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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021 (the “**Reporting Period**”). The interim results have been reviewed by the Audit Committee, and by PricewaterhouseCoopers in accordance with International Standard 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.

FINANCE HIGHLIGHT

- Revenue from contracts with customers for the six months ended 30 June 2021 amounted to RMB1,038.5 million, representing an increase of 590.8% from RMB150.3 million recorded for the six months ended 30 June 2020.
- Gross profit for the six months ended 30 June 2021 amounted to RMB523.0 million, representing an increase of 348.3% from RMB116.7 million recorded for the six months ended 30 June 2020.
- Profit for the period for the six months ended 30 June 2021 amounted to RMB138.4 million, representing an increase of 3,950.2% from RMB3.4 million recorded for the six months ended 30 June 2020.
- Adjusted net profit for the six months ended 30 June 2021 amounted to RMB154.9 million, representing an increase of 729.2% from RMB18.7 million recorded for the six months ended 30 June 2020.
- Adjusted EBITDA for the six months ended 30 June 2021 amounted to RMB176.1 million, representing an increase of 753.2% from RMB20.6 million recorded for the six months ended 30 June 2020.

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue from contracts with customers	1,038,484	150,336
Gross profit	523,016	116,661
Profit before income tax	131,298	4,428
Profit for the period	138,355	3,416
Basic earnings per share (expressed in RMB per share)	0.037	0.003
Diluted earnings per share (expressed in RMB per share)	0.037	0.003
	<u>138,355</u>	<u>3,416</u>
Profit for the period	138,355	3,416
Add:		
Share-based compensation expenses ⁽¹⁾	16,518⁽¹⁾	15,262 ⁽¹⁾
	<u>154,873</u>	<u>18,678</u>
Adjusted net profit	154,873	18,678
	<u>154,873</u>	<u>18,678</u>
Adjusted EBITDA ⁽²⁾	176,084⁽²⁾	20,638 ⁽²⁾
	<u>176,084</u>	<u>20,638</u>

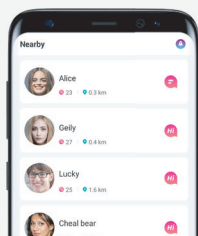
Notes:

- (1) In May 2020 and March 2021, the Board approved the grant of an aggregate of 55,227,573 RSUs and 957,333 RSUs respectively to certain employees and management pursuant to the RSU Schemes. Share-based compensation expenses was recognized based on the vesting period of the RSU Schemes, and amounted to RMB15,445,000 for the six months ended 30 June 2021 and RMB15,262,000 for the six months ended 30 June 2020, 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 announcements dated 28 May 2020 and 24 March 2021 of the Company. A subsidiary of the Company has recognized share-based compensation expenses amounting to RMB1,073,000 for the six months ended 30 June 2021 in relation to awards granted in 2018 pursuant to its share incentive plan.
- (2) We define adjusted EBITDA as operating profit adjusted by share-based compensation expenses, depreciation and amortization.

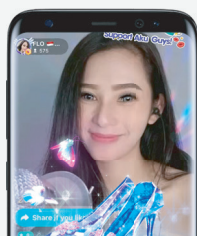
BUSINESS HIGHLIGHT



Yummy – Online chatting social networking platform



Yiyo – Video social networking platform



MICO – Livestreaming social networking platform



YoHo – Audio social networking platform

SIGNIFICANT PROGRESS IN EXPANSION OF SOCIAL NETWORKING BUSINESS



Total downloads of social media APPs reaching **254 million**
17.41 million monthly active users

Increase of about **38%** as compared to 2020 H2

EXPLOSIVE INCREASE IN INCOME FROM VALUED-ADDED SERVICES



Income from valued-added services RMB **0.82 billion**
increased by **5,088.9%** YoY

CONTINUE TO CREATE NEW POPULAR PRODUCTS



Yummy
Total downloads of over **10 million**
Breakthrough in high-value markets
Top 10 in terms of downloads and best sellers in more than ten countries

EXPANSION OF SOCIAL MEDIA APPS IN GLOBAL MARKET



MICO
Top 10 popular social media APPs in nearly **100** countries
Breakthrough in European and US market
Top 20 popular social media APPs in the US

RAPID GROWTH OF TOTAL REVENUE



Total revenue RMB **1.04 billion**
increased by **590.8%** YoY

RAPID INCREASE IN PROFIT FOR THE PERIOD



Profit for the period RMB **0.14 billion**
increased by **3,950.2%** YoY

CHAIRMAN'S STATEMENT

Dear Shareholders,

For the first half of 2021, Newborn Town Inc. believes that it was a critical period to strive for social networking business development, expand scale and raise the market share. Through intensive investment in product research and development and market expansion, we have made breakthroughs in the developed markets. With our increasingly optimized global layout, the user value and monetization efficiency have been significantly improved, and our revenue has achieved substantial growth.

In addition, the Company has increased its localized operations in many overseas markets, while actively developing games and other diversified businesses to open up more dimensional growth space.

Being a leading overseas social networking company in China, Newborn Town Inc. will maintain its position in the global market and focus on the social networking business while keep expanding our boundary, capturing market opportunities and uncovering greater values.

I hereby present the Company's financial position and operating highlights for the first half of 2021, and summarise strategies and outlook of the Company for the second half of 2021.

BUSINESS REVIEW:

1. Continuous expansion in global social networking ecology and acceleration of unlocking value

For the first half of 2021, the Company continued to plough deeply into the open social networking sector, and strived to develop comprehensively in the social networking segment leveraging on the global traffic ecology. With the peak of product research and development and sophisticated operation, the scale of social networking product users achieved rapid growth, with a cumulative number of 254 million downloads as of 30 June 2021 and 17.41 million average monthly active users for the first half of 2021, representing an increase of approximately 38% from the second half of 2020. The effect of organic growth of global social networking is obvious.

Through intensive investment in social networking business, the ecological value of social networking was comprehensively unlocked. For the first half of 2021, the scale of revenue of the Company increased to RMB1.04 billion, representing an increase of 590.8% year on year, while the profit for the period increased to RMB0.14 billion, representing an increase of 3,950.2% year on year and the adjusted EBITDA amounted to RMB176.1 million, representing an increase of 753.2% year on year.

Currently, the monetisation models of premium social networking products of the Company are diversified, including purchase of virtual items, membership subscriptions, advanced function purchase, rewards and gifts, etc. For the first half of 2021, revenue from value-added services of the Company explosively grew by 5,088.9% to RMB0.82 billion, accounting for 79.1% of total revenue. It became the main cause of driving the revenue of the Company.

2. Expansion of social networking products in global market, with significant growth in developed markets

In early 2021, we launched Yumy, an online chatting social networking platform, which has quickly accumulated over 10 million users globally in a short period of time and has reached the top 10 in the Google Play among the social networking apps in terms of downloads in 27 countries and regions.

Through continuous research and development of new products, the Company has formed a social networking product matrix represented by Yumy, Yiyo, MICO and YoHo, creating a variety of video and audio social networking scenarios such as video matching, companion video social networking, open social networking and multi-party audio rooms, to meet the diversified social networking needs of global users.

Currently, MICO has become a top 10 social networking app in terms of sales in nearly 100 countries and regions. Yiyo has become a top 10 social networking app of Google Play in terms of sales in 15 countries and regions. YoHo has become a top 10 social networking app in terms of sales in 35 countries and regions and has become the top two audio social networking platforms in the Middle East.

We continue to deepen our efforts in the development of video and audio social networking in terms of product forms, build a content ecology, and create localised contents based on user cognition, demands and habits in different regions, providing users with an immersive experience, and increasing the average duration of users in ways that enhance user stickiness, and diversify forms of monetization of products.

Our social networking business has been focusing on the international market. Through continuous implementation of product localisation, operation localisation, and team localisation, we have broken the operational barriers of various markets, and thus have become the mainstream social networking platform in emerging markets such as Middle East, Southeast Asia, South Asia, etc..

In the first half of 2021, our social networking products made breakthroughs in high value markets such as North America and Europe. Both the iOS and Android versions of MICO are top 20 social networking apps in terms of sales in the United States, remaining stable at the top of the list, and also are top 10 social networking apps in terms of sales in several European and American countries such as Canada, Switzerland, Belgium, and Luxembourg. Another product, YoHo, has also successfully entered the markets of developed countries, and is a top 10 social networking app in terms of sales in certain countries in Europe and North America, such as Canada, Portugal, Denmark, Austria, etc..

Generally, diversified social networking products of the Company have gained strong momentum in high value markets, and the exploration is gradually showing results, which have significantly enhanced the user value, and accumulated a differentiated global user matrix. The global presence of the Company's social networking is being increasingly improved.

3. Upgrade of user scenario engine and steady expansion towards diversified businesses

With the improvement of the ecology of social networking of the Company and the expansion in product types, the amount of data we continued to accumulate became bigger and the Solo Aware, an artificial intelligence engine, has also continued to improve in various aspects including algorithm models and labelling. We have improved our middle platform and upgraded a more mature user scenario engine.

Our user scenario engine includes three core modules, being AI (artificial intelligence), BI (business intelligence), and DI (data intelligence). The global traffic pool of the Company, with more than 1.3 billion users, contributes to accurately meet the segmented demands of users in each market, and facilitates product research, operation and promotion, which have greatly improved the product success rate and shortened the cold boot cycle.

Leveraging on the ecology of global social networking and user scenario engine, the Company has achieved steady breakthroughs in each vertical business, such as the game business. As of 30 June 2021, the game products of the Company have a cumulative number of 209 million downloads, and monthly active users of the product has gained a steady growth.

STRATEGY AND OUTLOOK

1. Ploughing deeply into the global open social networking market and expanding the size of users

The size of the open social networking market is huge, and platform-level products with billions of users are expected to emerge, thus causing upheaval changes in the historical landscapes of the industry. We will continue to plough deeply into the open social networking sector, increase investment in product research and development, create world-leading open social networking products, and continue to enrich the product matrix to meet the diversified demands of global users, in order to enable more users to enjoy quality experience in social networking and continue to expand the scale of social networking business.

In terms of product content carriers, we will continue to focus on the form of video and audio, optimize core products, namely Yumy, Yiyo, MICO, YoHo, improve matching efficiency, optimize experience in social networking, continue to build content ecology, increase the duration per user and improve the user stickiness, enrich the form of monetisation and improve the efficiency of monetisation, whereby promoting the growth in revenue and enhancement in profitability of the Company.

In terms of product research and development, we will pay attention to young user groups such as generation Z, and explore innovative technology directions and product patterns such as multiverse, while meeting the segmented demands of different countries, regions and different young user groups, so as to maintain the leading position of the largest overseas social networking company in China.

2. Enhancing overseas localized operational capability and improving market coverage

As competition in the industry escalates, product localization, operation localization and service localization have become the standard for many companies going abroad. In the process of implementing in-depth localization, we have begun to gradually infuse the concept of “localization” from the operational level into our corporate strategy.

Currently, the Company is operating localized business in more than ten countries across the world. Through product promotion and operation, it makes active efforts to acquire local users and enhance brand awareness. Through exploration and practices, the Company has embarked on a road of “localized management” and formed a standardized and replicable global methodology. Next, the Company will continue to depend its local presence, improve operating efficiency and expand into new countries and regions, in ways that provide better social networking products and services to global users.

In addition, we will continue to focus on developed markets such as Europe, Japan and Korea to further capture shares from high value markets, while exploring the South American, Chinese and other markets to expand the user base and market coverage, optimising our global social networking coverage.

3. Continuing to upgrade scenario engines and achieving multi-dimension growth

We will keep increasing investments in research and development, and optimising our AI engine – Solo Aware, where algorithm models and the number of labels will continue to improve and enhance the efficiency of social networking matching and operation.

Relying on a growing social networking ecosystem, we will continue to improve the user scenario engine that extensively detecting and uncovering the customisation requirements of users, so as to quickly empower the development and operation of various business verticals. At the same time, we are exploring and laying out cross-border e-commerce and other diversified businesses to achieve rapid breakthroughs in different verticals.

We will continue to develop the game business, stick to the policy of providing niche products, develop the layout of middle and high-core game product portfolio with stronger efforts on top of operating current products, expand the user base and market coverage, extending the life cycle of games while creating more hot games.

Going overseas is an inevitable path in order to expand the scale of internet products in the future. We will maintain close cooperation with various overseas companies, while identifying outstanding overseas teams as well as making timely investments in and acquisitions of quality products and teams.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

Our total revenue increased by 590.8% to RMB1,038.5 million for the six months ended 30 June 2021 as compared to RMB150.3 million for the six months ended 30 June 2020. The following table sets forth a breakdown of our revenue by segments for the periods indicated:

	Six months ended 30 June				YoY Change
	2021		2020		
	<i>RMB'000</i> <i>(unaudited)</i>	<i>% of Total</i> <i>revenue</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>% of Total</i> <i>revenue</i> <i>(unaudited)</i>	
Value-added service business	821,136	79.1	15,825	10.5	5,088.9%
In-app purchase	821,136	79.1	15,825	10.5	5,088.9%
Traffic monetisation business	217,348	20.9	134,511	89.5	61.6%
In-app traffic monetisation business	217,348	20.9	121,640	80.9	78.7%
Mobile advertising platform and related business	—	—	12,871	8.6	-100.0%
Total	1,038,484	100.0	150,336	100.0	590.8%

The revenue from value-added service business increased by 5,088.9% to RMB821.1 million for the six months ended 30 June 2021 as compared to RMB15.8 million for the six months ended 30 June 2020, primarily because (i) through continuous research and development, we has formed a social networking product matrix, creating a variety of video and audio social networking scenarios to meet the diversified social networking needs of users, which has been of benefit to the rapid growth of our product users base and revenue; (ii) with the sophisticated and localized operations, we provide users with an immersive experience, enhance user stickiness and improve the realisation potential of products; (iii) through intensive investment in market expansion, our social networking products made breakthroughs in high value markets such as North America and Europe, the user value and realization efficiency have been significantly improved, and our revenue has achieved substantial growth.

The revenue from traffic monetisation business increased by 61.6% to RMB217.3 million for the six months ended 30 June 2021 as compared to RMB134.5 million for the six months ended 30 June 2020, which primarily because Solo Aware, an artificial intelligence engine, has continued to improve in various aspects and upgraded a more mature user scenario engine, which have facilitated product research, operation and promotion, and improved realization efficiency of the products.

The decrease in the performance-based advertising services was primarily because we scaled down the development of the mobile advertising platform and related business in view of the outbreak of novel coronavirus pandemic and global economic downturn.

COST OF REVENUE

Our cost of revenue increased by 1,430.7% to RMB515.5 million for the six months ended 30 June 2021, as compared to RMB33.7 million for the six months ended 30 June 2020. The following table sets forth a breakdown of our cost of revenue by nature for the periods indicated:

	Six months ended 30 June 2021		Six months ended 30 June 2020		YoY Change
	<i>RMB'000</i> <i>(unaudited)</i>	<i>% of Total revenue</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>% of Total revenue</i> <i>(unaudited)</i>	
Revenue sharing to streamer	311,470	30.0	–	–	100%
Cost for advertising placement	–	–	6,356	4.2	-100.0%
Employee benefit expense	33,333	3.2	6,597	4.4	405.3%
Intangible assets amortisation	20,419	2.0	400	0.3	5,004.7%
Server capacity expense	18,502	1.8	4,174	2.8	343.3%
Share-based compensation expenses	10,369	1.0	9,287	6.2	11.7%
Payment handling cost	95,076	9.2	4,651	3.1	1,944.2%
Consultancy and professional service fee	9,879	1.0	–	–	100%
Technical and other service fee	6,101	0.6	–	–	100%
Others	10,319	1.0	2,210	1.5	366.9%
Total	515,468	49.8	33,675	22.5	1,430.7%

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

	Six months ended 30 June 2021		Six months ended 30 June 2020		YoY Change
	<i>RMB'000</i> <i>(unaudited)</i>	<i>%</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>%</i> <i>(unaudited)</i>	
Value-added service business	490,458	95.1	5,723	17.0	8,469.9%
Traffic monetisation business	25,010	4.9	27,952	83.0	-10.5%
Total	515,468	100.0	33,675	100	1,430.7%

The significant increase in the cost of revenue for the six months ended 30 June 2021 as compared with the corresponding period in 2020 was primarily attributable to we vigorously promoted the social networking business by introducing the audio and video social networking products.

The cost of revenue for value-added service business increased by 8,469.9% to RMB490.5 million for the six months ended 30 June 2021 as compared to RMB5.7 million for the six months ended 30 June 2020, primarily due to the increase in revenue sharing to streamer of our social networking business and payment handling cost.

The cost of revenue for traffic monetisation business decreased by 10.5% to RMB25.0 million for the six months ended 30 June 2021 as compared to RMB28.0 million for the six months ended 30 June 2020, primarily due to the downsize of mobile 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 periods indicated:

	Six months ended 30 June						YoY Change in gross profit
	2021			2020			
	Gross profit (unaudited)	%	Gross Profit	Gross profit (unaudited)	%	Gross Profit	
			margin (unaudited)			margin (unaudited)	
			(RMB'000, except percentages)				
Value-added service business	330,678	63.2	40.3%	10,102	8.7	63.8%	3,173.4%
Traffic monetisation business	192,338	36.8	88.5%	106,559	91.3	79.2%	80.5%
Total	523,016	100.0	50.4%	116,661	100.0	77.6%	348.3%

Our gross profit increased by 348.3% to RMB523.0 million for the six months ended 30 June 2021 as compared to RMB116.7 million for the six months ended 30 June 2020 which was mainly because we continued to plough deeply into the open social networking sector and strived to develop comprehensively in the social networking segment. With the explosively growth of revenue, gross profit also increased significantly.

Our gross profit margin decreased to 50.4% for the six months ended 30 June 2021 from 77.6% for the six months ended 30 June 2020. The gross profit margin of our value-added service business decreased to 40.3% for the six months ended 30 June 2021 from 63.8% for the six months ended 30 June 2020, which was mainly driven by the increase in revenue sharing to streamer of our social networking business and payment handling cost. The increase in the gross profit margin of our traffic monetisation business to 88.5% for the six months ended 30 June 2021 from 79.2% for the six months ended 30 June 2020 was mainly because we shrink mobile advertising platform and related business, which recorded a lower gross profit margin.

SELLING AND MARKETING EXPENSES

For the six months ended 30 June 2021, our selling and marketing expenses increased by 208.0% to RMB291.7 million as compared to RMB94.7 million for the six months ended 30 June 2020, primarily due to we continued our promotional efforts in marketing our apps in the global market.

RESEARCH AND DEVELOPMENT EXPENSES

For the six months ended 30 June 2021, our research and development expenses increased by 378.5% to RMB53.7 million as compared to RMB11.2 million for the six months ended 30 June 2020, primarily due to the increase in employee benefit expenses.

GENERAL AND ADMINISTRATIVE EXPENSES

For the six months ended 30 June 2021, our general and administrative expenses increased by 99.3% to RMB35.6 million as compared to RMB17.9 million for the six months ended 30 June 2020, primarily due to (i) an increase of RMB10.9 million in employee benefit expenses; and (ii) an increase of RMB3.1 million in amortisation of the rent expense.

OPERATING PROFIT

For the six months ended 30 June 2021, our operating profit increased by 4,160.1% to RMB 134.4 million as compared to RMB3.2 million for the six months ended 30 June 2020, primarily due to (i) an increase of RMB406.4 million in our gross profit; (ii) an increase of RMB197.0 million in our selling and marketing expenses due to our increased promotional efforts in marketing our apps; (iii) an increase of RMB42.5 million in research and development expenses; (iv) an increase of RMB17.7 million in general and administrative expenses; and (v) a decrease of RMB13.1 million in our other gain due to decrease in the fair value change of financial assets measured at FVPL and exchange gain.

FINANCE INCOME/(COST), NET

For the six months ended 30 June 2021, we recorded a net finance cost of RMB3.0 million as compared to a net finance income of RMB1.3 million for the six months ended 30 June 2020. Such change was primarily due to the finance cost of RMB3.5 million recognized relating to the deferred consideration for the acquisition of approximately 23.27% equity interest of a subsidiary.

INCOME TAX

For the six months ended 30 June 2021, we recorded income tax credits of RMB7.1 million as compared to the income tax expense of RMB1.0 million for the six months ended 30 June 2020, primarily due to the change in tax rate. In 2021, one of our subsidiaries was accredited as a Software Enterprise under the relevant PRC laws and regulations since 2020 and is entitled to tax exemption in 2020 and 2021 pursuant to the EIT Law. The related deferred tax assets and deferred tax liabilities attributable to this subsidiary as at 30 June 2021 were calculated based on the applicable future tax rates accordingly, which led to RMB5.1 million of deferred income tax credits being recognized in current period.

PROFIT FOR THE PERIOD

As a result of the foregoing, our profit for the period increased by 3,950.2% to RMB138.4 million for the six months ended 30 June 2021 as compared to RMB3.4 million for the six months ended 30 June 2020.

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 and adjusted EBITDA 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, net of its tax effect. And we define adjusted EBITDA as operating profit adjusted by share-based compensation expenses, depreciation and amortization. The use of adjusted net profit and adjusted EBITDA 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 or adjusted EBITDA 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 or adjusted EBITDA are not defined under IFRS, and such terms may not be comparable to other similarly titled measures used by other companies.

The following tables set 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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Profit for the period	138,355	3,416
Add:		
Share-based compensation expenses ⁽¹⁾	16,518⁽¹⁾	15,262 ⁽¹⁾
Adjusted net profit	<u>154,873</u>	<u>18,678</u>
Adjusted net profit growth	729.2%	-70.1%
Adjusted EBITDA⁽²⁾	<u>176,084⁽²⁾</u>	<u>20,638⁽²⁾</u>
Adjusted EBITDA growth	753.2%	-72.4%

Notes:

- (1) In May 2020 and March 2021, the Board approved the grant of an aggregate of 55,227,573 RSUs and 957,333 RSUs respectively to certain employees and management pursuant to the RSU Schemes. Share-based compensation expenses was recognized based on the vesting period of the RSU Schemes, and amounted to RMB15,445,000 for the six months ended 30 June 2021 and RMB15,262,000 for the six months ended 30 June 2020, 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 announcements dated 28 May 2020 and 24 March 2021 of the Company. A subsidiary of the Company has recognized share-based compensation expenses amounting to RMB1,073,000 for the six months ended 30 June 2021 in relation to awards granted in 2018 pursuant to its share incentive plan.
- (2) We define adjusted EBITDA as operating profit adjusted by share-based compensation expenses, depreciation and amortization.

CAPITAL STRUCTURE

We continued to maintain a healthy and sound financial position. Our total assets grew from RMB1,268.2 million as at 31 December 2020 to RMB1,396.4 million as at 30 June 2021, while our total liabilities decreased from RMB481.2 million as at 31 December 2020 to RMB458.9 million as at 30 June 2021. Liabilities-to-assets ratio decreased from 37.9% as at 31 December 2020 to 32.9% as at 30 June 2021.

FINANCIAL RESOURCES AND OPERATING CASH FLOW

We funded our cash requirement principally from capital contribution from shareholders and cash generated from our operations.

As at 30 June 2021, our cash and cash equivalents was RMB607.6 million, compared with RMB431.0 million as at 31 December 2020.

Compared with RMB63.5 million for the six months ended 30 June 2020, the cash generated from operations for the six months ended 30 June 2021 increased to RMB161.7 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 recognized 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 2021, the fair value of such investments decreased to RMB152.2 million, compared with RMB178.0 million as at 31 December 2020. Such decrease was primarily due to the disposal and maturity of our investments.

CAPITAL EXPENDITURE

For the six months ended 30 June 2021, our capital expenditure primarily consisted of expenditures on property and equipment, including purchases of computers and other office equipment. The capital expenditure increased from RMB0.1 million for the six months ended 30 June 2020 to RMB2.9 million for the six months ended 30 June 2021, primarily due to the increase in the purchase of vehicle, computers and other electronic devices, and the office equipment during the six months ended 30 June 2021.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

We did not have any material investment, acquisition or disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2021.

PLEDGE OF ASSETS

As at 30 June 2021, 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 2021, 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 recognized 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 2021.

OTHER PRINCIPAL RISKS AND UNCERTAINTIES

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

- We face competition in the rapidly evolving industry and we may not be able to keep continuous research and development and innovation, and may not be able to compete successfully against our existing and future competitors.
- If the mobile internet industry fails to continue to develop, our profitability and prospects may be materially and adversely affected.
- Any failure to retain existing advertisers and media publishers or attract new advertisers and media publishers may negatively impact our revenue and business.
- We may be held liable for information or content displayed on, distributed by or linked to our mobile apps and may suffer a loss of users and damage to our reputation.
- Misappropriation or misuse of privacy information and failure to comply with laws and regulations on data protection, including the General Data Protection Regulation, could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or declines in users and customers, or otherwise harm our business.
- If we fail to prevent security breaches, cyber-attacks or other unauthorised access to our systems or our users' data, we may be exposed to significant consequences, including legal and financial exposure and loss of users, and our reputation.

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

For the six months ended 30 June 2021, 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 2021, we had a total of 515 full-time employees, based in Beijing, Shenzhen, Jinan and Guangzhou. Among all employees, 276 of them are in R&D department, representing 54% 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.

AUDIT COMMITTEE

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

The Audit Committee was of view that the Company's unaudited interim condensed consolidated 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. For the six months ended 30 June 2021, 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 four 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 2021 would not be declared.

USE OF PROCEEDS FROM THE GLOBAL 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 and the announcement dated 24 March 2021 of the Company. The breakdown of the intended use and amount utilised as at 30 June 2021 were as follows:

	Budget <i>HK\$ million</i> (approximately)	Amount that had been utilised as at 30 June 2021 <i>HK\$ million</i> (approximately)	Remaining balance as at 30 June 2021 <i>HK\$ million</i> (approximately)	Proposed timetable for the use of unutilised net proceeds
To develop, expand and upgrade our Solo X product matrix	126.0	83.5	42.5	On or before 31 December 2022
To enhance the big data and AI capabilities of our Solo Aware AI engine	28.4	11.1	17.3	On or before 31 December 2022
To be used for working capital and other general corporate purposes	10.7	5.6	5.1	On or before 31 December 2022
To upgrade our Solo Math programmatic advertising platform	1.8	1.8	–	On or before 31 December 2022
Total	<u>166.9</u>	<u>102.0</u>	<u>64.9</u>	On or before 31 December 2022

Note: The remaining proceeds of approximately HK\$64.9 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 2021 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 2021 will be dispatched to shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in September 2021.

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2021

(Expressed in Renminbi ("RMB"))

		Unaudited Six months ended 30 June	
		2021	2020
	Note	RMB'000	RMB'000
Revenue from contracts with customers	5	1,038,484	150,336
Cost of revenue	6	(515,468)	(33,675)
Gross profit		523,016	116,661
Selling and marketing expenses	6	(291,715)	(94,709)
Research and development expenses	6	(53,693)	(11,220)
General and administrative expenses	6	(35,587)	(17,852)
Net impairment losses on financial assets		(9,504)	153
Other income		5,099	301
Other (loss)/gain – net		(3,254)	9,820
Operating profit		134,362	3,154
Finance income		550	1,405
Finance cost		(3,530)	(131)
Finance (cost)/income, net		(2,980)	1,274
Share of net loss of associates accounted for using the equity method		(84)	–
Profit before income tax		131,298	4,428
Income tax credits/(expenses)	7	7,057	(1,012)
Profit for the period		138,355	3,416
Profit attributable to:			
Owners of the Company		37,377	3,416
Non-controlling interests		100,978	–
Other comprehensive (loss)/income, net of tax			
Items that will not be reclassified to profit or loss			
Currency translation differences		(292)	–
Items that maybe subsequently reclassified to profit or loss			
Currency translation differences		(4,113)	5,498
Total comprehensive income for the period		133,950	8,914
Total comprehensive income attributable to:			
Owners of the Company		34,528	8,914
Non-controlling interests		99,422	–
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic/diluted earnings per share	8	0.037	0.003

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

as at 30 June 2021

(Expressed in RMB)

		Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
	Note		
ASSETS			
Non-current assets			
Property and equipment		12,658	6,886
Intangible assets		246,800	267,189
Goodwill		197,287	197,287
Financial assets measured at fair value through profit or loss		8,911	6,495
Investments accounted for using the equity method		2,910	2,994
Other receivable		18,633	11,381
Deferred tax assets		248	13,237
Total non-current assets		487,447	505,469
Current assets			
Other current assets		4,880	2,073
Accounts receivable	10	135,363	144,386
Other receivable		7,666	6,020
Financial assets measured at fair value through profit or loss		152,218	178,009
Cash and cash equivalents		607,619	431,015
Restricted bank deposits		1,180	1,192
Total current assets		908,926	762,695
Total assets		1,396,373	1,268,164
LIABILITIES			
Current liabilities			
Accounts payable	11	156,799	155,937
Other payable		224,164	234,593
Lease liabilities		3,852	3,234
Contract liabilities		17,713	14,872
Bank overdraft		34	17
Tax payable		409	834
Total current liabilities		402,971	409,487

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

as at 30 June 2021

(Expressed in RMB)

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Non-current liabilities		
Deferred tax liabilities	51,516	71,567
Lease liabilities	4,410	102
Total non-current liabilities	55,926	71,669
Total liabilities	458,897	481,156
EQUITY		
Equity attributable to the owners of the Company		
Share capital	695	695
Share premium	93,701	93,701
Other reserves	328,619	314,950
Retained earnings	164,503	127,126
	587,518	536,472
Non-controlling interests	349,958	250,536
Total equity	937,476	787,008
Total liabilities and equity	1,396,373	1,268,164

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2021

(Expressed in RMB)

	Attributable to owners of the Company					Non-	Total
	Share capital	Share premium	Other reserves	Retained earnings	Sub-total	controlling interests	equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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	–	–	–	–	–	262,299	262,299
Share-based compensation scheme: value of employee services	–	–	15,262	–	15,262	–	15,262
Balance at 30 June 2020	<u>696</u>	<u>95,221</u>	<u>471,950</u>	<u>90,854</u>	<u>658,721</u>	<u>262,299</u>	<u>921,020</u>
Balance at 1 January 2021	695	93,701	314,950	127,126	536,472	250,536	787,008
Profit for the period	–	–	–	37,377	37,377	100,978	138,355
Other comprehensive loss	–	–	(2,849)	–	(2,849)	(1,556)	(4,405)
Total comprehensive income	–	–	(2,849)	37,377	34,528	99,422	133,950
Transaction with owners:							
Share-based compensation scheme: value of employee services	–	–	16,518	–	16,518	–	16,518
Balance at 30 June 2021	<u>695</u>	<u>93,701</u>	<u>328,619</u>	<u>164,503</u>	<u>587,518</u>	<u>349,958</u>	<u>937,476</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2021

(Expressed in RMB)

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	161,713	63,517
Payment of income tax	(740)	(4,781)
Net cash inflow from operating activities	160,973	58,736
Cash flows from investing activities		
Purchase of Wealth Management Products ("WMP") measured at fair value through profit or loss	(137,449)	(309,691)
Maturity of WMPs measured at fair value through profit or loss	163,545	338,798
Acquisition of a subsidiary, net of cash acquired	–	19,374
Purchase of property and equipment	(2,853)	(70)
Net cash inflow from investing activities	23,243	48,411
Cash flows from financing activities		
Net proceeds from issuance of shares upon Initial Public Offering	–	78,605
Repayment of lease liabilities (including interest paid)	(2,947)	(1,721)
Net cash (outflow)/inflow from financing activities	(2,947)	76,884
Net increase in cash and cash equivalents	181,269	184,031
Cash and cash equivalents at beginning of period	430,998	182,815
Effects of exchange rate changes on cash and cash equivalents	(4,682)	4,826
Cash and cash equivalents at end of period	607,585	371,672
Including:		
Cash and cash equivalents	607,619	371,744
Bank overdraft	(34)	(72)

NOTES:

(Expressed in RMB unless otherwise indicated)

1 GENERAL INFORMATION

Newborn Town Inc. (the “Company”) was incorporated in the Cayman Islands on 12 September 2018 as an exempted company with limited liability under the Companies 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 Company and its subsidiaries (together referred as the “Group”) are principally engaged in providing value-added service business (mainly including live streaming business), and traffic monetisation business (mainly including in-app traffic monetisation business and mobile advertising platform and related business).

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

The interim condensed consolidated financial information comprises the interim condensed consolidated balance sheet as at 30 June 2021, 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 2021, 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.

The Interim Financial Information has not been audited but has been reviewed by the external auditor of the Company.

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 2020, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as set out in the 2020 annual report of the Group (the “2020 Financial Statements”).

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 2020 Financial Statements.

The following amended and revised standards are mandatory for the first time for the Group’s financial year beginning on 1 January 2021 and are applicable for the Group:

- Covid-19-related Rent Concessions – Amendments to IFRS 16
- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

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 2022 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 Group's business activities are regularly reviewed and evaluated by the chief operating decision maker ("CODM") and the Group is organised into segments according to the revenue streams of the Group. Prior to 1 January 2020, mobile advertising platform and related business, and proprietary applications traffic monetisation business were identified as the segments of the Group. Upon the completion of the acquisition of Beijing Mico World Technology Co., Ltd. ("Mico") in June 2020, the CODM revisited its assessment of segment and updated its segments to value-added services business and traffic monetisation business to better reflect the operating structure of the Group, and the segment information for the six months ended 30 June 2020 has also been retrospectively adjusted.

The CODM assesses the performance of the operating segments based on the gross profit/loss. The reconciliation of gross profit to profit before income tax is shown in the interim condensed consolidated 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.

The segment results for six months ended 30 June 2021 and 2020 are as follows:

	Traffic monetisation business RMB'000	Value-added service business RMB'000	Total RMB'000
Six months ended 30 June 2021			
Revenue	217,348	821,136	1,038,484
Cost of revenue	(25,010)	(490,458)	(515,468)
Gross profit	192,338	330,678	523,016
Six months ended 30 June 2020			
Revenue	134,511	15,825	150,336
Cost of revenue	(27,952)	(5,723)	(33,675)
Gross profit	106,559	10,102	116,661

5 REVENUE FROM CONTRACTS WITH CUSTOMERS

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
<i>Recognised at a point in time</i>		
Value-added service business	805,626	11,720
Traffic monetisation business	217,348	134,511
<i>Recognised over time</i>		
Value-added service business	15,510	4,105
Total	1,038,484	150,336

6 EXPENSES BY NATURE

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Revenue sharing to streamers	311,470	–
Cost for advertising placement:		
– Selling and marketing expense	288,121	93,569
– Cost of revenue	–	6,356
Employee benefit expense	104,726	22,591
Payment handling costs	95,076	4,651
Depreciation and amortisation	25,204	2,222
Server capacity expense	19,306	4,309
Share-based compensation expenses	16,518	15,262
Consultancy and professional service fee	14,563	3,476
Technical and other service fee	7,198	1,025
Rent expense	2,539	39
Travel expense	2,899	577
Office supplies expense	1,124	171
Others	7,719	3,208
Total	896,463	157,456

7 INCOME TAX CREDITS/(EXPENSES)

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Current tax		
Current tax on profits for the period	(5)	(409)
Deferred income tax		
Changes in deferred tax assets/liabilities	7,062	(603)
Income tax credits/(expenses)	7,057	(1,012)

On 29 May 2021, one of our subsidiaries was accredited as a software enterprise under the relevant PRC laws and regulations since 2020. Accordingly, this subsidiary is exempt from Enterprise Income Tax for two consecutive years for the years ended/ending 31 December 2020 and 2021, followed by a 50% reduction in the statutory income tax rate of 25% for the next three years from 2022 to 2024. The related deferred tax assets and deferred tax liabilities attributable to this subsidiary as at 30 June 2021 were calculated based on the applicable future tax rates accordingly.

8 EARNINGS PER SHARE

8a Basic

Basic earnings per share for the six months ended 30 June 2021 and 2020 were 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	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Net profit attributable to the owners of the Company	37,377	3,416
Weighted average number of ordinary shares in issue (thousand)	998,850	1,000,000
Basic earnings per share (expressed in RMB per share)	0.037	0.003

8b Diluted

For the six months ended 30 June 2021, there were no dilutive potential ordinary shares of the Company outstanding (for the six months ended 30 June 2020: nil), therefore, there was no dilution impact on weighted average number of shares on the Company.

9 DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended 30 June 2021 (for the six months ended 30 June 2020: nil).

10 ACCOUNTS RECEIVABLE

An aging analysis of the gross accounts receivable as at 30 June 2021 and 31 December 2020, based on date of recognition, is as follows:

	Unaudited	Audited
	As at	As at
	30 June 2021	31 December 2020
	RMB'000	RMB'000
Up to 6 months	128,550	134,954
6 months to 1 year	9,539	3,169
1 year to 2 years	11,736	12,311
2 years to 3 years	8,910	10,035
Over 3 years	5,063	2,994
	163,798	163,463
Less: impairment provision	(28,435)	(19,077)
	135,363	144,386

11 ACCOUNTS PAYABLE

Aging analysis of the accounts payable as at 30 June 2021 and 31 December 2020 based on the date of recognition is as follows:

	Unaudited As at 30 June 2021 RMB'000	Audited As at 31 December 2020 RMB'000
Up to 3 months	138,897	85,239
3 months to 6 months	5,188	24,336
6 months to 1 year	3,359	37,016
1 year to 2 years	1,356	1,368
2 years to 3 years	2,461	1,789
More than 3 years	5,538	6,189
	<u>156,799</u>	<u>155,937</u>

Accounts payable are usually paid within 1 year of recognition.

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
“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
“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, 25 August 2021

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

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.