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newborntown

NEWBORN TOWN INC.

赤子城科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9911)

DISCLOSEABLE TRANSACTION ENTERING INTO LEASE AGREEMENTS

THE LEASE AGREEMENTS

The Board hereby announces that on 11 July 2022, NewBornTown Network Technology, a direct wholly-owned subsidiary of the Company, as a Lessee, and Beijing Mico, a subsidiary of the Company, as a Lessee, entered into the Lease Agreements with Beijing Wanhai Xingchen, as the Lessor, respectively in relation to the lease of certain floors of the Building.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to IFRS 16, as a result of the entering into the Lease Agreements, the Group will recognise additions to right-of-use asset in its consolidated financial statements in respect of the Properties from the commencement of the Lease Term. As such, this transaction will be regarded as acquisition of assets by the Group under the definition of transaction set out in Rule 14.04(1) (a) of the Listing Rules. Based on the preliminary estimation of the Company, the value of the right-of-use assets in respect of the Properties, after the relevant addition adjustments, shall amount to approximately RMB112,413,521 in aggregate for the proposed Lease Term of 64 months.

The value of the right-of-use assets represents the best estimate of the present value of aggregated lease payments with the lease in accordance with IFRS 16.

Since one or more applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the entering into the Lease Agreements is more than 5% but less than 25%, the entering into Lease Agreements constitutes a discloseable transaction for the Company, and is therefore subject to the notification and announcement requirement but exempt from Shareholders' approval requirement pursuant to Chapter 14 of the Listing Rules.

The entering into the Lease Agreements does not constitute a connected transaction of the Company.

BACKGROUND

The Board hereby announces that on 11 July 2022, NewBornTown Network Technology, a direct wholly-owned subsidiary of the Company, as a Lessee, and Beijing Mico, a subsidiary of the Company, as a Lessee, entered into the Lease Agreements with Beijing Wanhai Xingchen, as the Lessor, respectively in relation to the lease of certain floors of the Building.

THE LEASE AGREEMENTS

The major terms of the Lease Agreements are set out below:

Date

11 July 2022

Parties

- (i) Pursuant to the Lease Agreement of NewBornTown Network Technology, Beijing Wanhai Xingchen Enterprise Management Co., Ltd. shall be the Lessor and NewBornTown Network Technology (Beijing) Co., Ltd. shall be the Lessee;
- (ii) Pursuant to the Lease Agreement of Beijing Mico, Beijing Wanhai Xingchen Enterprise Management Co., Ltd. shall be the Lessor and Beijing Mico World Technology Co., Ltd. shall be the Lessee

Properties

Floors 6 to 7 (actual floors) of Tower T2 of No. 33 Xiaoyun Road (the “**Building**”) is leased by NewBornTown Network Technology, located at Building 2, No. 34 Xiaoyun Road, Chaoyang District, Beijing with a gross floor area of approximately 3,258.06 sq.m.; and Floors 8 to 9 (actual floors) of Tower T2 of the Building is leased by Beijing Mico (together with the Floors 6 to 7 (actual floors) of Tower T2 of the Building, collectively, the “**Properties**”), with a gross floor area of approximately 3,258.06 sq.m.

The actual lease area of the Properties shall be subject to the actual surveyed and mapped construction area of the Properties as specified in the surveyed area report after the completion and acceptance of No. 33 Xiaoyun Road.

Lease Term

The Lease Term of the Lease Agreements (the “**Lease Term**”) shall be valid for 64 months from 1 September 2022 to 31 December 2027 (both days inclusive).

Usage

The Properties are for legal office uses only by the Lessees and their related companies in accordance with the Lease Agreements, and the Lessees undertake and guarantee that the Lessees and their related companies will not engage in business activities beyond the business scope approved by their corporate legal person business licenses or other competent authorities.

Rental Deposit

The Lessees shall pay the Lessor an aggregate rental deposit of RMB3,626,220.78, respectively, for the Properties within seven working days after the Lease Agreements are signed, which is equivalent to the sum of three months' standard rent (value-added tax inclusive) and three months' property management fee (value-added tax inclusive). And the Lessees have paid one month's rent and property management fees of RMB 1,208,740.26 after signing letters of intent to lease, which will be automatically converted into the rental deposit after the Lease Agreements take effect. The difference should be paid within seven working days after the Lease Agreements are signed, and the remaining payable is RMB 2,417,480.52.

Rent

The rent shall be payable in accordance with the Lease Agreements. Details of the respective rents payable by NewBornTown Network Technology and Beijing Mico are set out as follows:

- (i) The Lessees are entitled to rent-free rent during the decoration rent-free period, being 1 September 2022 to 31 December 2022. If the government issues a notice prohibiting decoration in this area during the epidemic, and the Lessees are unable to carry out renovations during the rent-free period, the Lessor and the Lessees agree that: if the aforementioned factors are eliminated within 15 days, the Lessees shall bear the consequences; if they are not eliminated within 15 days, the Lessor shall extend the decoration rent-free period, but the extension shall not exceed 15 days;
- (ii) The rent amount (value-added tax inclusive) for the first standard rent period, being 1 January 2023 to 31 December 2025 (except for December for each of the years of 2024 and 2025) is approximately RMB37,109,303.40; and
- (iii) The rent amount (value-added tax inclusive) for the second standard rent period, being 1 January 2026 to 31 December 2027 (except for December for each of the years of 2026 and 2027) is approximately RMB26,162,221.80.

The rents above exclude property management fee and other utility expenses. The rents above were determined after arm's length negotiations between the Lessor and the Lessees with reference to the prevailing market price for comparable premises in the vicinity of the Properties.

There are four months of rent preferential periods during the respective Lease Terms of the Lessees, being from 1 December 2024 to 31 December 2024; from 1 December 2025 to 31 December 2025; from 1 December 2026 to 31 December 2026 and from 1 December 2027 to 31 December 2027. The Lessees enjoy free rent during the respective rent preferential periods.

The Lessees shall pay the Lessor the first installment of the rent (value-added tax inclusive) (being rent from 1 January 2023 to 31 March 2023) in an aggregate amount of RMB3,274,350.30 prior to 31 August 2022, respectively. The part of rent less than three months shall be calculated based on the Lease Agreements.

Property Management Fee and Utility Fees

The Lessees shall pay property management fee to the property management company of the Building, respectively. The respective property management fee of the Properties leased by NewBornTown Network Technology and Beijing Mico is RMB36 per gross square meter per month (value-added tax inclusive), and the monthly property management fee is RMB117,290.16 in total, including the monthly property management fee of RMB110,651.09 (value-added tax exclusive), and the value-added tax of RMB6,639.07. The property management company has the right to adjust the property management fee in light of the increase or decrease in the actual management cost of the Building. The adjustments will apply to all tenants of the Building, and will come into effect from the month following the Lessor/property company issues a written notice to the Lessees.

During the Lease Term, the Lessees shall implement and comply with the relevant regulations of the public facilities supply departments; and all expenses used by the Lessees related to the supply and use of public facilities (including but not limited to electricity charges and others) in the Properties (collectively referred to as “**Utility fees**”, excluding water charges) shall be borne by the Lessees, respectively. Except for the fees charged by the utility supply unit without specifying the property company, the Lessees shall pay the utility fees to the property management company.

Fees and Taxes

The parties to the Lease Agreements shall bear their respective costs and expenses associated with the preparation, negotiation, signature, stamp, filing and registration of the Lease Agreements and the corresponding documents. The parties shall bear the relevant taxes in performing the Lease Agreements according to law.

The Group intends to fund the rents and other amounts payable under the Lease Agreements with its self-owned funds.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE AGREEMENTS

The Directors believe that with the continuous expansion of the Group’s business scale, the entering into of the Lease Agreement is in line with the Group’s business development and it will have a positive impact on the future development of the Group.

The terms of the Lease Agreements are determined after arm’s length negotiation by the parties. The Directors (including independent non-executive Directors) are of the view that the entering into the Lease Agreements is fair and reasonable, on normal commercial or better terms, and in the interest of the Company and its Shareholders as a whole.

INFORMATION ON THE GROUP AND THE PARTIES

The Company focuses on the global open social networking sector, as well as emerging modes in social networking including video and audio formats, creating a range of diversified social networking products including video social networking, audio social networking and live-streaming social networking. Its representative products include Yumy, MICO and YoHo, which are highly popular in areas such as Middle East, North America, Southeast Asia and South Asia.

NewBornTown Network Technology and Beijing Mico act as entities of the subsidiary of the Company through Contractual Arrangements.

Beijing Wanhai Xingchen was established on October 2021, with a registered capital of RMB10 million, principally engaging in the operation of commercial real estate. Currently, the project No.33 Xiaoyun Road under its management is a landmark A-class office building in Lufthansa, with a gross area of approximately 100 thousand sq.m.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Lessor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

IMPLICATIONS UNDER THE LISTING RULES

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The value of the right-of-use assets represents the best estimate of the present value of aggregated lease payments with the lease in accordance with IFRS 16.

Since one or more applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the entering into the Lease Agreements is more than 5% and but less than 25%, the entering into Lease Agreements constitutes a discloseable transaction for the Company, and is therefore subject to the notification and announcement requirement but exempt from Shareholders' approval requirement pursuant to Chapter 14 of the Listing Rules.

The entering into the Lease Agreements does not constitute a connected transaction of the Company.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Beijing Mico”	Beijing Mico World Technology Co., Ltd. (北京米可世界科技有限公司), a company incorporated under the laws of the PRC with limited liability on 30 May 2014
“Board”	the board of Directors

“Company”	Newborn Town Inc. (赤子城科技有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 12 September 2018, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Contractual Arrangements”	a series of contractual agreements reached to consolidate the interests in NewBornTown Mobile Technology and NewBornTown Network Technology entered into among Shandong NewBornTown Network Technology Co., Ltd. (山東赤子城網絡技術有限公司), NewBornTown Mobile Technology and the shareholders of NewBornTown Mobile Technology
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	the International Financial Reporting Standards, issued from time to time by the International Accounting Standards Board
“Lease Agreement of Beijing Mico”	the office building lease agreement dated 11 July 2022 in respect of the Floors 8 to 9 (actual floors) of Tower T2 of the leased Building entered into between Beijing Mico (as a Lessee) and Beijing Wanhai Xingchen (as the Lessor)
“Lease Agreement of NewBornTown Network Technology”	the office building lease agreement dated 11 July 2022 in respect of the Floors 6 to 7 (actual floors) of Tower T2 of the leased Building entered into between NewBornTown Network Technology (as a Lessee) and Beijing Wanhai Xingchen (as the Lessor)
“Lease Agreements”	the Lease Agreement of NewBornTown Network Technology and the Lease Agreement of Beijing Mico
“Lessee(s)”	NewBornTown Network Technology under the Lease Agreement of NewBornTown Network Technology and Beijing Mico under the Lease Agreement of Beijing Mico, each as a Lessee

“Lessor” or “Beijing Wanhai Xingchen”	Beijing Wanhai Xingchen Enterprise Management Co., Ltd.*(北京萬海星辰企業管理有限公司), a company incorporated under the laws of the PRC with limited liability. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Lessor and its ultimate beneficial owners are third parties independent of the Company and its connected person(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“NewBornTown Mobile Technology”	NewBornTown Mobile Technology (Beijing) Holdings Co., Ltd. (赤子城移動科技(北京)股份有限公司), a company incorporated under the laws of the PRC with limited liability and by virtue of the Contractual Arrangements, accounted for as a subsidiary of the Company
“NewBornTown Network Technology”	NewBornTown Network Technology (Beijing) Co., Ltd. (赤子城網絡技術(北京)有限公司), a company incorporated under the laws of the PRC with limited liability and a subsidiary of the Company pursuant to the Contractual Arrangements. NewBornTown Network Technology is a direct wholly-owned subsidiary of NewBornTown Mobile Technology
“PRC”	the People’s Republic of China. For the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“sq.m.”	square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	Per cent

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

Beijing, 11 July 2022

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