portfolio and extended the life cycle; (ii) the synergy effect of our increased promotion efforts and cross-marketing our apps also contributed to the growth of our user base; and (iii) we explored the social networking business by introducing the audio and video social networking products and had a rapid growth during the first half of 2020.

The revenue from mobile advertising platform and related business decreased by 81.6% to RMB12.9 million for the six months ended 30 June 2020 as compared to RMB69.9 million for the six months ended 30 June 2019, which primarily was affected by the global economic downturn and the novel coronavirus pandemic. We downsized the mobile advertising platform and related business to avoid the collection risk.

Cost of revenue

Our cost of revenue decreased by 45.2% to RMB33.7 million for the six months ended 30 June 2020, as compared to RMB61.5 million for the six months ended 30 June 2019. The following table sets forth a breakdown of our cost of revenue by nature for the periods indicated:

	Six months ended 30 June				
	2020		2019		
	RMB'000 **(unaudited)**	***% of Total revenue*** **(unaudited)**	*RMB'000* (audited)	*% of Total revenue* (audited)	*YoY Change*
Cost for advertising placement	**6,356**	**4.2**	39,020	21.2	-83.7%
Employee benefit expense	**6,597**	**4.4**	10,647	5.8	-38.0%
Share-based compensation expenses	**9,287**	**6.2**	–	–	100.0%
Server capacity expense	**4,174**	**2.8**	9,099	4.9	-54.1%
Intangible assets amortisation	**400**	**0.3**	400	0.2	0.0%
Payment handling costs	**4,651**	**3.1**	–	–	100.0%
Others	**2,210**	**1.5**	2,327	1.3	-5.0%
Total	**33,675**	**22.5**	61,493	33.4	-45.2%

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

	Six months ended 30 June				
	2020		2019		
	RMB'000	***%***	*RMB'000*	*%*	*YoY Change*
	(unaudited)	**(unaudited)**	(audited)	(audited)	
Proprietary app traffic monetisation business	**21,180**	**62.9**	6,386	10.4	231.7%
Mobile advertising platform and related business	**12,495**	**37.1**	55,107	89.6	-77.3%
Total	**33,675**	**100.0**	61,493	100.0	-45.2%

The significant decrease in the cost of revenue for the six months ended 30 June 2020 as compared with the corresponding period in 2019 was primarily attributable to the downsize of mobile advertising platform and related business resulting from the global economic downturn and the novel coronavirus pandemic.

The cost of revenue for proprietary app traffic monetisation business increased by 231.7% to RMB21.2 million for the six months ended 30 June 2020 as compared to RMB6.4 million for the six months ended 30 June 2019, primarily due to payment handling costs incurred in the first half of 2020 resulted from the new social networking business and increase in the share-based compensation expenses.

The cost of revenue for mobile advertising platform and related business decreased by 77.3% to RMB12.5 million for the six months ended 30 June 2020 as compared to RMB55.1 million for the six months ended 30 June 2019.

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						
	2020			2019			
	Gross profit	**%**	**Gross profit margin**	*Gross profit*	*%*	*Gross profit margin*	*YoY Change in gross profit*
	(unaudited)	**(unaudited)**	**(unaudited)**	(audited)	(audited)	(audited)	
	(RMB'000, except percentages)						
Proprietary app traffic monetisation business	**116,285**	**99.7**	**84.6%**	108,074	88.0	94.4%	7.6%
Mobile advertising platform and related business	**376**	**0.3**	**2.9%**	14,800	12.0	21.2%	-97.5%
Total	**116,661**	**100.0**	**77.6%**	122,874	100.0	66.6%	-5.1%

Our gross profit decreased by 5.1% to RMB116.7 million for the six months ended 30 June 2020 as compared to RMB122.9 million for the six months ended 30 June 2019. Our gross profit margin increased to 77.6% for the six months ended 30 June 2020 from 66.6% for the six months ended 30 June 2019, primarily because our proprietary app traffic monetisation business accounting for a higher proportion of our total gross profit as compared with the corresponding period in 2019.

The gross profit margin of our proprietary app traffic monetisation business decreased to 84.6% for the six months ended 30 June 2020 from 94.4% for the six months ended 30 June 2019, which was mainly driven by the payment handling costs of our social networking business and increase in the share-based compensation expenses. The decrease in the gross profit margin of our mobile advertising platform and related business to 2.9% for the six months ended 30 June 2020 from 21.2% for the six months ended 30 June 2019 was mainly because we downsized mobile advertising platform and related business, resulting in a decrease of revenue.

Selling and marketing expenses

For the six months ended 30 June 2020, our selling and marketing expenses increased by 79.6% to RMB94.7 million as compared to RMB52.7 million for the six months ended 30 June 2019, primarily due to the increase of the promotion of our proprietary app traffic monetisation business.

General and administrative expenses

For the six months ended 30 June 2020, our general and administrative expenses decreased by 72.0% to RMB17.9 million as compared to RMB63.8 million for the six months ended 30 June 2019, primarily due to (i) a decrease of RMB15.2 million in listing expenses for the six months ended 30 June 2020; and (ii) a decrease of RMB30.9 million in our share-based compensation expenses.

Operating profit

For the six months ended 30 June 2020, our operating profit decreased by 84.5% to RMB3.2 million as compared to RMB20.4 million for the six months ended 30 June 2019, primarily due to (i) an increase of RMB42.0 million in our selling and marketing expenses due to our increased promotional efforts in marketing our apps; (ii) a decrease of RMB17.1 million in our other gain due to decrease in the fair value change of financial assets measured at fair value through profit or loss; and (iii) a decrease of RMB46.1 million from one-off listing expenses and share-based compensation expenses in general and administrative expenses.

Finance income, net

For the six months ended 30 June 2020, the finance income increased to RMB1.3 million as compared to RMB0.03 million for the six months ended 30 June 2019. The increase was mainly due to the interest income from bank deposits.

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 the Prospectus, were converted into ordinary shares. Therefore, no convertible redeemable preferred shares were recognised as at 30 June 2020.

Income tax

Income tax expenses decreased to RMB1.0 million for the six months ended 30 June 2020 as compared to RMB8.8 million for the six months ended 30 June 2019, mainly driven by the decrease of our taxable profits.

Profit for the period

As a result of the foregoing, our profit for the period decreased by 70.9% to RMB3.4 million for the six months ended 30 June 2020 as compared to RMB11.7 million for the six months ended 30 June 2019.

Non-IFRS measures

To supplement our unaudited condensed 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 period adjusted by share-based compensation expenses, listing expenses 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.

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Profit for the period	**3,416**	11,726
Add:		
Share-based compensation expenses(1)(2)	**15,262(2)**	36,847(1)
Listing expenses(3)	**–**	15,230
Less:		
Fair value changes of convertible redeemable preferred shares(3)	**–**	(91)
Tax effect(4)	**–**	(1,168)
Adjusted net profit	**18,678**	62,544
Adjusted net profit growth	**-70.1%**	88.3%

Notes:

(1) In June 2019, the Company repurchased certain Series B Preferred Shares (as defined in the Prospectus) of which the holders had a put option to sell to certain senior management members of the Company. A 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) In May 2020, the Board approved the grant of an aggregate of 55,227,573 RSUs to certain employees and management pursuant to the RSU Schemes. Share-based compensation expenses was recognised based on the vesting period of the RSU Schemes, and amounted to RMB15,262,000 in the current period, tantamount to the economic benefits in relation to the benefit of the certain employees and management obtained from the Company. For further details, please refer to the announcement dated 28 May 2020 of the Company.

(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 a tax rate of 15%.

Capital structure

We continued to maintain a healthy and sound financial position. Our total assets grew from RMB777.6 million as at 31 December 2019 to RMB1,167.0 million as at 30 June 2020, while our total liabilities increased from RMB143.0 million as at 31 December 2019 to RMB246.0 million as at 30 June 2020. Liabilities-to-assets ratio increased from 18.4% as at 31 December 2019 to 21.1% as at 30 June 2020.

Financial resources and operating cash flow

We funded our cash requirements principally from capital contribution from Shareholders and cash generated from our operations.

As at 30 June 2020, our cash and cash equivalents was RMB371.7 million, and RMB105.7 million as at 30 June 2019.

Compared with RMB125.9 million for the six months ended 30 June 2019, the cash generated from operations for the six months ended 30 June 2020 decreased to RMB63.5 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 2020, the fair value of such investments decreased to RMB120.6 million, compared with RMB132.7 million as at 31 December 2019. Such decrease was primarily due to the disposal and maturity of our investments.

Capital expenditure

For the six months ended 30 June 2020, our capital expenditure primarily consisted of expenditures on property and equipment, including purchases of computers and other office equipment. The capital expenditure decreased from RMB0.2 million for the six months ended 30 June 2019 to RMB0.1 million for the six months ended 30 June 2020.

Significant investment

As at 31 December 2019, we held an equity interest of approximately 16.77% in Mico. On 17 April 2020, NewBornTown Network Technology entered into the Equity Transfer Agreement with Phoenix Fortune, pursuant to which NewBornTown Network Technology has conditionally agreed to acquire, and Phoenix Fortune has conditionally agreed to sell, approximately 8.85% equity interest of Mico for a cash consideration of RMB100.0 million (the "**Acquisition**"). Upon completion of the Acquisition, NewBornTown Network Technology holds approximately 25.62% equity interest of Mico, and in aggregate approximately 15.97% equity interest of Mico owned by Tianjin Tonghe Chuangyuan Enterprise Management Consulting Centre (Limited Partnership) and Ningbo Meishan Bonded Port Tonghe Chuangyuan Enterprise Management Centre (Limited Partnership) (as the platforms for the employee stock ownership plan of Mico) directed by NewBornTown Network Technology as the executive partner. On 17 April 2020, we entered into the Convertible Loan Investment Agreement with Mico, pursuant to which NewBornTown Network Technology has conditionally agreed to provide Mico with a convertible loan of RMB50 million. The Acquisition was completed on 29 June 2020 and we had control over Mico and consolidated financial statements of Mico since then. For further details, please refer to the announcement dated 19 April 2020 and circular dated 11 June 2020 of the Company.

Material acquisition and disposal of subsidiaries, associates and joint ventures

In addition to the Acquisition, we did not have any other investment, acquisition or disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2020.

Pledge of assets

As at 30 June 2020, 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 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 30 June 2020, we did not have any material contingent liabilities.

Foreign exchange risk management

We operate our business internationally and our major receipts and payments are denominated in the U.S. dollar. We are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. dollar and the Hong Kong dollar. Therefore, foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the respective functional currency of our Group's entities. We managed foreign exchange risk by performing regular reviews of our foreign exchange exposures. We did not hedge against any fluctuations in foreign currency during the six months ended 30 June 2020.

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 life cycle 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 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.

Event occurring after the reporting period

On 17 August 2020, NewBornTown Network Technology entered into an equity transfer agreement with Mr. Ye Chunjian, pursuant to which Mr. Ye Chunjian has conditionally agreed to sell and NewBornTown Network Technology has conditionally agreed to acquire approximately 23.27% equity interest of Mico for the consideration of RMB262,997,528. Upon completion of the said acquisition, NewBornTown Network Technology will directly hold approximately 48.89% equity interest of Mico.

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

The shares of the Company have been listed on the Stock Exchange since the Listing Date. 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 announcement.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2020, we had a total of 319 full-time employees, based in Beijing, Shenzhen and Jinan. Among all employees, 143 of them are in R&D department, representing 45% 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 they receive.

AUDIT COMMITTEE

The Audit Committee, together with the external auditor, have reviewed the Group's unaudited interim condensed consolidate 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 view that the Company's unaudited interim condensed consolidate financial information was prepared in accordance with the applicable accounting standards.

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.

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 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 Reporting Period.

INTERIM DIVIDEND

The Board has resolved that the interim dividend for the six months ended 30 June 2020 would not be declared.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

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

The Group will gradually utilise the net proceeds in accordance with the intended purposes and expected timeline as disclosed in the Prospectus. The breakdown of the intended use and amount utilised as at 30 June 2020 were as follows:

	Budget	**Amount that had been utilised as at 30 June 2020**	**Remaining balance as at 30 June 2020**	**Proposed timetable for the use of unutilised net proceeds**
	HK$ million (approximately)	*HK$ million* (approximately)	*HK$ million* (approximately)	
To develop, expand and upgrade our Solo X product matrix	68.6	15.0	53.6	On or before 31 December 2022
To upgrade our Solo Math programmatic advertising platform	57.7	1.7	56.0	On or before 31 December 2022
To enhance the big data and AI capabilities of our Solo Aware AI engine	28.4	2.9	25.5	On or before 31 December 2022
To enhance our local service capabilities and build our global information distribution network	6.5	–	6.5	On or before 31 December 2022
To be used for working capital and other general corporate purposes	5.7	2.8	2.9	On or before 31 December 2022
Total	166.9	22.4	144.5	On or before 31 December 2022

Note: The remaining proceeds of approximately HK$144.5 million are expected to be utilised on or before 31 December 2022, and is based on the Directors' best estimation of the future market conditions and thus subject to change.

PUBLICATION OF 2020 INTERIM RESULTS AND INTERIM REPORT

This interim results announcement will be published on the Stock Exchange's website www.hkexnews.hk and the Company's website www.newborntown.com/en/. The interim report of the Company for the six months ended 30 June 2020 will be dispatched to shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in September 2020.

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2020
(Expressed in Renminbi ("RMB"))

		Unaudited	Audited
		Six months ended 30 June	
		2020	2019
	Note	***RMB'000***	*RMB'000*
Revenue from contracts with customers	*5*	**150,336**	184,367
Cost of revenue	*6*	**(33,675)**	(61,493)
Gross profit		**116,661**	122,874
Selling and marketing expenses	*6*	**(94,709)**	(52,736)
Research and development expenses	*6*	**(11,220)**	(9,512)
General and administrative expenses	*6*	**(17,852)**	(63,807)
Net impairment losses on financial assets		**153**	(438)
Other income		**301**	71
Other gain – net		**9,820**	23,923
Operating profit		**3,154**	20,375
Finance income		**1,405**	84
Finance cost		**(131)**	(54)
Finance income, net		**1,274**	30
Fair value changes of convertible redeemable preferred shares		**–**	91
Profit before income tax		**4,428**	20,496
Income tax expenses	*7*	**(1,012)**	(8,770)
Profit for the period		**3,416**	11,726
Profit attributable to:			
Owners of the Company		**3,416**	11,726
Non-controlling interests		**–**	–
Other comprehensive income, net of tax			
Items that maybe subsequently reclassified to profit or loss			
Currency translation differences		**5,498**	1,364
Total comprehensive income for the period		**8,914**	13,090
Total comprehensive income attributable to:			
Owners of the Company		**8,914**	13,090
Non-controlling interests		**–**	–
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic earnings per share	*8a*	**0.003**	0.014
Diluted earnings per share	*8b*	**0.003**	0.013

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
as at 30 June 2020
(Expressed in RMB)

	Note	**Unaudited As at 30 June 2020** *RMB'000*	Audited As at 31 December 2019 *RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**7,655**	6,960
Intangible assets		**287,578**	3,933
Goodwill		**204,318**	5,066
Financial assets measured at fair value through profit or loss		**3,356**	187,356
Deferred tax assets		**30,642**	–
Other receivable		**2,441**	–
Total non-current assets		**535,990**	203,315
Current assets			
Other current assets		**2,331**	1,487
Accounts receivable	*10*	**120,815**	163,383
Other receivable		**14,161**	92,948
Financial assets measured at fair value through profit or loss		**120,641**	132,651
Cash and cash equivalents		**371,744**	182,863
Restricted bank deposits		**1,294**	913
Total current assets		**630,986**	574,245
Total assets		**1,166,976**	777,560
LIABILITIES			
Current liabilities			
Accounts payable	*11*	**135,768**	89,938
Other payable		**18,090**	32,575
Lease liabilities		**4,426**	3,238
Contract liabilities		**10,615**	–
Bank overdraft		**72**	48
Tax payable		**1,243**	5,228
Total current liabilities		**170,214**	131,027

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)
as at 30 June 2020
(Expressed in RMB)

	Unaudited As at 30 June 2020 *RMB'000*	Audited As at 31 December 2019 *RMB'000*
Non-current liabilities		
Deferred tax liabilities	**74,522**	8,914
Lease liabilities	**1,220**	3,074
Total non-current liabilities	**75,742**	11,988
Total liabilities	**245,956**	143,015
EQUITY		
Equity attributable to the owners of the Company		
Share capital	**696**	696
Share premium	**95,221**	95,221
Other reserves	**471,950**	451,190
Retained earnings	**90,854**	87,438
	658,721	634,545
Non-controlling interests	**262,299**	–
Total equity	**921,020**	634,545
Total liabilities and equity	**1,166,976**	777,560

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2020
(Expressed in RMB)

		Attributable to owners of the Company					
	Notes	**Share capital** *RMB'000*	**Combined capital** *RMB'000*	**Share premium** *RMB'000*	**Other reserves** *RMB'000*	**Retained earnings** *RMB'000*	**Total equity** *RMB'000*
Balance at 1 January 2019		–	58,184	–	431,139	19,023	508,346
Profit for the period		–	–	–	–	11,726	11,726
Other comprehensive income		–	–	–	1,364	–	1,364
Total comprehensive income		–	–	–	1,364	11,726	13,090
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 ordinary shares		58	–	498	–	–	556
Repurchase of ordinary shares		(12)	–	(83,025)	(40,358)	–	(123,395)
Balance at 30 June 2019		159	–	(100,699)	450,329	30,749	380,538

		Attributable to owners of the Company						
	Notes	**Share capital** *RMB'000*	**Share premium** *RMB'000*	**Other reserve** *RMB'000*	**Retained earnings** *RMB'000*	**Sub-total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total Equity** *RMB'000*
Balance at 1 January 2020		696	95,221	451,190	87,438	634,545	–	634,545
Profit for the period		–	–	–	3,416	3,416	–	3,416
Other comprehensive income		–	–	5,498	–	5,498	–	5,498
Total comprehensive income		–	–	5,498	3,416	8,914	–	8,914
Transaction with owners:								
Non-controlling interests on acquisition of a subsidiary	*12*	–	–	–	–	–	262,299	262,299
Share-based compensation scheme: value of employee services		–	–	15,262	–	15,262	–	15,262
Balance at 30 June 2020		696	95,221	471,950	90,854	658,721	262,299	921,020

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2020
(Expressed in RMB)

	Note	**Unaudited**	Audited
		Six months ended 30 June	
		2020	2019
	Note	***RMB'000***	*RMB'000*
Cash flows from operating activities			
Cash generated from operations		**63,517**	125,947
Payment of income tax		**(4,781)**	(143)
Net cash inflow from operating activities		**58,736**	125,804
Cash flows from investing activities			
Purchase of Wealth Management Products measured at fair value through profit or loss		**(309,691)**	(290,181)
Maturity of Wealth Management Products measured at fair value through profit or loss		**338,798**	355,272
Additional investment in equity interest of a private company measured at fair value through profit or loss		**–**	(100,000)
Acquisition of a subsidiary, net of cash acquired	*12*	**19,374**	–
Purchase of property and equipment		**(70)**	(156)
Proceeds of loans repayments from third parties		**–**	36,240
Net cash inflow from investing activities		**48,411**	1,175
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		**78,605**	(1,154)
Repayment of lease liabilities (including interest paid)		**(1,721)**	(1,683)
Repurchase of shares		**–**	(100,000)
Net cash inflow/(outflow) from financing activities		**76,884**	(102,277)
Net increase in cash and cash equivalents		**184,031**	24,702
Cash and cash equivalents at beginning of period		**182,815**	80,540
Effects of exchange rate changes on cash and cash equivalents		**4,826**	494
Cash and cash equivalents at end of period		**371,672**	105,736
Including:			
Cash and cash equivalents		**371,744**	105,780
Bank overdraft		**(72)**	(44)

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 are 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.

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.

On 17 April 2020, NewBornTown Network Technology (Beijing) Co., Ltd. ("NewBornTown Network Technology"), a subsidiary of the Company, entered into the Equity Transfer Agreement with Beijing Phoenix Fortune Interconnection Investment Fund (Limited Partnership) ("Phoenix Fortune"), pursuant to which NewBornTown Network Technology has conditionally agreed to acquire, and Phoenix Fortune has conditionally agreed to sell, approximately 8.85% equity interest of Beijing Mico World Technology Co., Ltd. ("Mico") for a cash consideration of RMB100,000,000. On the same date, NewBornTown Network Technology entered into the Convertible Loan Investment Agreement with Mico, pursuant to which NewBornTown Network Technology has conditionally agreed to provide Mico with a convertible loan of RMB50,000,000. On 29 June 2020, NewBornTown Network Technology completed the acquisition of Mico upon the completion of the Equity Transfer Agreement and Convertible Loan Investment Agreement. Accordingly, the Group, who owns 25.62% equity interest of Mico together with the approximately 15.97% equity interest of Mico owned by Tianjin Tonghe Chuangyuan Enterprise Management Consulting Centre (Limited Partnership) and Ningbo Meishan Bonded Port Tonghe Chuangyuan Enterprise Management Centre (Limited Partnership) (as the platforms for the employee stock ownership plan of Mico), both of which are directed by NewBornTown Network Technology as the executive partner, has control over Mico, and therefore, the Company consolidated the financial statements of Mico upon the completion of the transactions.

The interim condensed consolidated financial information comprises the interim condensed consolidated balance sheet as at 30 June 2020, 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 2020, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). The Interim Financial Information is presented in Renminbi ("RMB"), unless otherwise stated.

2 BASIS OF PREPARATION

The Interim Financial Information has been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim financial reporting", issued by the International Accounting Standards Board ("IASB").

The Interim Financial Information does not include all the notes of the type normally included in annual financial statements. Accordingly, it should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as set out in the 2019 annual report of the Group dated 30 March 2020 (the "2019 Financial Statements"). The Group's policies on financial risk management were set out in the 2019 Financial Statements and there have been no significant changes in these policies for the six months ended 30 June 2020.

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 2019 Financial Statements.

The following amended and revised standards are mandatory for the first time for the Group's financial year beginning on 1 January 2020 and are applicable for the Group:

- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – "Definition of Material"
- Amendments to IFRS 3 "Business Combinations" – "Definition of a Business"
- Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" – Interest rate benchmark reform
- Revised Conceptual Framework for Financial Reporting

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 2021 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.

4 SEGMENT INFORMATION

The segment results for the six months ended 30 June 2020 and 2019 are as follows:

	Mobile advertising platform and related business *RMB'000*	**Proprietary applications traffic monetisation business** *RMB'000*	**Total** *RMB'000*
Six months ended 30 June 2020			
Revenue	12,871	137,465	150,336
Cost of revenue	(12,495)	(21,180)	(33,675)
Gross profit	376	116,285	116,661
Six months ended 30 June 2019			
Revenue	69,907	114,460	184,367
Cost of revenue	(55,107)	(6,386)	(61,493)
Gross profit	14,800	108,074	122,874

5 REVENUE FROM CONTRACTS WITH CUSTOMERS

An analysis of the Group's revenue by category for the six months ended 30 June 2020 and 2019 was as follows:

	Unaudited	Audited
	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Recognised at a point in time		
Mobile advertising platform and related business	**12,871**	69,907
Proprietary applications traffic monetisation business	**133,360**	114,460
Recognised over time		
Proprietary applications traffic monetisation business	**4,105**	–
Total	**150,336**	184,367

6 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:

	Unaudited	Audited
	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Cost for advertising placement:		
–Recognised in cost of revenue	**6,356**	39,020
–Recognised in selling and marketing expenses	**93,569**	51,164
Employee benefit expense excluding share-based compensation expenses	**22,591**	27,087
Share-based compensation expenses	**15,262**	36,847
Payment handling costs	**4,651**	–
Server capacity expense	**4,309**	9,099
Consultancy and professional service fee	**2,396**	806
Technical and other service fee	**1,025**	1,127
Depreciation and amortisation	**2,222**	2,248
Travel expense	**577**	1,776
Office supplies expense	**171**	265
Listing expense	**–**	15,230
Auditor's remuneration	**1,080**	–
Others	**3,247**	2,879
Total	**157,456**	187,548

7 INCOME TAX EXPENSES

	Unaudited	Audited
	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Current tax		
Current tax on profits for the period	**409**	4,479
Deferred income tax		
Changes in deferred tax assets/liabilities	**603**	4,291
Income tax expenses	**1,012**	8,770

8 EARNINGS PER SHARE

8a Basic

Basic earnings per share for the six months ended 30 June 2020 and 2019 are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited	Audited
	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Net profit attributable to the owners of the Company	**3,416**	11,726
Weighted average number of ordinary shares in issue (thousand)	**1,000,000**	862,600
Basic earnings per share (expressed in RMB per share)	**0.003**	0.014

8b Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the six months ended 30 June 2020, there were no dilutive potential ordinary shares of the Company outstanding.

For the six months ended 30 June 2019, diluted earnings per share was calculated by dividing the adjusted profit attributable to owners of the Company by the diluted weighted average number of ordinary shares calculation.

	Unaudited	Audited
	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Net profit attributable to the owners of the Company	**3,416**	11,726
Adjustments of net profit		
Fair value changes of convertible redeemable preferred shares	**–**	(91)
Adjusted net profit attributable to the owners of the Company	**3,416**	11,635
Weighted average number of ordinary shares in issue (thousand)	**1,000,000**	862,600
Diluted equivalent shares arising from convertible redeemable preferred shares (thousand)	**–**	2,194
Weighted average number of ordinary shares for calculating diluted earnings per share (thousand)	**1,000,000**	864,794
Diluted earnings per share (expressed in RMB per share)	**0.003**	0.013

The weighted average number of ordinary shares in issue used for the calculation of basic and diluted earnings per share for the period ended 30 June 2019 have been retrospectively adjusted for the capitalisation issue. The ordinary shares which were issued and allotted by the Company in connection with 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 Initial Public Offering in December 2019 are accounted at time portion basis.

9 DIVIDENDS

No dividend has been paid or declared by the Company or any companies now comprising the Group during all periods presented.

10 ACCOUNTS RECEIVABLE

Aging analysis of the accounts receivable as at 30 June 2020 and 31 December 2019, based on date of recognition, is as follows:

	Unaudited As at 30 June 2020 ***RMB'000***	Audited As at 31 December 2019 *RMB'000*
Up to 6 months	**99,623**	131,799
6 months to 1 year	**15,944**	17,118
1 year to 2 years	**13,181**	13,275
2 years to 3 years	**1,424**	12,028
Over 3 years	**2,971**	3,454
	133,143	177,674
Less: impairment provision	**(12,328)**	(14,291)
	120,815	163,383

11 ACCOUNTS PAYABLE

Aging analysis of the accounts payable as at 30 June 2020 and 31 December 2019, based on the date of recognition are as follows:

	Unaudited As at 30 June 2020 ***RMB'000***	Audited As at 31 December 2019 *RMB'000*
Up to 3 months	**117,353**	60,796
3 months to 6 months	**3,850**	15,938
6 months to 1 year	**973**	63
1 year to 2 years	**973**	2,376
2 years to 3 years	**5,124**	6,109
More than 3 years	**7,495**	4,656
	135,768	89,938

Accounts payable are usually paid within 1 year of recognition.

12 BUSINESS COMBINATION

(a) Set forth below is the calculation of goodwill

	RMB'000
Purchase consideration:	
– Fair value of the acquirer's previously held equity interest on acquisition date	**189,501**
– Cash consideration	**100,000**
Total purchase consideration	**289,501**
Less: Fair value of identifiable net assets acquired *(Note 12(b))*	**(90,348)**
Goodwill	**199,153**

(b) The relevant fair values of major component of assets and liabilities arising from the business combination are on a provisional basis as follows:

	RMB'000
Cash and cash equivalents	**119,374**
Accounts receivable	**59,017**
Other receivable – current	**12,798**
Financial assets measured at fair value through profit or loss	**14,698**
Other current assets	**423**
Intangible assets	**284,045**
Property plant and equipment	**2,447**
Deferred tax assets	**30,642**
Other receivable – non-current	**2,441**
Accounts payable	**(87,538)**
Other payable	**(11,230)**
Contract liabilities	**(8,200)**
Bank overdraft	**(50)**
Deferred tax liabilities	**(65,005)**
Lease liabilities	**(1,215)**
Non-controlling interests	**(262,299)**
Fair value of identifiable net assets acquired	**90,348**

(c) Net cash inflow from acquisition of subsidiaries

	As at 29 June 2020
Purchase consideration settled in cash	**100,000**
Less: cash and cash equivalents in subsidiaries acquired	**(119,374)**
Acquisition of subsidiaries, net of cash acquired	**(19,374)**

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

"Audit Committee"	the audit committee of the Company
"Board"	the board of directors
"China" or "PRC"	the People's Republic of China, and for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Company", "our Company" or "the Company"	Newborn Town Inc. (赤子城科技有限公司), a company with limited liability incorporated in the Cayman Islands whose shares are listed on the Stock Exchange
"Convertible Loan Investment Agreement"	the convertible loan investment agreement entered into between NewBornTown Network Technology, Mr. Ye Chunjian and Mico on 17 April 2020
"Equity Transfer Agreement"	the equity transfer agreement in relation to Beijing Mico World Technology Co., Ltd. entered into between NewBornTown Network Technology and Phoenix Fortune on 17 April 2020
"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
"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)
"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
"NewBornTown Network Technology"	NewBornTown Network Technology (Beijing) Co., Ltd. (赤子城網絡技術(北京)有限公司), a company incorporated under the laws of the PRC with limited liability on 28 February 2014

"Phoenix Fortune"	Beijing Phoenix Fortune Interconnection Investment Fund (Limited Partnership) (北京鳳凰祥瑞互聯投資基金(有限合夥)), a limited partnership established under the laws of the PRC
"Prospectus"	the prospectus of the Company dated 17 December 2019
"RMB"	Renminbi, the lawful currency of China
"RSU"	a restricted share unit award granted to a participant under the RSU Schemes
"RSU Schemes"	the employee RSU scheme and the management RSU scheme adopted by the Board on 11 December 2019
"Shares"	ordinary share(s) in the share capital of the Company with a par value of US$0.0001 each
"Shareholder(s)"	the holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$"	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

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 period. 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, 26 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.

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.