BABYTREE GROUP
寶寶樹集團
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1761)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

The board (the "**Board**") of directors (the "**Directors**") of BabyTree Group (the "**Company**" or "**BabyTree**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2021 together with the comparative figures for the year ended December 31, 2020.

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

KEY HIGHLIGHTS

Set forth below are our key highlights for the year ended December 31, 2021:

1. Our total revenue and gross profit for the year ended December 31, 2021 was RMB281.8 million and RMB170.7 million, representing a year-on-year increase of 32.8% and 77.0%, respectively;

2. Due to the adoption of our effective cost-control policies, our loss for the year ended December 31, 2021 had a year-on-year decrease of 17.8%;

3. As of December 31, 2021, the core monetization user traffic of our BabyTree Parenting App recorded 21.6 million, representing a steady growth of 8.5% year-on-year. Meanwhile, our BabyTree WeChat community had approximately 1.14 million community active members, being the largest community in scale as well as the most active community in the Internet M&C industry; and

4. The core capabilities of our C2M business are still in progress, and we plan to launch an exclusive product selection in 2022.

KEY OPERATIONAL DATA

	For the year ended December 31, 2021	For the year ended December 31, 2020	Year-on-year change[4]
Core monetization user traffic *(in million)*[1]	**21.6**	19.9	8.5%
Second-day retention rate[2]	**50.7%**	49.0%	1.7 percentage points
Average daily engagement time *(min)*[3]	**11.8**	14.5	(2.7 minutes)

Notes:

(1) "Core monetization user traffic" refers to monthly active user ("**MAU**") of our BabyTree Parenting App, calculated by counting the number of active users during the calendar month in question. The number of MAUs of our mobile apps is tracked and calculated by Umeng (友盟), a third-party data tracking service provided by Beijing Ruixunlingtong Technology Co., Ltd (北京銳訊靈通科技有限公司). The average number of MAUs of BabyTree is approximately 75.9 million as of December 31, 2021.

(2) "Second-day retention rate" refers to the percentage of active users on our BabyTree Parenting App that remained active users in the second day. The number of second-day retention rate is tracked and calculated by QuestMobile, a third-party data tracking service provided by Beijing Guishi Information Technology Limited (北京貴士信息科技有限公司).

(3) "Average daily engagement time" refers to the average time spent on our BabyTree Parenting App by users.

(4) The year-on-year change of core monetization user traffic represents the percentage change. The year-on-year change of second-day retention rate represents the difference between the periods indicated. The year-on-year change of average daily engagement time represents the difference between the periods indicated.

KEY FINANCIAL DATA

	Year ended December 31, 2021 *RMB'000*	2020 *RMB'000*	Year-on-year change (%)
Revenue	**281,823**	212,260	32.8%
– Advertising	**255,578**	188,295	35.7%
– E-commerce	**23,885**	19,895	20.1%
– Others	**2,360**	4,070	-42.0%
Gross profit	**170,720**	96,479	77.0%
Gross margin	**60.6%**	45.5%	15.1%
Loss for the year	**(387,114)**	(470,906)	-17.8%

BUSINESS REVIEW AND OUTLOOK

1. Our Brand

Brand value is the essence of a maternity and children ("**M&C**") brand, which is the reason why we have continued on the path of promoting our brand value throughout our 15 years' journey of venture. According to Nielsen IQ, the market size of M&C market in 2021 has been continuously expanding. The upsurge of domestic brands, namely China-Chic (國潮), enabled M&C consumers to have a wider selection of national products and services, while penetrating higher-tier cities. In addition, due to solid support and encouraging governmental policies, more than 70% families planned to have another child, continuously driving the growth of the industry. China's gross domestic product (GDP) in 2021 reached RMB114.4 trillion as compared to 2020, representing an increase of 8.1% year-on-year. We believe that our unparalleled status in the M&C industry, accompanied by a favorable market environment, will allow us to seize every opportunity to implement our business strategy and further solidify our position as industry leader.

Furthermore, according to the M&C industry report published by BigData-Research (比達諮詢) recently, our BabyTree Parenting App was rated with the highest overall satisfaction, leading in MAU and obtaining the highest M&C user coverage. Moreover, BabyTree had the highest brand awareness and usage among Generation Z, showing its high branding and leveraging power among the young families in China.

2. Support from national policies

According to the latest data from the National Bureau of Statistics, there were approximately 10.62 million newborn babies in China in 2021, representing a decrease of 11.5% compared to 12.00 million in 2020. Despite that the whole industry encountered great pressure, we used our users' demands as the starting point and dedicated great resources to improving our brand and content construction, with a focus on traffic expansion and user age extension, thereby expecting to serve more users within suitable age range. As evident in China's 2022 Government Work Report, which was announced recently, to reduce the burden of childrearing and encourage child birthing, the PRC government has announced policies to encourage child birth and support the implementation of the three-child policy by including nursing expenses for infants under three years old as special additional deductions for individual income tax (IIT). Further, the report promised to develop preferential childcare services and strengthen the protection of minors. Due to such extensive support and beneficial measures initiated by the PRC government, we have unprecedented faith in servicing young families and the M&C industry in China.

3. Leading M&C community user traffic layout ecosystem

Attributable to the implementation of a series of strategies and tactics, the MAUs of the Company's core product BabyTree Parenting App continued to grow steadily in 2021, reaching 21.6 million, representing a year-on-year growth of 8.5% compared to 2020, among which the post-pregnancy users accounted for 35.0%, which remained stable as compared to 2020. The second-day retention rate of our products remained stable, reaching 50.7% in 2021, with user time remaining above 11 minutes.

In addition, we deepened our traffic layout, leading to continuous increase of the Group's scale of new media community users, and have also been receiving great results from our efforts in the media field, including Douyin, WeChat Channels and Xiaohongshu, with the cumulative number of new media community users approaching 1 million, which is still expanding.

Reinforced BabyTree WeChat Community

In 2021, we undertook the construction of BabyTree WeChat community from zero to one. As of December 31, 2021, there were approximately 1.14 million community active members between the age range -1 and 2, with the WeChat community extensively covering all provinces and 54 main cities in China, being the largest community in scale as well as the most active community in the Internet M&C industry, enabling the advent of Mother Assistant Distribution System (寶媽助理分銷體系) and multi-mode brand community advertising (品牌廣告多模式社群營銷).

Our BabyTree WeChat communities are separated into specific user groups, which provide different user atmospheres and relate to various topics such as complementary baby food, second-hand products, shopping and consumption and father-specific topics. Among the BabyTree WeChat communities, 3.9%, 34.8% and 61.4% were pre-pregnancy, pregnant and post-pregnancy users, respectively. As a result of our refined operations, our average community activity exceeded 25% for the year ended December 31, 2021.

Further, we have achieved traffic diversion to our communities through our product matrix and synchronize user data through WeChat mini programs, enabling the seamless connection of both ends. We have also further enhanced our external traffic acquisition capabilities through our WeChat mini programs, which contain empowering knowledge sharing and e-commerce functioning, amounting to a total of 100,000 new community members currently.

Refined operation system based on digital operation management platform

The construction of Mother Assistant Distribution System helps us greatly reduce our operating costs and enhance monetization potential through operation of over 7,000 communities by approximately 1,400 amateur BabyTree mother assistants (用戶寶媽管理員). Further, our digital operation middle platforms including acquisition system and information management system coupled with our incentive mechanism divided by areas and tiers allows us to achieve refined operations within first-tier and second-tier cities.

Revenue enhancement through e-commerce empowerment

We initiated our efforts in community monetization since May 2021. Through the construction of Mother Assistant Distribution System, the monthly net sales amounted to over RMB2 million in June 2021.

Marketing model upgrade

We expanded brand community marketing to six marketing models to connect the path from exposure to conversion, among which, the community operation and the first M&C orders of A2 and Mead Johnson (美讚臣) have provided the essential support for new customer acquisition. During the year ended December 31, 2021, the BabyTree WeChat community provided service to more than 128 advertisers. Our brand advertising execution achieved a total of approximately RMB13.3 million. We aim to continuously utilize our community ecosystem to support our first revenue curve and gradually increase our sales to enhance our revenue.

4. Generation Z's differentiated content and product operation

Content system enrichment

We hope that by continuously enriching the professional generated content (PGC) and professional user-generated content (PUGC) of the platform, we will bring a content ecosystem of "specialization and general integration" and the innovative form of "video & graphics" to the platform, which not only integrates rich professional user content, but also provides an in-depth value of users' unique resources, thereby promoting the development and prosperity of the platform's content ecosystem.

PUGC – Creator Program. In the second half of 2021, Key Opinion Consumers (KOCs) and Key Opinion Leaders (KOLs) were incubated from our members through the "Creator Contest", which included more than 1,500 certified creators and produced nearly 40,000 pieces of high-quality content with an average click-through rate ("**CTR**") of 6.4%.

PGC – Introduction of professional content. During the year ended December 31, 2021, we have released 640 pieces of PGC and 2,780 pieces of expert endorsement, and 200 videos including 52 episodes of self-made parent-child early education game videos for children aged from 0 to 1, with an average CTR of 28%. Meanwhile, the platform planed and released 13 content topics, combined with experts live, which are intended to give users the most practical advice and the most professional content.

PGC&PUGC – Livestreaming content. We have hosted a total of 3,895 livestreaming sessions, including cooperating with 50 experts and 193 KOCs and hosting 1,646 and 1,300 livestreaming sessions, respectively. This has allowed us to gain a total exposure of over 10 million views during the year ended December 31, 2021. Among which, we launched BabyTree Variety Bar (寶樹綜藝Bar), an intellectual property (IP) program for entertainment, shopping and education. We also hosted the Hot Mom Singing Contest (寶樹辣媽K歌大賽) at the end of the year.

User age extension

For pre-pregnancy users, we updated the test kit's ovulation test strip function and added an artificial intelligence recognition function. For pregnant users, we comprehensively upgraded the test kit's obstetric inspection schedule during the second half of 2021, which is easier for users to understand and read. In relation to the needs of post-pregnancy users, we launched functions including WeTime Album (小時光相冊), paid early education courses and parenting weekly, aimed at expanding the age width of users in terms of, among others, content and tools. Since the launch of WeTime Album in September 2021, the second-day retention rate of users using the function, being 57.12%, was significantly higher than that of other users.

In addition, the second-day retention rate of the new versions of the pregnant page and the post-pregnancy page increased by 1.9% and 1.0%, respectively, as compared to the previous versions. The overall second-day retention rate reached 50.7% for the year ended December 31, 2021.

User experience optimization

We have optimized search experience through the launch of "Search SUG Direct Tool", which includes keyword to content tool library, search tool optimization, through the two core stages of pregnancy and childcare for new mothers. It provides new mothers with one-stop information source, allowing access to authoritative M&C knowledge at one click. As a result, the number of daily search users increased by 28.6%, and the number of weekly search days per user increased by 6.5% in 2021.

5. Technology Optimization and Upgrade

Technical upgrades to enhance business continuity

Multi-cloud deployment capability. The technology system has the capability of cloud-native development and multi-cloud deployment, as well as the capability of comprehensive system elasticity and multi-cloud deployment in different locations, reducing our dependence on cloud service and infrastructure providers. We have upgraded the processing capability of operation artificial intelligence (AI), and greatly improved early warning and disaster tolerance capability, improving the continuity of our business and system stability.

Technical capability upgrade for business-end commercial products and consumer-end content distribution

In terms of our business-end commercial products, we have completed the construction of e-commerce WeChat mini program and developed core functions such as shop owner classification and fission. In addition, we have built a large-scale shop owner recruitment, training, operation and monetization system, equipped with the ability to automatically create, efficiently operate and quickly realize monetization. We have also established the algorithm capability of Smart Bidding for self-serve advertising, which successfully helps customers control and reduce advertising cost, with continuous increase in customer retention and overall revenue.

In terms of our consumer-end content distribution, through the introduction of content recommendation capabilities provided by mainstream cloud service providers, we have create a positive racing-horse mechanism driving iteration and optimization of our algorithms, which helps us upgrade our content recommendation capabilities, with a focus on niche long-tail content distribution mechanism and enlarge the proportion of long-tail content, thereby promoting the dynamic development of community content creation and distribution. In addition, we have in place content review mechanism for the voluminous cache of content generated on our platform. In an active response to the three-child policy promulgated by the government, which aims to improve the quality of community UGC and create M&C communities with a positive and warm environment, we cooperated with multiple security vendors, allowing us to automatically filter high-quality content enabled by AI to reduce the risk and uncertainties brought about by content creation.

6. Key Monetization Channels

Advertising

2021 was a challenging year for the Internet advertising business. The industry faced fierce competition. The fragmented product form from non-traditional M&C platforms placed pressure on our business fundamentals. Fortunately, the advertising business continued the momentum of the first half of 2021. Revenue for the year ended December 31, 2021 amounted to RMB255.6 million, representing an increase of 35.7% over the same period last year.

Revenue from traditional brand advertising and self-serve advertising accounted for 79.9% and 20.1% of the advertising business, respectively. Gross profit of advertising business was RMB149.0 million, representing a yearly rebound of 65.3% after two years of unfavorable macroeconomic environment. The gross profit margin for the technology-driven self-serve advertising was approximately 100.0%.

Solid traditional brand advertising

(i) Discovering domestic clients

Domestic clients continued to perform strongly, contributing to our revenue of over RMB90 million for the year ended December 31, 2021, representing an increase of 71.5% year-on-year, and was equivalent to approximately 46% of brand advertising revenue. As the implementation of this advertising strategy effectively expanded the domestic M&C related customer base in 2021 we firmly grasped the opportunity brought by the rapid growth of China-Chic (國潮), and the upsurge of domestic brands. Our key cooperation with Junlebao, a domestic infant formula brand drove us to jointly hold the "National Formula Day". During the year ended December 31, 2021, we conducted large-scale promotions through a variety of trial activities, livestreaming sessions and topic trends, and we helped establish a positive image for Junlebao for the new generation, which has become a classic case for our advertising business.

(ii) Continue to expand new customers, especially M&C related customers

During the year ended December 31, 2021, we continued to deepen our cooperation with existing customers, and have established cooperative relationship with 121 new brands, including 70% domestic brands and 30% international brands. Among which, 30% of our existing customers were M&C related customers, contributing to approximately RMB60 million of our Group's revenue.

In 2021, we cooperated with advertisers in a variety of industries to expand in multiple dimensions, such as skin care and makeup clients including L'Oréal, Cetaphil and electric appliance and automobile brands including TCL, GAC Mitsubishi and other leading brands.

(iii) Upgrade ways to attract new advertisers

Branding is the core to the M&C industry. In accordance with the research report from BigData-Research (比達諮詢), the average revenue per user (ARPU) per capita of mother-infant families in the PRC has been growing steadily, and is expected to reach RMB6,250 in 2022. Further, the United Psychological Agency released an interesting psychological test in relation to branding, which analyzed its positive correlation with the shopping psychology and shopping logic of mothers. BabyTree, being one of the most influencing M&C platform in China, launched differentiated reinforced advertising channels through its traffic operation capabilities during the year ended December 31, 2021. In the first half of the year, we launched the "WeChat Partnering" business with A2 and Heng An, among which, community operation and the first M&C orders of A2 and Mead Johnson provided the core support for our new customer strategy to carry out in-depth strategic cooperation. In the second half of the year, we successfully drove customers to devote resources through differentiated IP programs, such as Ms. WU Minxia's "Weekly Diary of Good Pregnancy", and we welcomed Ms. Cherrie YING (應采兒) to be our Chief Parenting Officer in 2022.

In addition, the launch of a product-efficiency integrated marketing plan during Tmall Double 11 and JD 618 has become one of our branding benchmarks in 2021. In 2021, we engaged maternal and child experts, parenting experts, brand representatives, and amateur users online to improve branding to customers during Tmall Double 11, and launched "Double 11 Good Things Appreciation Bureau" as a special topic on our BabyTree Parenting App. BabyTree also linked with multiple brands to jointly create "Magic 618 – Institute of Wonders" (神奇618-妙物研究所) during JD 618.

Finally, we launched a strategic cooperation with the Fosun Group through CBME China 2021, which greatly strengthened cooperation with advertising agencies, stabilized old customer increment and developed new customer resources.

Key focus in 2022

Looking toward to 2022, our brand advertising business will focus on several directions, including further exploration of top brands of M&C industry and brands favored by young families, upgrade of Omni-Channel business solutions for advertisers to help them leverage its brand recognition and become our long-term cooperation partners.

Continuous momentum of self-serve advertising

In recent years, brands are no longer satisfied with mere advertising. Instead, performance-based self-serve advertising and innovation in advertising formats have become popular with advertisers. In particular, self-serve advertising is a tech-driven business segment with low operating and client retention costs, which is enjoying a high gross profit of RMB51.3 million (compared with RMB35.9 million during the year ended December 31, 2020), and the value per click remained stable as compared to 2020. In light of this, we continued to capitalize on the strong momentum of self-serve advertising services. In 2021, we continued to optimize our operating algorithms and expanded our brand base. For the year ended December 31, 2021, we had 2,311 merchants (compared with 712 merchants for the year ended December 31, 2020, representing an increase of 224.6% year-on-year). Our advertisers for self-serve advertising mainly covers industries such as body-slimming, home-services, prenatal yoga, M&C care service center, accounting for more than 80% of our revenue from self-serve advertising services.

E-commerce

In the second half of 2021, the platform continued to optimize the merchant settlement process. At the same time, the original shop owners of the community were integrated with the new model of private domains. The columns of the mall were revised to connect with App content.

The revenue of the e-commerce business was RMB23.9 million for the year ended December 31, 2021, representing a double-digit increase of 20.1% compared with the year ended December 31, 2020, and the gross margin was 81.4% for the year ended December 31, 2021, which was mainly due to the significant recovery of the performance of the e-commerce marketplace channel.

Construction of community distribution system

In June 2021, we have constructed a community distribution system, thereby implementing a full-crew owner plan. As of December 31, 2021, the total amount of participating users was 13,182, with the total sales contributing to nearly 20% of the transaction volume of our relevant platforms, achieving a closed-loop construction ecosystem of users within the platform and promoting the rapid development of e-commerce business.

Classification of merchant recruitment system

We established targeted management through refined management of platform merchants based on brand recognition or sales rankings on relevant platforms, which divided them into key account merchants, potential merchants and standard merchants. We achieved differentiated operation based on merchant's classification. As of December 31, 2021, there were a total of 241 merchants on our platform, including 8 KA merchants. Benefiting from our excellent category management mechanism, our top three categories of merchants contributed to nearly 50% of the transaction scale on relevant platforms.

Key focus in 2022

In 2022, we will continue to be committed to the research, development and promotion of C2M products and the potential research of the Mika brand. In addition to the self-developed products, we will also continue to jointly launch co-branded products with third parties and construct the BabyTree C2M product system and brand matrix based on various brands. We expect to launch our first batch of self-developed cleaning and care products in the second quarter of 2022, which will be mainly for pregnant women and children, as well as related peripheral products to provide consumers with one-stop cleaning and care solutions. In addition, we will continue to build deeper into mother and baby nutrition, mother and baby consumer goods and other related fields in the future.

Meanwhile, we will continue to optimize the supply chain, reduce costs and increase efficiency, as well as explore a new model for platform e-commerce, and improve user's satisfaction and conversion rate.

In terms of marketing methods, we will create closed-loop marketing for our users through promotion, publicity and sales on BabyTree Breeding Stop (寶寶樹孕育站). Meanwhile, we will develop short videos, live broadcasts and other celebrity branding methods on third-party channels, such as Douyin and Kuaishou, and cooperate with online platforms such as Tmall, JD.com, and Hema Xiansheng to open up channels for online sales in relation to non-mother and baby consumer goods. In addition, we also hope to gradually cooperate with offline supermarkets in order to open up offline channels for distribution, thereby realizing a three-step marketing plan.

Efforts made for Partnering Business

We are also continuously improving our operational capabilities, such as developing online and offline third-party operation business. The third-party operation business involves our precise construction of a complete link of third-party operation services in relation to the branding, covering the entire life cycle of domestic and foreign brands. We provide six key servicing strategy suggestions for domestic and foreign brands, including brand exposure, store operation, integrated marketing, media operation, customer service and warehousing and logistics.

During the year ended December 31, 2021, we have been exploring the third-party operation business, and we have reached a cooperation consensus with a number of domestic and foreign brands, including the famous Australian brand Dr. Roebucks and the new domestic toothpaste brand Gma-oral (甘米藍). In addition, we have also reached a cooperation consensus with other well-known online and offline brands, including Tmall and Pinduoduo. Thus, achieving the integration and connection of internal and external resources of BabyTree, and realizing the breakthrough development of various business models in the end, thereby improving the monetization opportunities through our platform as a whole.

In 2022, we will continue to intensify our efforts to provide comprehensive solutions to various brands, ranging from early preparation, brand development and continuous marketing, as well as to build a connection for the high-quality overseas brands to enter into the Chinese market. We provide customers with business strategies in the early stage, assist them in integrated marketing after they enter into the market, grasp the optimal time for planning and creative marketing, and carry out marketing support and fission marketing in the long-term cooperation stage, in order to maximize online sales while assisting brand expansion through our service capabilities for offline maternal and infant distribution channels.

O2O Business – The Continuous Efforts in SaaS platform

(i) Marketing SaaS capabilities

The establishment of O2O Marketing SaaS platform is still in progress. Through online and offline connection empower business-end customers such as post-pregnancy care and other offline stores, which allows them to explore the potential of new monetization model. The core functions include merchant launch, sale packages, group purchase distribution, store evaluation, online customer acquisition, offline conversion and private domain traffic operation. It helps make full use of the private domain traffic within the BabyTree platform and WeChat community.

(ii) Talent strategy upgrade and women employees rights protection

As of December 31, 2021, we had 502 full-time employees, most of whom were in China, mainly in Beijing and Shanghai, with the rest in Wuhan, Guangzhou and Hangzhou.

In 2021, we changed the organization to create a horizontal and vertical front-end, middle-end and back-end matrix organizational structure that better promotes business collaboration, encouraging departmental collaboration and mutual support. In line with the 1 + 2 + 7 short, medium and long-term strategic goal of "deeply tapping the potential of the first business curve B2B, covering the traffic end and the new growth point of advertising business, and creating the second growth curve C2M and O2O business model", we have carried out a comprehensive organizational upgrade and personnel replacement, in preparation for the introduction of more talents suitable for the new business model in the second half of the year. In order to better attract external high-caliber talents to join, open up the channel for internal training and promotion, and let employees closely tie to the Company's performance and market value, we have optimized the design of the post and rank system and supplemented it with corresponding diversified incentive programs, including equity incentives, to increase employees' sense of belonging and ownership, and to create a high-performance corporate culture.

In addition, we make full use of the ecological resources of the shareholders, with the ecological linkage of business to obtain growth opportunities. In the introduction of high-end people, through the introduction of senior consultants and other forms, BabyTree has quickly formed a team of experts, laying the talent advantage in the industry. We promote the mechanism of multi-dimensional organizational fission, design an attractive profit-sharing model, promote the multiple fission of business team, mother and user, and help the business achieve the goal of exponential growth.

7. Outlook of 2022

Through servicing young families in the PRC for over 15 years, BabyTree confidently and proudly promotes the message of love and care to all users. Benefiting from the support of China's governmental policies, we believe we can implement the following enhancements and plans:

Developing content ecosystem as a cornerstone

We will establish a comprehensive KOC/KOL system, thereby forming a complete value chain from content creation to monetization. Through cooperating with leading companies such as Toutiao, Kuaishou and Xiaohongshu, we will vigorously introduce pan-M&C video content to enhance content consumption and user stickiness. In addition, we will further cooperate with entities within the Fosun ecosystem in terms of expert Q&A, assisted reproduction, and intelligent hardware.

Optimization and Revitalization of the C2M ecosystem

We have attached great importance to remedying mistakes we have made in the past and gain experience for the future. Defined by the criteria of high gross profit, high growth, high repurchase, high-tech, high attractiveness, high security, we aim to strengthen our selection capabilities through global selection. In addition, leveraging advantages brought about by the ecosystem of Fosun, our strategic shareholders, we comprehensively link to M&C family consumption life. We expect to further expand to more diverse categories such as ear temperature guns, feeding nipples, and bottles, providing a one-stop solution for baby consumption quality, baby lifestyle, mother and baby consumer goods.

Further, we intend to build a C2M data platform with a set of functions such as user insight, product design, marketing and sales, concept testing, supply chain opening system based on data sourced web-wide to build a top C2M brand in the M&C industry. Through the dynamic combination of production, research and e-commerce, we aim to create an all-around response to users' demand encompassing learning, accompanying, shopping, playing, and repurchase, establishing a perfect closed-loop for e-commerce based on content community.

Cross-territory leveraging

Possibility of Metaverse. Subject to country policies and complying with the relevant laws and regulations, we will explore the entry point for the M&C industry under the emerging technology system such as metaverse and strive to find the leverage for user expansion and business optimization. We plan to introduce the first metaverse IP through our Mika brand which will promote its young and warm brand positioning, while potentially moving into the metaverse territory in the long-run.

Enterprise WeChat SCRM SaaS platform construction. We will complete the construction of Enterprise WeChat SCRM SaaS platform to empower business-end customers to operate their private domain traffic, through core functions such as WeChat group and customer management, user acquisition, private traffic acquisition and conversion. We will help create user profiles and connect with third-party marketing platforms, such as Meitun Mama, O2O Marketing SaaS, Taoke and Weimob, continuously optimizing user profiles according to marketing conversion data, and in turn improve our acquisition capabilities. Through intelligent product selection, unified training, standard jargon library and unified SOP, we help achieve standardized large-scale operation model and complete close loop from private domain construction, customer operation to commercial conversion.

MANAGEMENT DISCUSSION AND ANALYSIS

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Revenue	**281,823**	212,260
Cost of revenue	**(111,103)**	(115,781)
Gross Profit	**170,720**	96,479
Other revenue	**40,910**	35,137
Other net gain/(loss)	**4,298**	(36,302)
Selling and marketing expenses	**(285,225)**	(285,568)
General and administrative expenses	**(218,463)**	(258,336)
Research and development expenses	**(48,824)**	(51,643)
Loss from operations	**(336,584)**	(500,233)
Net finance income	**2,842**	5,049
Fair value change on financial instruments measured at fair value through profit or loss	**(60,216)**	26,327
Share of losses of associates	**(3,439)**	(3,051)
Loss before taxation	**(397,397)**	(471,908)
Income tax credit	**10,283**	1,002
Loss for the year	**(387,114)**	(470,906)
Attributable to:		
Equity shareholders of the Company	**(387,099)**	(470,262)
Non-controlling interests	**(15)**	(644)

Revenue

Our total revenue increased by 32.8% to RMB281.8 million for the year ended December 31, 2021, compared to RMB212.3 million for the year ended December 31, 2020, primarily due to the increase in revenue of our advertising and e-commerce businesses. The following table sets forth our revenue by segment for the years indicated:

	Year ended December 31,			
	2021		2020	
	Amount	**% of total revenues**	Amount	% of total revenues
	RMB'000		*RMB'000*	
Advertising	**255,578**	**90.7%**	188,295	88.7%
E-commerce	**23,885**	**8.5%**	19,895	9.4%
Others	**2,360**	**0.8%**	4,070	1.9%
Total	**281,823**	**100.0%**	212,260	100.0%

Advertising

Revenue from advertising business increased by 35.7% to RMB255.6 million for the year ended December 31, 2021, compared to RMB188.3 million for the year ended December 31, 2020, primarily because (i) we effectively expanded our M&C related customers, and as the acceptance of local brands in China has increased, our customers' advertising budgets have increased, and we have continued to deepen cooperation with existing customers; and (ii) the development of self-serve advertising business remained strong.

E-commerce

Revenue from e-commerce business increased by 20.1% to RMB23.9 million for the year ended December 31, 2021, compared to RMB19.9 million for the year ended December 31, 2020, primarily due to (i) the building of our e-commerce team is gradually near-completion, and the e-commerce business has also fully developed the online sales business while maintaining the original self-operated model; and (ii) the expansion of the e-commerce platform business has led to an increase in revenue during the year ended December 31, 2021.

Others

Revenue from others decreased by 42.0% to RMB2.4 million for the year ended December 31, 2021, compared to RMB4.1 million for the year ended December 31, 2020, primarily due to the number of births in China being still in decline, while the rate of second births among newborns has risen, further reducing the demand for knowledge related to mother and child care.

Cost of Revenue

Our cost of revenue decreased by 4.0% to RMB111.1 million for the year ended December 31, 2021, compared to RMB115.8 million for the year ended December 31, 2020, primarily due to the decrease in revenue of the self-operated segment of the e-commerce business, while the corresponding cost decreased. The following table sets forth our cost of revenue by segment for the periods indicated:

	Year ended December 31,			
	2021		2020	
	Amount *RMB'000*	**% of total cost of revenue**	Amount *RMB'000*	% of total cost of revenue
Advertising	**106,532**	**95.9%**	98,126	84.8%
E-commerce	**4,448**	**4.0%**	16,646	14.4%
Others	**123**	**0.1%**	1,009	0.8%
Total	**111,103**	**100.0%**	115,781	100.0%

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 77.0% to RMB170.7 million for the year ended December 31, 2021, compared to RMB96.5 million for the year ended December 31, 2020. Our gross profit margin increased from 45.5% for the year ended December 31, 2020 to 60.6% for the year ended December 31, 2021. The following table sets forth our gross profit and gross profit margin by segment for the years indicated:

	Year ended December 31,			
	2021		2020	
	Gross profit *RMB'000*	**Gross profit margin** %	Gross profit *RMB'000*	Gross profit margin %
Advertising	**149,046**	**58.3%**	90,169	47.9%
E-commerce	**19,437**	**81.4%**	3,249	16.3%
Others	**2,237**	**94.8%**	3,061	75.2%
Total	**170,720**	**60.6%**	96,479	45.5%

Other Revenue

Our other revenue increased by 16.4% to RMB40.9 million for the year ended December 31, 2021, compared to RMB35.1 million for the year ended December 31, 2020, primarily due to the increase in investment income from financial assets at fair value through profit or loss.

Other Net Gain/(Loss)

Our other net gain/(loss) primarily consists net foreign exchange gains. We recorded other net loss of RMB36.3 million for the year ended December 31, 2020, while we recorded other net gain of RMB4.3 million for the year ended December 31, 2021, primarily due to fluctuations in foreign exchange rates.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 0.1% to RMB285.2 million for the year ended December 31, 2021, compared to RMB285.6 million for the year ended December 31, 2020, which remained generally stable. Selling and marketing expenses as a percentage of revenue decreased to 101.2% for the year ended December 31, 2021 from 134.5% for the year ended December 31, 2020.

General and Administrative Expenses

Our general and administrative expenses decreased by 15.4% to RMB218.5 million for the year ended December 31, 2021, compared to RMB258.3 million for the year ended December 31, 2020, primarily due to the improvement of the Group's operational efficiency which reduced related costs. General and administrative expenses as a percentage of revenue decreased to 77.5% for the year ended December 31, 2021 from 121.7% for the year ended December 31, 2020.

Research and Development Expenses

Our research and development expenses decreased by 5.5% to RMB48.8 million for the year ended December 31, 2021, compared to RMB51.6 million for the year ended December 31, 2020, primarily due to the improvement in the work efficiency of the Group's R&D personnel. Research and development expenses as a percentage of revenue decreased to 17.3% for the year ended December 31, 2021 from 24.3% for the year ended December 31, 2020.

Loss from Operations

As a result of the foregoing, we recorded loss from operations of RMB336.6 million for the year ended December 31, 2021, representing a decrease of 32.7% from the loss from operations of RMB500.2 million we incurred for the year ended December 31, 2020.

Net Finance Income

Our finance income primarily comprises interest income from deposits. Our net finance income decreased to RMB2.8 million for the year ended December 31, 2021, compared to RMB5.0 million for the year ended December 31, 2020. Such decrease was primarily due to the decrease in interest income from bank deposits.

Fair value changes on financial instruments measured at fair value through profit or loss

We recorded a fair value gain on financial instruments measured at fair value through profit or loss of RMB26.3 million for the year ended December 31, 2020, while we recorded a fair value loss on financial instruments measured at fair value through profit or loss of RMB60.2 million for the year ended December 31, 2021.

Share of losses of associates

Our share of losses of associates increased to RMB3.4 million for the year ended December 31, 2021, compared to RMB3.1 million for the year ended December 31, 2020.

Income Tax Credit

We recorded income tax credit of RMB10.3 million for the year ended December 31, 2021, and recorded income tax credit of RMB1.0 million for the year ended December 31, 2020, primarily because we estimate there will be sufficient taxable income in the foreseeable future to utilize the carry-forward tax losses and deductible temporary differences.

Loss Attributable to Equity Shareholders of the Company

As a result of the foregoing, we recorded loss attributable to equity shareholders of the Company of RMB387.1 million for the year ended December 31, 2021, representing a decrease of 17.7% from the loss attributable to equity shareholders of the Company of RMB470.3 million we incurred for the year ended December 31, 2020.

Capital Structure

Our total assets decreased from RMB2,442.0 million as of December 31, 2020 to RMB2,052.3 million as of December 31, 2021. Our total liabilities increased from RMB127.3 million as of December 31, 2020 to RMB163.0 million as of December 31, 2021. Liabilities-to-assets ratio changed from 5.2% as of December 31, 2020 to 7.9% as of December 31, 2021.

The current ratio (being the ratio of total current assets to the total current liabilities) was 11.6 as of December 31, 2021, compared to 16.1 as of December 31, 2020.

Liquidity, Financial Resources and Gearing

Our cash and other liquid financial resources (comprising (i) cash and cash equivalents including cash on hand and bank deposits and (ii) short-term bonds portfolios and wealth management products we bought), decreased from RMB1,730.1 million as of December 31, 2020 to RMB1,416.6 million as of December 31, 2021, primarily due to the decrease in working capital.

As of December 31, 2021 we did not have any outstanding borrowings. Accordingly, no gearing ratio is presented.

Capital Expenditure

Our capital expenditures, consisting of payments for the purchase of property, plant and equipment, were incurred mainly for servers, computers and office equipment. Our capital expenditures were RMB1.5 million as of December 31, 2021, compared to RMB5.1 million as of December 31, 2020.

Foreign Exchange Risk Management

We had cash at banks denominated in foreign currencies, which exposed us to foreign exchange risk. We do not use any derivative contracts to hedge against its exposure to foreign exchange risk. We manage currency risk by closely monitoring the movement of the foreign currency rates and will take prudent measures to minimize the currency translation risk.

Contingent Liabilities

As of December 31, 2021, we did not have any material contingent liabilities.

Material Acquisitions and Future Plans for Material Investments

During the year ended December 31, 2021, we did not conduct any material acquisitions and disposals of subsidiaries, associates and joint ventures.

As at the date of this announcement, we did not have any future plans for material investments.

Significant Investments

The Group did not have any significant investments held as of December 31, 2021.

Pledge of Assets

As of December 31, 2021, RMB2.1 million was pledged to secure investments.

Significant Events after the Reporting Period

The Group does not have any material subsequent event after December 31, 2021 and up to the date of this announcement.

Final Dividend

The Board did not recommend the payment of a final dividend for the year ended December 31, 2021 (for the year ended December 31, 2020: Nil).

Annual General Meeting

The annual general meeting of the Company (the "**AGM**") will be held on Friday, June 10, 2022. A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner required by the Rules Governing the Listing Rules in due course.

Closure of Register of Members

For the purpose of ascertaining the members' eligibility to attend and vote at the AGM, the Company's register of members will be closed from Monday, June 6, 2022 to Friday, June 10, 2022, both dates inclusive, during which period no transfer of share will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Thursday, June 2, 2022.

Company Information

The Company was incorporated in the Cayman Islands on February 9, 2018 as an exempted company with limited liability, and the shares were listed on the Main Board of the Hong Kong Stock Exchange on November 27, 2018.

Employees

As of December 31, 2021, we had 502 full-time employees, substantially all of whom were based in China, primarily in Beijing and Shanghai, with the rest based in Wuhan, Guangzhou, Hangzhou, Xiamen and Ningbo. Our success depends on our ability to attract, retain and motivate qualified personnel. The remuneration package for our employees generally includes salary and bonuses. We determine employee remuneration based on factors such as qualifications and years of experience. Employees also receive welfare benefits, including medical care, retirement benefits, occupational injury insurance and other miscellaneous items. We make contributions to mandatory social security funds for our employees to provide for retirement, medical, work-related injury, maternity and unemployment benefits.

USE OF NET PROCEEDS FROM LISTING

Our shares were listed on the Hong Kong Stock Exchange on November 27, 2018, and the net proceeds raised during our initial public offering were approximately HKD1,769.7 million.

The following table sets forth the status of the use of net proceeds from the initial public offering[(1)]:

Intended use of proceeds Categories	Sub-categories	Percentage of intended use of proceeds (%)	Intended use of proceeds from the initial public offering *(in HKD millions)*	Percentage of used amount as of December 31, 2021 (%)	Percentage of unused balance as of December 31, 2021 (%)	Timeframe for the unused balance
Business expansion, such as acquiring users and improving user engagement, generating and acquiring more quality content, recruiting and retaining competent personnel to support our expansion and brand marketing activities, and further enhancing our brand awareness through marketing activities	Acquiring users and improving user engagement	5.0	88.5	5.0	0.0	N/A
	Generating and acquiring more quality content	10.0	177.0	10.0	0.0	
	Recruiting and retaining competent personnel to support our expansion and brand marketing activities	10.0	177.0	10.0	0.0	
	Further enhancing our brand awareness through marketing activities	5.0	88.5	5.0	0.0	
Sub-total		30.0	530.9	30.0	0.0	

Intended use of proceeds Categories	Sub-categories	Percentage of intended use of proceeds (%)	Intended use of proceeds from the initial public offering *(in HKD millions)*	Percentage of used amount as of December 31, 2021 (%)	Percentage of unused balance as of December 31, 2021 (%)	Timeframe for the unused balance
Research and development, such as recruiting and retaining technical talent, maintaining and strengthening our IT infrastructure and further developing our technology stack	Recruiting and retaining technical talent to develop and upgrade our mobile apps and websites with more functionalities by providing competitive salary and equity compensation and opening development centers in emerging technology hubs	10.0	177.0	8.1	1.9	In the next six months
	Maintaining and strengthening our IT infrastructure to accommodate our business expansion	10.0	177.0	7.0	3.0	
	Further developing our technology stack, including data and storage management, computer vision, Neurolinguistic programming and augmented reality, to enhance user experience	10.0	177.0	6.9	3.1	
Sub-total		30.0	530.9	22.0	8.0	
Further investments, acquisitions and strategic alliances, such as investing in companies with advanced technology and service solutions or with complementary business lines, or have adequate capabilities to generate synergy with our current business, and establishing partnerships with quality local partners in overseas countries		30.0	530.9	14.0	16.0	In the next twelve months
Working capital and other general corporate purposes		10.0	177.0	8.5	1.5	
Total		100.0	1,769.7	74.5	25.5	

Notes:

(1) The figures in the table are approximate figures.

(2) The Company has fully utilized the intended use of proceeds for business expansion, representing a 11-month delay in its expected timeframe set out in the Prospectus. Such delay was primarily due to adjustments made to the Group's business development strategy as affected by the macroeconomic environment in China.

(3) The Company expects to fully utilize the remaining unused net proceeds for research and development in the next six months, representing a 19-month delay in the expected timeframe set out in the Prospectus for recruiting and retaining technical talent and for further developing technology stack, and a 7-month delay in the expected timeframe set out in the Prospectus for maintaining and strengthening IT infrastructure. Such delay was primarily due to adjustments to the Group's business development strategy as affected by the macroeconomic environment in China.

(4) The Company expects to fully utilize the remaining unused net proceeds for investments in the next 12 months, representing a 25-month delay in its expected timeframe set out in the Prospectus. Such delay was primarily because the operating results of potential targets were materially and adversely affected by the outbreak of COVID-19 and the Company will continue to explore potential investment opportunities.

SHARE OPTION SCHEME

A share option scheme was adopted at the annual general meeting of the Company held on June 13, 2019 and was amended at the extraordinary general meeting held on October 26, 2021. For details of the amendments, see the circular issued by the Company on October 7, 2021. The purpose of the share option scheme is to attract, retain and motivate talented employees to strive towards long term performance targets set by the Group and to provide them with an incentive to work better for the interest of the Group. The share option scheme will link the value of the Company with the interests of the participants, enabling the participants and the Company to develop together and promote the Company's corporate culture.

The share option scheme remains valid for a period of ten years commencing on June 13, 2019. As of December 31, 2021, no option had been granted or agreed to be granted, and thus no options had been exercised, cancelled or lapsed under the share option scheme. As a result, the total number of Shares available for grant under the share option scheme was 166,071,160, representing 10% of the total shares in issue of the Company as of October 26, 2021, the date of approval of the increased share option scheme mandate.

ROUNDING

Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2021
(Expressed in Renminbi)

	Note	**2021** *RMB'000*	2020 *RMB'000*
Revenue	*4*	**281,823**	212,260
Cost of revenue		**(111,103)**	(115,781)
Gross profit		**170,720**	96,479
Other revenue	*5(a)*	**40,910**	35,137
Other net gain/(loss)	*5(b)*	**4,298**	(36,302)
Selling and marketing expenses		**(285,225)**	(285,568)
General and administrative expenses		**(218,463)**	(258,336)
Research and development expenses		**(48,824)**	(51,643)
Loss from operations		**(336,584)**	(500,233)
Net finance income	*6(a)*	**2,842**	5,049
Fair value change on financial instruments measured at fair value through profit or loss		**(60,216)**	26,327
Share of losses of associates		**(3,439)**	(3,051)
Loss before taxation	*6*	**(397,397)**	(471,908)
Income tax credit	*7*	**10,283**	1,002
Loss for the year		**(387,114)**	(470,906)
Attributable to:			
Equity shareholders of the Company		**(387,099)**	(470,262)
Non-controlling interests		**(15)**	(644)
Loss for the year		**(387,114)**	(470,906)
Loss per share	*8*		
Basic and diluted (RMB)		**(0.23)**	(0.28)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021
(Expressed in Renminbi)

	Note	**2021** *RMB'000*	2020 *RMB'000*
Loss for the year		**(387,114)**	(470,906)
Other comprehensive expense for the year (after tax and reclassification adjustments)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of the Company and overseas subsidiaries		**(38,092)**	(130,527)
Share of an associate's other comprehensive expense		**(245)**	(146)
Other comprehensive expense for the year		**(38,337)**	(130,673)
Total comprehensive expense for the year		**(425,451)**	(601,579)
Attributable to:			
Equity shareholders of the Company		**(425,430)**	(600,897)
Non-controlling interests		**(21)**	(682)
Total comprehensive expense for the year		**(425,451)**	(601,579)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2021
(Expressed in Renminbi)

	Note	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment		**38,662**	26,189
Intangible assets		**4,609**	5,711
Prepayments for non-current assets		**–**	–
Interests in associates	*9*	**38,922**	42,733
Financial assets measured at fair value through profit or loss	*10*	**232,416**	326,889
Deferred tax assets		**38,428**	28,061
		353,037	429,583
Current assets			
Inventories		**2,511**	186
Contract assets	*11(a)*	**18,991**	8,128
Trade receivables	*12*	**99,737**	84,175
Prepayments and other receivables		**152,095**	174,577
Other current assets		**9,292**	15,309
Financial assets measured at fair value through profit or loss	*10*	**175,757**	650,360
Cash and bank balances		**1,240,856**	1,079,716
		1,699,239	2,012,451
Current liabilities			
Trade payables	*13*	**23,433**	20,282
Accruals and other payables	*14*	**100,688**	85,857
Contract liabilities	*11(b)*	**7,592**	6,390
Lease liabilities		**14,398**	12,102
Derivative financial instruments		**114**	–
Current taxation		**63**	6
		146,288	124,637
Net current assets		**1,552,951**	1,887,814
Total assets less current liabilities		**1,905,988**	2,317,397

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
as at 31 December 2021
(Expressed in Renminbi)

	Note	**2021** **RMB'000**	2020 RMB'000
Non-current liabilities			
Lease liabilities		**16,570**	2,528
Deferred tax liabilities		**115**	115
		16,685	2,643
Net assets		**1,889,303**	2,314,754
Equity			
Share capital	*15*	**1,152**	1,153
Reserves		**1,885,282**	2,310,711
Total equity attributable to equity shareholders of the Company		**1,886,434**	2,311,864
Non-controlling interests		**2,869**	2,890
Total equity		**1,889,303**	2,314,754

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Renminbi)

1 GENERAL INFORMATION

BabyTree Group (the "**Company**") was incorporated in Cayman Islands on 9 February 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company's registered office address is P.O. BOX 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands, and the principal place of business of the Company is located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (together, the "**Group**") are principally engaged in the advertising, e-commerce and other service business (the "**Business**") in the People's Republic of China (the "**PRC**").

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 27 November 2018 (the "**Listing**").

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is different from the Company's functional currency of United States dollars ("**US$**"). The consolidated financial statements are presented in RMB as the business of the Group is mainly carried out in the PRC.

2 BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these consolidated financial statements.

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Group and the Group's interests in associates.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that certain financial assets and derivative financial instruments are stated at their fair value through profit or loss ("**FVPL**").

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2 BASIS OF PREPARATION (continued)

(b) Basis of preparation of the consolidated financial statements (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRSs issued by the IASB to these consolidated financial statements for the current accounting period:

– Amendment to IFRS 16, Covid-19 – related rent concessions

– Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest Rate Benchmark Reform – phase 2

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are providing advertising and e-commerce business services to customers.

(i) Disaggregation of revenue

Revenue of the Group are all from contracts with customers within the scope of IFRS 15. The amount of each significant category of revenue is as follows:

	2021	2020
	RMB'000	*RMB'000*
Advertising	**255,578**	188,295
E-commerce	**23,885**	19,895
Others	**2,360**	4,070
	281,823	212,260

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in note 4(b).

In 2021, the Group's customer base is diversified and includes one customer (2020: one customer) with whom transactions has exceeded 10% of the Group's revenues during the reporting period. Revenues from advertising to this customer amounted to approximately RMB33.0 million (2020: RMB28.8 million).

4 REVENUE AND SEGMENT REPORTING (continued)

(a) Revenue (continued)

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

Contracts with advertising customers always have an original expected duration of less than one year. And contracts with individual customers for e-commerce and other services are always satisfied within one month.

The Group has applied the practical expedient in paragraph 121 of IFRS 15 and therefore the information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations is not disclosed for contracts that have an original expected duration of one year or less.

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has presented the following three reportable segments:

– Advertising;

– E-commerce, which includes direct sales and marketplace; and

– Others, which includes content monetisation, insurance agent service and other services.

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the revenue and gross profit attributable to each reportable segment. Depreciation and amortisation, recognition of loss allowance on trade and other receivables and contract assets, net finance income and other revenue are allocated to each reportable segment. Other items in profit or loss are not allocated to reportable segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits or losses of associates, directors' and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning inter-segment sales, the Group's interest income from cash balances, depreciation and amortisation and loss allowance. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Other information, together with the segment information, provided to the Group's senior executive management, is measured in a manner consistent with that applied in these consolidated financial statements. There were no separate segment assets and segment liabilities information provided to the Group's senior executive management, as they do not use this information to allocate resources to or evaluate the performance of the operating segments.

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 is set out below:

	For the year ended 31 December 2021				
	Advertising *RMB'000*	E-commerce *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Disaggregated by timing of revenue recognition					
Over time	255,578	–	–	–	255,578
Point in time	–	23,885	2,360	–	26,245
Revenue from external customers	255,578	23,885	2,360	–	281,823
Inter-segment revenue	–	1,890	–	(1,890)	–
Reportable segment revenue	255,578	25,775	2,360	(1,890)	281,823

	For the year ended 31 December 2021			
	Advertising *RMB'000*	E-commerce *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue	255,578	23,885	2,360	281,823
Segment cost	(106,532)	(4,448)	(123)	(111,103)
Gross profit	149,046	19,437	2,237	170,720
Reportable segment (loss)/profit (adjusted EBITDA)	(145,738)	(8,403)	1,186	(152,955)
Depreciation and amortisation	(18,275)	(1,618)	(150)	(20,043)
Recognition of loss allowance on trade and other receivables and contract assets	(93,591)	(9)	(665)	(94,265)
Net finance income	2,610	272	23	2,905
Unallocated other revenue				36,009
Unallocated share of losses of associates				(3,439)
Unallocated fair value change on financial instruments measured at FVPL				(60,216)
Unallocated depreciation and amortisation				(3,494)
Unallocated recognition of loss allowance on trade and other receivables and contract assets				(200)
Unallocated net finance cost				(63)
Unallocated other costs				(101,636)
Loss before taxation				(397,397)
Income tax credit				10,283
Loss for the year				(387,114)

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

	For the year ended 31 December 2020				
	Advertising *RMB'000*	E-commerce *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Disaggregated by timing of revenue recognition					
Over time	188,295	–	–	–	188,295
Point in time	–	19,895	4,070	–	23,965
Revenue from external customers	188,295	19,895	4,070	–	212,260
Inter-segment revenue	–	557	–	(557)	–
Reportable segment revenue	188,295	20,452	4,070	(557)	212,260

	For the year ended 31 December 2020			
	Advertising *RMB'000*	E-commerce *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue	188,295	19,895	4,070	212,260
Segment cost	(98,126)	(16,646)	(1,009)	(115,781)
Gross profit	90,169	3,249	3,061	96,479
Reportable segment loss (adjusted EBITDA)	(256,634)	(61,354)	(2,121)	(320,109)
Depreciation and amortisation	(28,553)	(2,444)	(594)	(31,591)
Recognition of loss allowance on trade and other receivables and contract assets	(137,876)	541	(3,557)	(140,892)
Net finance income	1,178	414	42	1,634
Unallocated other revenue				31,082
Unallocated share of losses of associates				(3,051)
Unallocated fair value change on financial instruments measured at FVPL				26,327
Unallocated depreciation and amortisation				(3,820)
Unallocated net finance income				3,415
Unallocated other costs				(34,903)
Loss before taxation				(471,908)
Income tax credit				1,002
Loss for the year				(470,906)

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

The Group's revenue from external customers, based on the locations of customers is as follows:

	Revenue from external customers	
	2021	2020
	RMB'000	*RMB'000*
PRC	**280,872**	205,189
Canada	**951**	–
United States of America	**–**	7,071
	281,823	212,260

As at 31 December 2021, substantially all of the non-current assets of the Group other than certain interests in associates, bonds portfolios, unlisted equity securities and wealth management products were located in PRC.

5 OTHER REVENUE AND OTHER NET GAIN/(LOSS)

(a) Other revenue

	2021	2020
	RMB'000	*RMB'000*
Investment income on financial assets measured at FVPL	**34,606**	29,724
Government grants *(Note (i))*	**1,079**	3,435
Value added tax concession *(Note (ii))*	**749**	1,140
Penalty income	**–**	584
Sundry income	**4,476**	254
	40,910	35,137

Notes:

(i) Government grants are awarded to the Group by the local government as incentives primarily to encourage the brand building of the Group and cultural development and the refund of unemployment insurance premiums paid by employers.

(ii) It mainly represents the tax concession revenue generated by the policy of additional deduction of input Value-added tax. From 1 April 2019 to 31 December 2021, taxpayers in the production and living service industries are allowed to add 10% of the current deductible input Value-added tax to offset the Value-added tax payable. As the Group's businesses meet the requirements of the policy, those businesses are eligible for the tax benefit.

5 OTHER REVENUE AND OTHER NET GAIN/(LOSS) (continued)

(b) Other net gain/(loss)

	2021	2020
	RMB'000	*RMB'000*
Net foreign exchange gain	**6,832**	7,975
Net loss on deemed disposal on interests in an associate	**(127)**	–
Net (loss)/gain on disposal of property, plant and equipment	**(64)**	165
Recognition of impairment loss on prepayments for non-current assets	**–**	(42,670)
Reversal of impairment loss on prepayments to suppliers	**–**	810
Recognition of impairment loss on interests in an associate	**–**	(2,441)
Write-off of property, plant and equipment	**(1,788)**	–
Others	**(555)**	(141)
	4,298	(36,302)

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after (crediting)/charging:

(a) Net finance income

	2021	2020
	RMB'000	*RMB'000*
Interest income from deposits in banks and other financial institutions	**(4,087)**	(7,814)
Interest expense on interest-bearing loans	**111**	1,580
Interest on lease liabilities	**1,134**	1,185
	(2,842)	(5,049)

(b) Staff costs

	2021	2020
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**165,129**	157,680
Contributions to defined contribution retirement plan *(Note)*	**33,885**	24,938
Termination benefits	**9,714**	15,465
	208,728	198,083

Note:

Employees of the Group's subsidiaries in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's subsidiaries in the PRC contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

No forfeited contributions (2020: Nil) were utilised during the year. There is no forfeited contribution available at 31 December 2021 and 2020 to reduce future contributions.

6 LOSS BEFORE TAXATION (continued)

(c) Other items

The following expenses are included in cost of revenue, selling and marketing expenses, general and administrative expenses and research and development expenses:

	2021 *RMB'000*	2020 *RMB'000*
Recognition of loss allowance on trade receivables and contract assets	**35,279**	49,086
Recognition of loss allowance on other receivables		
– due from related parties	**58,978**	36,760
– due from third parties	**208**	55,046
Consultancy and service fee to related parties	**27,022**	–
Cost of inventories	**4,193**	11,767
Expense relating to short-term leases	**301**	1,937
Depreciation charge		
– owned property, plant and equipment	**2,981**	9,313
– right-of-use assets	**18,902**	24,154
Amortisation cost of intangible assets	**1,654**	1,944
Write-off of other receivables	**–**	391
Auditors' remuneration		
– audit services	**4,730**	4,600
– non-audit services	**800**	844

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Income tax credit in the consolidated statement of profit or loss represents:

	2021 *RMB'000*	2020 *RMB'000*
Current tax – PRC Enterprise Income Tax		
Provision for the year	**63**	6
Under/(over)-provision in respect of prior years	**21**	(1,008)
Deferred tax		
Origination and reversal of temporary differences	**(10,367)**	–
	(10,283)	(1,002)

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

(b) Reconciliation between income tax credit and accounting loss at applicable tax rates:

	Note	**2021** **RMB'000**	2020 RMB'000
Loss before taxation		**(397,397)**	(471,908)
Tax calculated at statutory tax rates applicable to profits or losses in the respective jurisdictions	*(i)*	**(67,878)**	(114,920)
Tax effect of:			
Non-deductible expenses and losses	*(ii)*	**8,477**	2,065
Preferential tax rate applicable to a subsidiary	*(i)*	**14,604**	19,764
Additional deductible allowance for research and development expenses		**(6,938)**	(5,903)
Tax loss and temporary differences not recognised as deferred tax assets		**53,346**	102,364
Utilisation of previously unrecognised temporary differences		**(11,915)**	(3,364)
Under/(over)-provision in respect of prior years		**21**	(1,008)
Actual tax credit		**(10,283)**	(1,002)

Notes:

(i) Income tax rate applies to the Company and subsidiaries

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

The Group has no assessable profit in Hong Kong during the reporting period and is not subject to any Hong Kong Profits Tax. The Hong Kong Profits Tax rate during the reporting period is 16.5%.

In accordance with the Enterprise Income Tax Law ("**Income Tax Law**") of the PRC, enterprise income tax rate for the Group's PRC subsidiaries during the reporting period is 25%.

According to the relevant PRC Income Tax Law, the Company's subsidiary, BabyTree (Beijing) Information and Technology Co., Ltd. ("**BabyTree Information**") was certified as a New and High Technology Enterprise in Beijing since 2016, and is entitled to a preferential income tax rate of 15%. The current certification of New and High Technology Enterprise held by BabyTree Information will expire on 1 December 2022.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(ii) Non-deductible expenses and losses mainly represent non-deductible other expenses or losses that exceed the deductible limitation such as entertainment, donation and others.

8 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of RMB387.1 million (2020: RMB470.3 million) and the weighted average of 1,660,712,000 ordinary shares (2020: 1,661,340,000 ordinary shares), calculated as follows:

(i) Loss attributable to equity shareholders of the Company

	2021	2020
	RMB'000	*RMB'000*
Loss attributable to equity shareholders of the Company	**(387,099)**	(470,262)

(ii) Weighted average number of ordinary shares

	2021	2020
	'000	*'000*
Issued ordinary shares at 1 January	**1,662,002**	1,668,910
Effect of repurchase and cancellation of ordinary shares	**(1,290)**	(7,570)
Weighted average number of ordinary shares at 31 December	**1,660,712**	1,661,340

(b) Diluted loss per share

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

There was no difference between the basic and diluted loss per share during the years 2021 and 2020 as there were no dilutive potential shares outstanding for the years 2021 and 2020.

9 INTERESTS IN ASSOCIATES

The following list contains only the particulars of material associate, which is an unlisted corporate entity whose quoted market price is not available:

Name of company	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by the subsidiary	Type of business	Principal activity
Vivoiz Healthtech Private Limited ("**Vivoiz**")	Delhi, India, 5 January 2016	17,784 shares (2020: 13,117 shares)	8.54% (2020: 10.81%)	– (2020: –)	8.54% (2020: 10.81%)	Limited liability company	Social network operation

The above associate is accounted for using the equity method in the consolidated financial statements.

Vivoiz is regarded as an associate of the Group as the Group has ability to exercise significant influence through participation in policy-making processes, including decisions about dividends, of Vivoiz.

As at 31 December 2020, the Group owned 10.81% equity interests in Vivoiz. On 14 November 2021, upon additional capital contribution being made by certain new shareholders of Vivoiz, the registered capital of Vivoiz was enlarged and the Group's equity interests in Vivoiz was diluted from 10.81% to 8.54%, resulting in a net loss on deemed disposal of interests in an associate of approximately RMB127,000.

Summarised financial information of the material associate, Vivoiz, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2021 ***RMB'000***	2020 *RMB'000*
Current assets	**24,847**	7,556
Non-current assets	**3,234**	7,413
Current liabilities	**(5,663)**	(3,815)
Non-current liabilities	**(8,733)**	(4,206)
Revenue	**3,836**	264
Loss for the year	**(23,543)**	(12,686)
Other comprehensive income/(expense) for the year	**206**	(1,349)
Total comprehensive expense for the year	**(23,337)**	(14,035)
Dividends received from the associate during the year	**–**	–

9 INTERESTS IN ASSOCIATES (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Vivoiz recognised in the consolidated financial statements:

	2021	2020
	RMB'000	*RMB'000*
Net assets of the associate	**13,685**	6,948
Proportion of the Group's ownership interest in Vivoiz	**8.54%**	10.81%
Group's share of net assets of the associate	**1,169**	751
Goodwill	**11,984**	14,985
Effect of foreign currency exchange difference	**(694)**	(359)
Carrying amount of the Group's interest in Vivoiz	**12,459**	15,377

Aggregate information of associates that are not individually material:

	2021	2020
	RMB'000	*RMB'000*
Aggregate carrying amounts of individually immaterial associates in the consolidated financial statements	**26,463**	27,356
Aggregate amounts of the Group's share of those associates' losses from operations		
Loss for the year	**(894)**	(1,680)
Other comprehensive income for the year	**–**	–
Total comprehensive expense for the year	**(894)**	(1,680)

10 EQUITY AND DEBT INVESTMENTS

	2021	2020
	RMB'000	*RMB'000*
Financial assets measured at FVPL		
Non-current portion		
– Unlisted equity securities	**167,052**	190,000
– Bonds portfolios	**65,364**	136,889
	232,416	326,889
Current portion		
– Bonds portfolios	**83,894**	457,311
– Wealth management products	**91,863**	193,049
	175,757	650,360
Total	**408,173**	977,249

11 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2021	2020
	RMB'000	*RMB'000*
Contract assets		
– Arising from performance under advertising contracts	**20,966**	8,835
Less: loss allowance	**(1,975)**	(707)
	18,991	8,128

The Group has the right to consideration upon the completion of the advertising service, of which the obligations of those contracts are in progress as at 31 December 2021 and 2020. The Group's contract assets as at the end of reporting periods would be realised within the next twelve months as the contract terms with advertising customers always have an original expected duration of less than one year.

(b) Contract liabilities

	2021	2020
	RMB'000	*RMB'000*
Contract liabilities		
Advertising	**4,645**	3,781
E-commerce	**2,947**	2,609
	7,592	6,390

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

The Group keeps deposits before the satisfaction of online self-ordered advertisement. These deposits are recognised as contract liabilities until the Group satisfied the display of the advertisement.

The Group receives total consideration of the goods from customers before the Group delivers the goods to customers. Contract liabilities are recognised until the customer takes possession of and accept the goods.

Movements in contract liabilities

	2021	2020
	RMB'000	*RMB'000*
Balance at 1 January	**6,390**	2,211
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	**(5,713)**	(1,458)
Increase in contract liabilities as a result of receiving deposits during the year	**6,915**	5,637
Balance at 31 December	**7,592**	6,390

12 TRADE RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Amounts due from third parties	**220,734**	171,161
Amounts due from related parties	**28,282**	28,282
Less: loss allowance	**(149,279)**	(115,268)
	99,737	84,175

Ageing analysis

As of the end of each of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 6 months	**82,989**	82,796
6 months to 1 year	**16,470**	1,289
1 to 2 years	**278**	90
	99,737	84,175

The credit terms agreed with customers are normally 30-90 days from the date of billing or 60-120 days after the date the advertisement posted. No interests are charged on the trade receivables.

13 TRADE PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Amounts due to third parties	**23,107**	19,946
Amounts due to related parties	**326**	336
	23,433	20,282

As of the end of each of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 6 months	**13,850**	10,682
6 months to 1 year	**2,543**	1,639
1 to 2 years	**624**	7,662
Over 2 years	**6,416**	299
	23,433	20,282

14 ACCRUALS AND OTHER PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Amounts due to merchants	**12,404**	17,053
Amounts due to related parties	**19,462**	19,463
Payroll payables	**22,893**	3,472
Taxes and levies payables	**4,186**	4,143
Deposit from merchants	**8,475**	9,909
Other payables		
– Audit fee	**4,800**	4,600
– Internet and technical service fee payables	**4,076**	3,656
– Promotion and advertising service fee payables	**11,550**	8,528
– Others	**12,842**	15,033
	100,688	85,857

All of the accruals and other payables are expected to be settled or recognised as profit or loss within one year or are repayable on demand.

15 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital and premium

	Number of ordinary shares	**Share capital**	**Share premium**
		RMB'000	*RMB'000*
As at 1 January 2020	1,668,910,609	1,158	7,892,474
Cancellation of repurchased ordinary shares	(6,909,000)	(5)	(10,847)
As at 31 December 2020 and 1 January 2021	1,662,001,609	1,153	7,881,627
Cancellation of repurchased ordinary shares	(1,290,000)	(1)	(1,162)
As at 31 December 2021	1,660,711,609	1,152	7,880,465

On 3 June 2020, the Company cancelled 6,909,000 ordinary shares, of which 6,039,000 shares were repurchased during the year ended 31 December 2019 and 870,000 shares were repurchased during the year ended 31 December 2020.

On 22 March 2021, the Company cancelled 1,290,000 ordinary shares, which were repurchased during the year ended 31 December 2020.

(b) Dividends

During the year, no dividends were declared or paid by the Company to its equity shareholders (2020: Nil).

15 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Treasury shares

	Number of shares	*RMB'000*
As at 1 January 2020	6,039,000	10,145
Shares repurchased to be cancelled	2,160,000	1,870
Cancellation of treasury shares	(6,909,000)	(10,852)
As at 31 December 2020 and 1 January 2021	1,290,000	1,163
Cancellation of treasury shares	(1,290,000)	(1,163)
As at 31 December 2021	–	–

The repurchase of shares was governed by Chapter 10 of the Listing Rules. There was no repurchase of shares during the year ended 31 December 2021. During the year ended 31 December 2020, the Company repurchased its own ordinary shares through The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share *HK$*	Lowest price paid per share *HK$*	Aggregate consideration paid *HK$'000*
April 2020	2,160,000	1.03	0.83	2,047

During the year ended 31 December 2021, 1,290,000 (2020: 6,909,000) repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by US$129 (2020: US$691) (equivalent to RMB833 (2020: equivalent to RMB4,799)).

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended December 31, 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any other listed securities of the Company.

Compliance with the Corporate Governance Code (the "CG Code")

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 applied the principles as set out in the CG Code contained in Appendix 14 to the Listing Rules.

The Board is of the view that during the year ended December 31, 2021, the Company has complied with most of the code provisions as set out in the CG Code, except for the deviation from code provision A.2.1 of the CG Code (which has been renumbered as code provision C.2.1 of part 2 of the CG Code with effect from January 1, 2022) ("**Code Provision A.2.1**") as explained below.

Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the year ended December 31, 2020 and up to January 20, 2021, the chairman of the Board (the "**Chairman**") and chief executive officer of the Company (the "**Chief Executive Officer**") were held by Mr. WANG Huainan ("**Mr. Wang**"). In view of Mr. Wang's experience, personal profile and his roles in the Company and the fact that Mr. Wang had assumed the role of Chief Executive Officer since our commencement of business, the Board considered it beneficial to the business prospect and operational efficiency of the Company that Mr. Wang acted as the Chairman and continued to act as the Chief Executive Officer. While this constituted a deviation from Code Provision A.2.1, the Board believed that this structure would not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by the Board required approval by at least a majority of the Directors; (ii) Mr. Wang and the other Directors were aware of and undertook to fulfill their fiduciary duties as Directors, which required, among other things, that he acted for the benefit and in the best interests of the Company and would make decisions for the Company accordingly; and (iii) the balance of power and authority was ensured by the operations of the Board which comprised experienced and high caliber individuals who met regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial, and operational policies of the Company were made collectively after thorough discussion at both Board and senior management levels.

In order to further enhance the corporate governance of the Company and comply with Code Provision A.2.1, and to better focus on the development strategy of the Company, Mr. Wang resigned from his role as the Chief Executive Officer on January 20, 2021, but remained as the Chairman, and Mr. PAN Zhiyong was appointed as an executive Director and the Chief Executive Officer on January 20, 2021. Subsequently, Mr. GAO Min was appointed as co-Chairman with Mr. Wang on June 18, 2021, and Mr. PAN Zhiyong resigned as an executive Director and the Chief Executive Officer on July 28, 2021.

After Mr. PAN Zhiyong's resignation, the position of the Chief Executive Officer of the Company is still vacant up to the date of this announcement, and the responsibilities of the Chief Executive Officer have been assumed by Mr. GAO Min during such vacancy.

The Company will, from time to time, review the effectiveness of the Group's corporate governance structure and consider the re-establishment of the role of the Chief Executive Officer.

Compliance with the Model Code for Securities Transactions by Directors

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 the Group's code of conduct regarding the Directors' securities transactions. Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the Model Code for the year ended December 31, 2021.

The Board has also adopted the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision A.6.4 of the CG Code (which has been renumbered as code provision C.1.3 of part 2 of the CG Code with effect from January 1, 2022). No incident of non-compliance with the Model Code by the Company's relevant employees has been noted for the year ended December 31, 2021 after making reasonable enquiry.

Audit Committee and Review of Financial Statements

The Company established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely Mr. CHEN Guanglei (chairman), Mr. De-chao Michael YU and Mr. ZHANG Hongjiang (with Mr. CHEN Guanglei possessing the appropriate professional qualifications and accounting and related financial management expertise). The main duties of the Audit Committee are to assist the Board in providing an independent review of the completeness, accuracy and fairness of the financial information of the Group, as well as the efficiency and effectiveness of the Group's operations and internal controls.

The Audit Committee has reviewed the audited financial statements of the Group for the year ended December 31, 2021. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and the Company's auditor, Baker Tilly Hong Kong Limited, Certified Public Accountants (the "**Auditor**"). Based on this review and discussions with the management and the Auditor, the Audit Committee was satisfied that the Group's audited consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the year ended December 31, 2021.

Scope of Work of the Auditor

The figures contained in respect of the Group's consolidated statement of financial position as at December 31, 2021, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2021 as set out in the preliminary announcement have been agreed by the Auditor, to the amounts set out in the Group's audited consolidated financial statements of the Group for the year ended December 31, 2021. The Auditor performed this work in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-upon Procedures Regarding Financial Information" and with reference to Practice Note 730 (Revised) "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The work performed by the Auditor in this respect does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Auditor on this announcement.

Publication of Annual Results Announcement and Annual Report

This annual results announcement is published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (ir.babytree.com). The annual report of the Company for the year ended December 31, 2021 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the same websites in due course.

APPRECIATION

On behalf of everyone at BabyTree Group, I would like to express our sincere gratitude to all of our users. I would also like to thank all our employees and management team for demonstrating BabyTree's core values in every day's work, and executing the Group's strategy with professionalism, integrity and dedication. I am also thankful for the continued support and trust from our shareholders and stakeholders. We will strive to provide consolidated high-quality services and products to better serve various needs of young families.

By Order of the Board
BabyTree Group
寶寶樹集團
GAO Min
WANG Huainan
Co-chairmen

Hong Kong, March 29, 2022

As at the date of this announcement, the Board comprises Mr. GAO Min and Mr. XU Chong as executive Directors; Mr. WANG Huainan, Mr. QIAN Shunjiang, Mr. CHEN Bing, Mr. CHEN Weijun, Mr. WU Ying and Mr. Christian Franz REITERMANN as non-executive Directors; and Mr. CHEN Guanglei, Mr. De-chao Michael YU, Mr. SHIAH Hung-Yu and Mr. ZHANG Hongjiang as independent non-executive Directors.