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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)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022**

The board of directors (the “**Board**”) of Newborn Town Inc. (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2022 (the “**Annual Results**”). The Annual Results have been reviewed by the Company’s Audit Committee.

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

### **FINANCE HIGHLIGHT**

- Revenue from contracts with customers for the year ended 31 December 2022 amounted to RMB2,799.7 million, representing an increase of 18.6% from RMB2,359.8 million recorded for the year ended 31 December 2021.
- Gross profit for the year ended 31 December 2022 amounted to RMB1,057.9 million, representing an increase of 5.4% from RMB1,003.3 million recorded for the year ended 31 December 2021.
- Profit for the year for the year ended 31 December 2022 amounted to RMB287.3 million, representing an increase of 174.2% from loss for the year of RMB387.1 million recorded for the year ended 31 December 2021.
- Profit attributable to the owners of the Company for the year ended 31 December 2022 amounted to RMB130.1 million, representing an increase of 145.5% from loss attributable to the owners of the Company of RMB286.3 million recorded for the year ended 31 December 2021.
- Adjusted EBITDA for the year ended 31 December 2022 amounted to RMB374.7 million, representing an increase of 4.9% from RMB357.1 million recorded for the year ended 31 December 2021.

	<b>year ended 31 December</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	<b>RMB'000</b>
Revenue from contracts with customers	<b>2,799,698</b>	2,359,816
Gross Profit	<b>1,057,907</b>	1,003,320
Profit/(loss) before income tax	<b>287,379</b>	(393,881)
Profit/(loss) for the year	<b>287,335</b>	(387,125)
Basic earnings/(loss) per share (expressed in RMB per share)	<b>0.11</b>	(0.29)
Diluted earnings/(loss) per share (expressed in RMB per share)	<b>0.11</b>	(0.29)
	<b><u>269,261</u></b>	<u>(390,061)</u>
Operating profit/(loss)		
<i>Add:</i>		
Share-based compensation expenses <sup>(1) (2)</sup>	<b>45,845<sup>(2)</sup></b>	696,105 <sup>(1)</sup>
Depreciation and amortization	<b>59,582</b>	51,023
<b>Adjusted EBITDA</b>	<b><u>374,688</u></b>	<u>357,067</u>

*Notes:*

- (1) In May 2020 and March 2021, the Board approved the grant of an aggregate of 55,227,573 RSUs and 957,333 RSUs respectively to certain employees and management pursuant to the RSU Schemes. Share-based compensation expenses were recognized based on the vesting period of the RSU Schemes, and amounted to RMB24,113,000 for the year ended 31 December 2021, tantamount to the economic benefits in relation to the benefit that the employees and management obtained from the Company. For further details, please refer to the announcements dated 28 May 2020 and 24 March 2021 of the Company. A subsidiary of the Company has recognized share-based compensation expenses amounting to RMB280,000 for the year ended 31 December 2021 in relation to awards granted in 2018 pursuant to its share incentive plan.

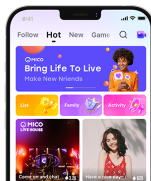
On 30 August 2021, the Board proposed to grant in aggregate 80,000,000 share options to 32 eligible persons. The grant includes performance-based share options to grantees, which are generally vested within 10 years. Share Options of each grantee will be vested in four tranches subject to the fulfilment of certain performance targets relating to the Company. The performance targets were determined by the Board. For those awards, evaluations were made on 31 December 2021 to assess the likelihood of meeting the performance targets. Share-based compensation expenses amounting to approximately RMB81,252,000 were recognized for the year ended 31 December 2021.

During the reorganization of Beijing Mico occurred during the year ended 31 December 2021, the minority shareholders of NBT Social Networking transferred its 11.25% equity interest in NBT Social Networking to the senior management and core management team of a subsidiary of the Group for free to recognize the management team's contribution to the development of the Group. There is no service or performance conditions attached in respect of the transfer of equity interest, therefore in accordance with IFRS 2 Share-based Payments, the Company recorded share-based compensation expense amounting to approximately RMB590,460,000 in general and administrative expenses at the time when such share-based payments arrangement was entered into. The fair value of the share-based payment was determined with reference to the fair value of Beijing Mico determined in the transaction with BGFG.

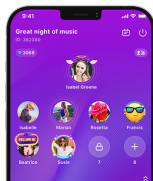
- (2) In May 2020 and March 2021, the Board approved the grant of an aggregate of 55,227,573 RSUs and 957,333 RSUs respectively to certain employees and management pursuant to the RSU Schemes. Share-based compensation expenses were recognized based on the vesting period of the RSU Schemes, and amounted to RMB11,119,000 for the year ended 31 December 2022, tantamount to the economic benefits in relation to the benefit that the employees and management obtained from the Company. For further details, please refer to the announcements dated 28 May 2020 and 24 March 2021 of the Company. A subsidiary of the Company has recognized share-based compensation expenses amounting to RMB11,304,000 for the year ended 31 December 2022.

On 30 August 2021, the Board proposed to grant in aggregate 80,000,000 share options to 32 eligible persons. The grant includes performance-based share options to grantees, which are generally vested within 10 years. Share Options of each grantee will be vested in four tranches subject to the fulfilment of certain performance targets relating to the Company. The performance targets were determined by the Board. For those awards, evaluations were made on 31 December 2022 to assess the likelihood of meeting the performance targets. Share-based compensation expenses amounting to approximately RMB23,422,000 were recognized for the year ended 31 December 2022.

# BUSINESS HIGHLIGHT



**MICO**  
Open social  
networking platform



**YoHo**  
Audio social  
networking platform



**Yummy**  
Heartbeat social  
networking platform



**TopTop**  
Game-oriented  
social platform

Unit: RMB

## SOLID REVENUE GROWTH



Revenue amounted to  
RMB **2.80** billion  
increased by **18.6%** YOY

## SIGNIFICANT INCREASE IN PROFIT



Profit for the year amounted to RMB **0.29** billion  
increased by **174.2%** YOY



Profit attributable to the owners of the Company  
amounted to RMB **0.13** billion  
increased by **145.5%** YOY

## STABLE GROWTH OF SOCIAL NETWORKING BUSINESS



Revenue of social networking business  
amounted to RMB **2.56** billion  
increased by **22.0%** YOY

## INCREASED COMMERCIAL VALUE OF SOCIAL PRODUCTS



**MICO**  
Maintain market competitive advantage and  
commercialization efficiency



**YoHo**  
Paying users increased by **40%** YOY



**Yummy**  
Increasing gross profit margin

## INCREASED INVESTMENT IN RESEARCH AND DEVELOPMENT



Investment in research and development  
RMB **0.21** billion  
increased by **62.1%** YOY



The number of research and development staff  
increased to **522**  
representing **62%**  
an increase of **55%** YOY

## PRELIMINARY RESULTS OF EXPLORING THE INTEGRATION OF SOCIAL AND GAMES



**TopTop**  
Multiplayer game-oriented social platform  
Ranking social networking app bestseller **TOP 3** in  
“Six Gulf Countries”, with average daily time spent  
by active users reaching **60** minutes  
Revenue growth in Q4 representing an increase of  
over **30%** QOQ as compared with Q3

## 2022 CHAIRMAN'S STATEMENT

Dear Shareholders,

The globalization tide is sweeping all corners of the world with an irresistible force. The underlying logic behind more and more enterprises' global positioning has gradually changed from "seizing the moment to expand overseas" (藉勢出海) to "born global" (生而全球化). As a "born global" company, Newborn Town's strategic choice is being verified by the times.

A decade ago, Newborn Town chose to position itself in the global market with its eyes set on developing truly global products. Over ten years of development, Newborn Town has grown into a global company with diversified social networking services as its principal business, and has further expanded its scale, improved its efficiency and created its value in the established direction.

The past year has been a challenging one. The more complex the environment, the more important it is to capture the essence. Under the growth strategy of "returning to user needs and the essence of business", the Company further optimized product experience, improved social efficiency and enriched content ecology founded on improvements in technology and operation, and achieved solid growth in revenue and profit with high-quality development.

In 2022, our total revenue increased steadily to RMB2.80 billion, with a year-on-year increase of 18.6%. Benefited by the increased income, improved cost control and enhanced operational efficiency, the profit for the year of the Company reached RMB287.3 million, with a year-on-year increase of 174.2%; and profit attributable to the owners of the Company amounted to RMB130.1 million, with a significant year-on-year increase of 145.5%, and the profitability was improved.

Such increases in revenue and profit were attributable mainly to its social networking business. In the past year, the Company continued on the vigorous development of its social networking business. While consolidating the vertical dominant position of products such as MICO and YoHo, the Company's pursuit of product replication has led to the launching of TopTop, which emerged as a leading game social networking product in the Middle East. We also extensively refined localized operation by enriching content ecology, improving community atmosphere and enhancing brand efficiency, and consolidated our social networking barrier. Last year, the average monthly active users of social networking products of the Company were approximately 22.9 million, with a year-on-year increase of approximately 20.0%; and revenue from social networking business reached RMB2.56 billion, with a year-on-year increase of 22.0%.

While maintaining high quality development of our social networking business, we swiftly recalibrated the development track of our innovative business, thereby attaining the remarkable feat of narrowing the revenue decrease quarter by quarter. The niche game series Mergeland launched last year, achieved rapid growth in both download volume and revenue. The second growth curve was ready to take off, and our innovative business, as represented by niche games, is opening up new avenues for growth.

In addition, we also took the lead to map out new opportunities. In the second half of the past year, the Fund, co-established by the Company, involved in the privatization of BlueCity, which enabled us to rapidly enter into the huge track of global LGBTQ social networking. The Company believes that leveraging our understanding of the global market and our practical experience operating therein, we can help BlueCity to improve its customer acquisition, operation efficiency and monetisation efficiency in the global market and accelerate its progress on this broad track.

While vigorously expanding the global market, we are persistent in our practice of “long-termism” and in actively performing our social responsibility. Last year, we launched in Egypt, an online media conference, being a first in its social entertainment industry, with more than 20 local mainstream media being invited to attend, in our bid to promote the development of internet social networking in the Middle East. During Ramadan, we held a series of public welfare activities, including donation of study supplies to the “African Refugee School” and we have made monetary donations, through collaborative efforts with our users, to a variety of charity causes, such as those made to, 57357 Children Cancer Hospital, an Egyptian charity hospital, as part of our effort to help vulnerable groups in many parts of the world improve their lives. We have become promoters and leaders of ESG and CSR in more than ten countries around the world.

Being a global internet technology company, Newborn Town is committed to satisfying the social networking and entertainment needs of its global users. We will continue to stretch out our boundaries, whilst taking social networking business as our core, continue to identify diverse development opportunities in the global market and curate superior products to emerge as a technology company with global competitiveness.

I hereby present the Company’s financial position and operating highlights for 2022, and summarise strategies and outlook of the Company for 2023.

## **BUSINESS REVIEW**

### **1. Social networking business: high quality development and developing “high user stickiness” products**

#### ***Enriching diverse social networking matrix to build high sticky social ecology***

Social networking is our core business and we have been focusing on global open social networking sector and reaching out to global users with diversified social networking products to satisfy their different needs, and has now formed open networking platform MICO, audio social networking app YoHo, heartbeat social networking app Yumy, game networking app TopTop, male social networking app Blued and diverse social products portfolio.

In 2022, our social networking business achieved high quality development and gaining traction in many markets across the globe. One of our core products MICO continued to maintain its edge in the market and commercialization efficiency whilst being among the ranks of TOP15 best selling social networking app in United States and Japan, and has made breakthroughs in many developed countries. YoHo, being kickstarted in the Middle East and North Africa, has expanded its leading edge in the voice social networking track, and its paid users increased by 40% on year-on-year basis; it was also ranked Top 10 in the best selling social networking app category in the United States, France, Italy and other countries and has rapidly expanded its presence in non-Middle East regions. Download volume of Yumy reached 50 million with Google Play rating of 4.9 points, resulting in the monthly break-even profit and gross profit margin having improved continuously.

Popularity of our self-developed and incubated product TopTop was also on the rise, ranking Top 3 in bestselling social networking app in “Six Gulf Countries”. TopTop is a multiplayer social platform armed with many interactive scenarios of “social networking + game” and has now formed ultra-high engagement and user stickiness, with an average daily time spent by active users reaching 60 minutes, as well as rising user scale and business efficiency, thus achieving initial integration of the Company’s social networking business and game business. In the fourth quarter of 2022, the revenue growth of the product increased by over 30% as compared with that of the third quarter.

In sum, our social networking business scale is expanding whilst we strive to build the most dynamic and interactive social networking method for our global users.

## ***Deepening localization and penetration of the global market***

We have been focusing on user growth quality and advancing refined and local operation, seeking for diverse growth path based on content ecology and brand value to keep building brand awareness, all of which have become basis for high quality growth of the social networking business of the Company.

In the process of cultivating various markets worldwide, our product team has been deployed to the front line to gain a more thorough understanding on local user needs and communicated and collaborated with the operation team to achieve synergies. We launched customized upgraded versions designed for varying markets of our social networking products and adjusted product page and functions based on their market features, which not only improved product experience for our users but also greatly improved product operation efficiency.

In addition, in 2022, MICO launched product theme songs in Thailand and Vietnam, in particular, the playback of the Thailand theme song “TUK KRUB” has reached 120 million times at YouTube and it has been listed Top 5 popular songs with the highest annual click volume as counted by local mainstream music platform, which greatly improved brand influence. In our deeply penetrated Middle East market, the Company held Egypt’s first media conference for the social entertainment industry to conduct in-depth discussion with local media and actively engaged in market education to promote development of the industry. In addition, the Company endeavored to enrich content ecology in various markets through in-depth collaboration with sports events, senior musicians and rap celebrities, and offered self-presentation opportunities for content creators, which attracted many high-quality users at the vertical level.

In general, we have fully embraced localization from product use, user service, social responsibility and other aspects to better satisfy the needs of local users with products and provide better quality social products and services for global users. Nowadays, our social products are moving from the Middle East and Southeast Asia to more countries and regions in the world such as Europe, the United States, Japan and South Korea and our global network continues to expand.

## **II. Innovative business: speeding up and stepping up efforts in the opening up of more business avenues**

On par with our efforts in the high quality development of our social networking business, we are actively involved in, and progressing smoothly in the development of our innovative business gearing towards niche games.

Core products of our niche game business are currently synthetic mobile games. Based on Sensor Tower, synthetic mobile games is one of the puzzle mobile game subgenres with the most prominent growth in global revenue and downloads. Since 2017, the total revenue from global synthetic mobile games amounted to nearly US\$1.5 billion, and in the second quarter of 2022, the global download volume for such mobile game genre has reached almost 400 million times. The strong profitability and the steady source of growth momentum of “synthesis +” provided strong guarantee for the build-up development of the track.

The Company officially launched the niche self-developed synthetic mobile games “Mergeland” series and successively obtained Google Play global recommendation leveraging unique gameplay, intriguing theme event and exquisite art scene. In particular, the monthly gross profit of “Mergeland-Alice’s Adventure” has exceeded US\$1 million.

In the process of operation, our game team also attached importance to localization, and launched enriching events in celebration of holidays such as Halloween, Thanksgiving, Christmas. With the gradual improvement of game quality and continuous launch of new scenarios and new gameplay, the operating revenue of niche games of the Company was also increasing. Two Mergeland games were listed in Top 10 Puzzle Bestsellers List at Google Play in 25 countries/regions.

Through synthetic mobile game with huge potential for commercialization, Newborn Town officially entered the world’s trillion-dollar game track, which provides more monetization opportunities for long-term development of the Company.

We are currently expanding business scale of the Company through various means such as continuous developing and iterating niche games that are in line with the Company’s development, enhancing the collaboration of social networking and game products, empowering the Company’s mission to “satisfy the social and entertainment needs of global users”.

### **III. Arranging the Investment in Pink Economy**

Last year, Newborn Town also marked its entrance into the LGBTQ social networking track, and the purchasers group including Metaclass Management ELP, a Fund founded through capital contribution of the Company, participated in the privatization of BlueCity.

BlueCity is a world’s leading platform for more diverse users’ social lives. It boasts of products such as the social networking product for male users Blued, vertical social networking for male users 翻咔 and other social networking products, and has operated in the overseas market for years. Its overseas users accounted for 40% with huge potential for growth in overseas social networking business.

A survey of Sullivan showed that the average disposable income of the LGBTQ population is generally higher than that of the general population. The global market size of LGBTQ online social entertainment was approximately US\$5 billion in 2020, which is expected to reach nearly US\$10 billion by 2025.

We as a limited partner of the Fund, together with the Fund and Chizicheng Strategy Investment, are significantly improving the growth rate, user retention and operational efficiency of Blued and other products through a series of methods such as optimizing customer acquisition efficiency, enriching monetisation scenarios and deepening localized operations, to help further expand Blued’s global social business scale and commercialization scale.



## **STRATEGIES AND OUTLOOK**

### **I. Enhancing investment in the Middle East and South Africa region to maximize profit**

In 2023, we will continue to “return to the essence of business” to enable high quality growth of each business of the Company. In this regard, we will continue to focus on cost reduction and efficiency improvement and the development of core social networking business to promote operational efficiency and to improve revenue and profitability of our businesses.

To this end, we will continue to build up our strength to consolidate the technical and operational barriers of existing social networking products of the Company, enhancing social networking match efficiency and content distribution efficiency while enriching content diversification of the platform, increasing additional interaction scenarios and optimizing the social networking and content ecology of our products, to sustain high quality development of products.

We will increase our investment in the Middle East and North Africa regions to strengthen the leading position of our social networking business in the core markets and maximize profits. Meanwhile, we will consolidate our localization capabilities, continue to explore advantageous markets, and expand into various regions worldwide to further expand global user group.

We will also enhance brand building and value resources connection of all regions. While improving global brand influence, we will actively perform corporate social responsibility and explore new business value and social value. We wish to make people’s lives better within our capability with our technology, products and services.

### **II. Keep Enriching Product Ecology and Entering the Trillion-Dollar Market**

Social networking, as the most general need of humankind, is always worthwhile to explore. Nowadays, scenarios of social networking products in the market are richer and more diverse in formats, showing a sounder trend of the entire growth and development of the social network track.

As a global enterprise, the Company always adheres to bring quality and diverse social networking products to all parts of the world and enrich social entertainment options for global users.

We will continue to develop the value of the global LGBTQ social track and vigorously develop the overseas business of BlueCity, Select areas suitable for the growth of Blued and other products to deepen their foothold, constantly improving our overseas customer acquisition, operation and monetization efficiencies to enable sustained growth of revenue and profit.

We will enhance the research and development and innovation of niche social networking products, efficiently research and develop and incubate more social networking products to cater to the diverse needs of global users to create a better and diversified social networking product portfolio.

Additionally, the new demographic dividend released by Z generation as the major force of consumption in the future, will bring brand-new vitality and opportunity for the market, and we will keep focus on the needs of diverse groups such as Z-generation young users and continue to explore emerging product formats.

### III. Resolutely Advancing Innovative Business and Seeking for Diverse Overseas Development Opportunity

We will resolutely push forward niche game strategy, further enrich the gameplay of existing game products and optimize game experience to occupy more market share in niche game areas and achieve income scalability. We will keep developing niche game business and expand game R&D team to improve the monetization capability of this business. We hope to build more high quality games and bring joyfulness to more game players worldwide.

We will further explore the integration of game business and social networking business to provide more diversified services, meet users' different social entertainment needs and generate more profits and cash flow.

Additionally, we will also expand business scope and explore AIGC, metaverse and more innovative areas to cover more vertically segmented track and satisfy the social networking needs of different groups to further expand the business scale of the Company and inject new development momentum for the Company.

Though tough and challenging, the globalization trend will remain unchanged. We are confident in the Company's development path geared towards globalization and we will therefore continue to focus our efforts in product innovation, technology barrier and localized capacity based on global open social networking track to accelerate the globalization of the Company. Meanwhile, we will always adhere to the principle of "long-termism", focus on new technology and new opportunities and seek for optimal and sustained diverse growth to provide quality and meaningful products and services for global users and create long-term returns for Shareholders.

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVENUE

Our total revenue increased by 18.6% to RMB2,799.7 million for the year ended 31 December 2022 as compared to RMB2,359.8 million for the year ended 31 December 2021. The following table sets forth a breakdown of our revenue by segments for the years indicated:

	Year ended 31 December		2021	% of Total revenue	YoY Change
	2022	2021			
	RMB'000	RMB'000			
Social networking business	2,557,371	2,095,522	88.8	22.0%	
Innovative business	242,327	264,294	11.2	-8.3%	
<b>Total</b>	<b>2,799,698</b>	<b>2,359,816</b>	<b>100.0</b>	<b>18.6%</b>	

The revenue from social networking business increased by 22.0% to RMB2,557.4 million for the year ended 31 December 2022 as compared to RMB2,095.5 million for the year ended 31 December 2021, primarily because of (i) the continuous building of a high-quality and diversified social product matrix, meeting users' diversified social needs through incorporating multiple social interaction scenarios, thereby continuously improving the user scale and business efficiency; (ii) the in-depth practice of the concept of localized operation, improving user activation and stickiness by enriching content ecology and strengthening brand effect, thereby achieving high-quality growth of social networking business.

The revenue from innovative business decreased by 8.3% to RMB242.3 million for the year ended 31 December 2022 as compared to RMB264.3 million for the year ended 31 December 2021, which is primarily because we iterated the original traffic monetisation business, and while the niche game business focused on merge mobile games progressed smoothly, it has not yet achieved large-scale revenue growth.

## COST OF REVENUE

Our cost of revenue increased by 28.4% to RMB1,741.8 million for the year ended 31 December 2022, as compared to RMB1,356.5 million for the year ended 31 December 2021. The following table sets forth a breakdown of our cost of revenue by nature for the years indicated:

	Year ended 31 December				YoY Change
	2022	% of Total	2021	% of Total	
	RMB'000	revenue	RMB'000	revenue	
Revenue sharing to streamers	1,175,258	42.0	892,521	37.8	31.7%
Payment handling costs	260,496	9.3	224,470	9.5	16.0%
Employee benefit expense	130,184	4.6	93,206	3.9	39.7%
Server capacity expense	64,514	2.3	43,244	1.8	49.2%
Intangible assets amortisation	40,766	1.5	40,766	1.7	0.0%
Share-based compensation expenses	20,797	0.7	29,830	1.3	-30.3%
Technical and other service fee	22,560	0.8	13,836	0.6	63.1%
Others	27,216	1.0	18,623	0.8	46.1%
<b>Total</b>	<b>1,741,791</b>	<b>62.2</b>	<b>1,356,496</b>	<b>57.4</b>	<b>28.4%</b>

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

	2022		2021		YoY Change
	RMB'000	%	RMB'000	%	
Social networking business	1,700,755	97.6	1,319,165	97.2	28.9%
Innovative business	41,036	2.4	37,331	2.8	9.9%
<b>Total</b>	<b>1,741,791</b>	<b>100.0</b>	<b>1,356,496</b>	<b>100.0</b>	<b>28.4%</b>

The cost of revenue for social networking business increased by 28.9% to RMB1,700.8 million for the year ended 31 December 2022 as compared to RMB1,319.2 million for the year ended 31 December 2021, primarily due to the increase in revenue sharing to streamers of our social networking business, employee benefit expense and payment handling cost.

The cost of revenue for innovative business increased by 9.9% to RMB41.0 million for the year ended 31 December 2022 as compared to RMB37.3 million for the year ended 31 December 2021, primarily due to the increase in payment handling cost from niche game business.

## GROSS PROFIT AND GROSS PROFIT MARGIN

The following table sets forth the gross profit and gross profit margin for the years indicated:

	Year ended 31 December						YoY Change in gross profit
	2022		2021				
	<i>Gross profit</i>	%	<i>Gross Profit margin</i> (RMB'000, except percentages)	<i>Gross profit</i>	%	<i>Gross Profit margin</i>	
Social networking business	<b>856,616</b>	<b>81.0</b>	<b>33.5%</b>	776,357	77.4	37.0%	10.3%
Innovative business	<b>201,291</b>	<b>19.0</b>	<b>83.1%</b>	226,963	22.6	85.9%	-11.3%
<b>Total</b>	<b><u>1,057,907</u></b>	<b><u>100.0</u></b>	<b><u>37.8%</u></b>	<b><u>1,003,320</u></b>	<b><u>100.0</u></b>	<b><u>42.5%</u></b>	<b><u>5.4%</u></b>

Our gross profit increased by 5.4% to RMB1,057.9 million for the year ended 31 December 2022 as compared to RMB1,003.3 million for the year ended 31 December 2021. The gross profit of our social networking business increased to RMB856.6 million for the year ended 31 December 2022 from RMB776.4 million for the year ended 31 December 2021, which was mainly because we kept deep-rooted into the open social networking sector in the global market. With the growth of revenue, gross profit also increased significantly. The gross profit of our innovative business decreased to RMB201.3 million for the year ended 31 December 2022 from RMB227.0 million for the year ended 31 December 2021, which was mainly because we iterated the original traffic monetisation business, and the niche game business had not yet achieved large-scale growth in gross profit.

Our gross profit margin decreased to 37.8% for the year ended 31 December 2022 from 42.5% for the year ended 31 December 2021. The gross profit margin of our social networking business decreased to 33.5% for the year ended 31 December 2022 from 37.0% for the year ended 31 December 2021, which was mainly attributable to the improvement of the incentive policy for content creators, resulting in an increase in revenue sharing to streamers of social networking business. The gross profit margin of our innovative business decreased to 83.1% for the year ended 31 December 2022 from 85.9% for the year ended 31 December 2021.

## **SELLING AND MARKETING EXPENSES**

For the year ended 31 December 2022, our selling and marketing expenses decreased by 4.1% to RMB484.1 million as compared to RMB504.9 million for the year ended 31 December 2021, primarily because we iterated the original traffic monetisation business, and the niche game business has not yet entered the stage of scale promotion in the first half of the year.

## **RESEARCH AND DEVELOPMENT EXPENSES**

For the year ended 31 December 2022, our research and development expenses increased by 62.1% to RMB212.1 million as compared to RMB130.9 million for the year ended 31 December 2021, primarily due to the increase in employee benefit expenses.

## **GENERAL AND ADMINISTRATIVE EXPENSES**

For the year ended 31 December 2022, our general and administrative expenses decreased by 84.7% to RMB111.8 million as compared to RMB730.1 million for the year ended 31 December 2021, primarily due to (i) a decrease of RMB641.2 million in share-based compensation expenses; and (ii) an increase of RMB11.2 million in employee benefit expenses.

## **OPERATING PROFIT/(LOSS)**

For the year ended 31 December 2022, our operating profit increased by 169.0% to RMB269.3 million as compared to an operating loss of RMB390.1 million for the year ended 31 December 2021, primarily due to (i) a decrease of RMB641.2 million from share-based compensation expenses in general and administrative expenses; (ii) an increase of RMB81.2 million in research and development expenses; (iii) an increase of RMB54.6 million in our gross profit; and (iv) a decrease of RMB20.8 million in selling and marketing expenses.

## **FINANCE COST, NET**

For the year ended 31 December 2022, we recorded a net finance cost of RMB0.5 million as compared to a net finance cost of RMB3.6 million for the year ended 31 December 2021. Such change was primarily due to the settlement of the deferred consideration for the acquisition of approximately 23.27% equity interest of a subsidiary and the decrease in related finance costs.

## **INCOME TAX**

For the year ended 31 December 2022, we recorded income tax expense of RMB0.04 million as compared to the income tax credits of RMB6.8 million for the year ended 31 December 2021, primarily due to the preferential tax rates enjoyed by some of our subsidiaries which were accredited as Software Enterprise under the relevant PRC Laws.

## **PROFIT/(LOSS) FOR THE YEAR**

As a result of the foregoing, our profit for the year increased by 174.2% to RMB287.3 million for the year ended 31 December 2022 as compared to a loss for the year of RMB387.1 million for the year ended 31 December 2021.

## NON-IFRS MEASURES

To supplement our consolidated statement of comprehensive income, which are presented in accordance with IFRS, we also use adjusted EBITDA as an additional financial measure, which is not required by, or presented in accordance with IFRS. We believe that this non-IFRS measure helps our investors to identify underlying trends in our business and provides useful information to our investors in understanding and evaluating our results of operation by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance, which is in the same manner as the action of our management when comparing financial results across accounting periods. We also believe that this non-IFRS measure provides useful information about our operating results, enhances the overall understanding of our past performance and future prospects and allows for greater visibility with respect to key metrics used by our management in its financial and operational decision-making.

We define adjusted EBITDA as operating profit adjusted by share-based compensation expenses, depreciation and amortization. When assessing our operating and financial performance, you should not consider adjusted EBITDA in isolation from or as a substitute for our financial performance or financial position as reported in accordance with IFRS. The term adjusted EBITDA is not defined under IFRS, and such term may not be comparable to other similarly titled measures used by other companies.

The following table sets forth the reconciliation of our non-IFRS financial measure for the years indicated, to the nearest measures prepared in accordance with IFRS:

	<b>Year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Operating profit/(loss)	<b>269,261</b>	(390,061)
<i>Add:</i>		
Share-based compensation expenses <sup>(1)(2)</sup>	<b>45,845<sup>(2)</sup></b>	696,105 <sup>(1)</sup>
Depreciation and amortization	<b>59,582</b>	51,023
<b>Adjusted EBITDA</b>	<b><u>374,688</u></b>	<b><u>357,067</u></b>
Adjusted EBITDA growth	<b>4.9%</b>	80.1%

### Notes:

- (1) In May 2020 and March 2021, the Board approved the grant of an aggregate of 55,227,573 RSUs and 957,333 RSUs respectively to certain employees and management pursuant to the RSU Schemes. Share-based compensation expenses were recognized based on the vesting period of the RSU Schemes, and amounted to RMB24,113,000 for the year ended 31 December 2021, tantamount to the economic benefits in relation to the benefit that the employees and management obtained from the Company. For further details, please refer to the announcements dated 28 May 2020 and 24 March 2021 of the Company. A subsidiary of the Company has recognized share-based compensation expenses amounting to RMB280,000 for the year ended 31 December 2021 in relation to awards granted in 2018 pursuant to its share incentive plan.

On 30 August 2021, the Board proposed to grant in aggregate 80,000,000 share options to 32 eligible persons. The grant includes performance-based share options to grantees, which are generally vested within 10 years. Share Options of each grantee will be vested in four tranches subject to the fulfilment of certain performance targets relating to the Company. The performance targets were determined by the Board. For those awards, evaluations were made on 31 December 2021 to assess the likelihood of meeting the performance targets. Share-based compensation expenses amounting to approximately RMB81,252,000 were recognized for the year ended 31 December 2021.

During the reorganization of Beijing Mico occurred during the year ended 31 December 2021, the minority shareholders of NBT Social Networking transferred its 11.25% equity interest in NBT Social Networking to the senior management and core management team of a subsidiary of the Group for free to recognize the management team's contribution to the development of the Group. There is no service or performance conditions attached in respect of the transfer of equity interest, therefore in accordance with IFRS 2 Share-based Payments, the Company recorded share-based compensation expense amounting to approximately RMB590,460,000 in general and administrative expenses at the time when such share-based payments arrangement was entered into. The fair value of the share-based payment was determined with reference to the fair value of Beijing Mico determined in the transaction with BGFG.

- (2) In May 2020 and March 2021, the Board approved the grant of an aggregate of 55,227,573 RSUs and 957,333 RSUs respectively to certain employees and management pursuant to the RSU Schemes. Share-based compensation expenses were recognized based on the vesting period of the RSU Schemes, and amounted to RMB11,119,000 for the year ended 31 December 2022, tantamount to the economic benefits in relation to the benefit that the employees and management obtained from the Company. For further details, please refer to the announcements dated 28 May 2020 and 24 March 2021 of the Company. A subsidiary of the Company has recognized share-based compensation expenses amounting to RMB11,304,000 for the year ended 31 December 2022.

On 30 August 2021, the Board proposed to grant in aggregate 80,000,000 share options to 32 eligible persons. The grant includes performance-based share options to grantees, which are generally vested within 10 years. Share Options of each grantee will be vested in four tranches subject to the fulfilment of certain performance targets relating to the Company. The performance targets were determined by the Board. For those awards, evaluations were made on 31 December 2022 to assess the likelihood of meeting the performance targets. Share-based compensation expenses amounting to approximately RMB23,422,000 were recognized for the year ended 31 December 2022.

## **CAPITAL STRUCTURE**

We continued to maintain a healthy and sound financial position. Our total assets grew from RMB1,622.4 million as at 31 December 2021 to RMB1,720.2 million as at 31 December 2022, while our total liabilities decreased from RMB782.3 million as at 31 December 2021 to RMB482.2 million as at 31 December 2022. Liabilities-to-assets ratio decreased from 48.2% as at 31 December 2021 to 28.0% as at 31 December 2022.

## **FINANCIAL RESOURCES AND OPERATING CASH FLOW**

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

As at 31 December 2022, our cash and cash equivalents was RMB596.7 million, compared with RMB724.6 million as at 31 December 2021.

Compared with RMB391.6 million for the year ended 31 December 2021, the cash generated from operations in 2022 decreased to RMB311.7 million. Such change was mainly due to the payment of previous revenue sharing to streamers and promotion expenses.

## **FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS**

To preserve funds for future capital expenditure and new business opportunities, we continue to invest surplus cash in commercial bank wealth management products and funds issued by major and reputable financial institutions, which generate relatively low risk income for us. We recognised such investments as financial assets measured at fair value through profit or loss of current portion and manage such investments in accordance with our internal policies as disclosed in the Prospectus. As at 31 December 2022, the fair value of such investments decreased to RMB149.4 million, compared with RMB166.1 million as at 31 December 2021. Such decrease was primarily due to the disposal and maturity of our investments.

## **CAPITAL EXPENDITURE**

For the year ended 31 December 2022, our capital expenditure primarily consisted of expenditures on property and equipment, including purchases of computers and other office equipment. The capital expenditure increased from RMB4.0 million for the year ended 31 December 2021 to RMB10.9 million for the year ended 31 December 2022, primarily due to the increase in the purchase of computers and other electronic devices during the year ended 31 December 2022.

## **MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

We did not have any other investment, acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2022.

## **SIGNIFICANT INVESTMENT**

During the first half of 2022, the Company obtained the approval from Independent Shareholders at an extraordinary general meeting to enter into the amended and restated exempted limited partnership agreement (“**Partnership Agreement**”) with Spriver and Chizicheng Strategy Investment Limited (“**Chizicheng Strategy Investment**”) and to establish Metaclass Management ELP (the “**Fund**”, an exempted limited partnership formed under the laws of the Cayman Islands). Pursuant to the Partnership Agreement, the total fund-raising target of the Fund to be established shall be in the amount of US\$100 million, of which, Chizicheng Strategy Investment (as the General Partner) shall make cash contribution in the amount of US\$0.1 million, Spriver (as the Limited Partner) shall make cash contribution in the amount of US\$49.9 million, and the Company (as the Limited Partner) shall make cash contribution in the amount of US\$50 million. The purposes of the Fund include, among other things, participating in the going-private transaction of BlueCity Holdings Limited, a NASDAQ-listed company (“**BlueCity**”) by making equity investment in the buyer consortium which will be formed for the purpose of acquiring all of the outstanding ordinary shares of BlueCity that are not beneficially owned by the buyer consortium. On 12 August 2022, the Company made most of the contribution to the Fund. And on the same day, the closing of the going-private transaction of BlueCity was completed. For the year ended 31 December 2022, the Company made a total cash contribution of US\$50 million to the Fund.

## **PLEDGE OF ASSETS**

As at 31 December 2022, we did not pledge any of our assets.



## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

We intend to pursue strategic investment or acquire businesses with an expectation of creating synergies with our own business. We aim to target companies that have competitive strengths in technology, data and other areas or participants in the upstream and downstream industries. We intend to use the cash generated from our operating activities to fund such investment or acquisition.

## **CONTINGENT LIABILITIES**

As at 31 December 2022, we did not have any material contingent liabilities.

## **FOREIGN EXCHANGE RISK MANAGEMENT**

We operate our business internationally and our major receipts and payments are denominated in the U.S. dollar. We are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. dollar and the Hong Kong dollar. Therefore, foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the respective functional currency of our Group's entities. We managed foreign exchange risk by performing regular reviews of our foreign exchange exposures. We did not hedge against any fluctuations in foreign currency during the year ended 31 December 2022.

## **OTHER PRINCIPAL RISKS AND UNCERTAINTIES**

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

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

## **EMPLOYEE AND REMUNERATION POLICIES**

As at 31 December 2022, we had a total of 846 full-time employees, based in Beijing, Shenzhen, Hainan and Jinan. Among all employees, 522 of them are in R&D department, representing 62% of the total number of full-time employees. The number of employees employed by the Group varies from time to time depending on needs, and employees are remunerated with reference to market conditions and individual employees' performance, qualification and experience.

With a view to nurturing and retaining talents, the Group has formulated systematic recruitment procedures and offered competitive benefits and training opportunities. The remuneration policy and overall package of the employees are periodically reviewed by the Group. Employees will be rated according to their appraisals, which in turn affect the performance bonus and share awards they receive.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE 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 adopted the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**"). The Corporate Governance Code has been applicable to the Company with effect from the Listing Date.

The Board currently comprises four executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. The Board will review the current structure from time to time and shall make necessary changes when appropriate and inform the Shareholders accordingly.

Save as the above, the Company has complied with the principles and code provisions as set out in the Corporate Governance Code during the Reporting Period.

## **COMPLIANCE WITH MODEL CODE OF THE LISTING RULES**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code during the Reporting Period.

## **EVENT OCCURRING AFTER THE REPORTING PERIOD**

On 23 March 2023, the Company entered into the Sale and Purchase Agreement with Spriver, pursuant to which Spriver has agreed to sell and the Company has agreed to acquire 1,000,000 ordinary shares which is the entire issued share capital of Chizicheng Strategy Investment for the consideration of US\$1.00. Completion of this transaction is conditional upon and subject to the fulfilment of several conditions, mainly including the approval from the independent shareholders of the Company by an ordinary resolution at the general meeting to be convened, and the completion of the reorganization and restructuring of BlueCity and affiliates in accordance with the requirements of the governmental authorities of the PRC and the Stock Exchange of Hong Kong. Upon completion of the acquisition, the Company will hold the entire issued share capital of Chizicheng Strategy Investment directly and will control the Fund through its control of Chizicheng Strategy Investment and the interests held by the Company in the Fund.

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

On 4 February 2022, the Company allotted and issued 92,366,000 new shares pursuant to an announcement dated 25 January 2022, in order to develop, expand and operate the Company's social networking and gaming businesses and to pursue strategic alliances, investments and acquisitions. The subscription price is HK \$3.80 per share. It is estimated that the total proceeds and net proceeds from the placing and subscription (after deducting all applicable fees and expenses) are approximately HK \$351.0 million and HK \$347.0 million respectively.

On 8 June 2022, the Company issued 1,416,000 shares to pay off the Restricted Share Units in accordance with the Restricted Share Unit Incentive Plan approved and adopted on 7 June 2022.

On 16 June 2022, the Company issued 1,666,000 shares to pay off the Restricted Share Units in accordance with the Restricted Share Unit Incentive Plan approved and adopted on 7 June 2022.

On 24 June 2022 and 30 June 2022, the Company issued a total of 2,072,000 shares to pay off the Restricted Share Units in accordance with the Restricted Share Unit Incentive Plan approved and adopted on 7 June 2022.

Save as disclosed above, during the year ended 31 December 2022, neither the Company nor its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

## **ANNUAL GENERAL MEETING**

The forthcoming Annual General Meeting ("AGM") will be held on 21 June 2023. A notice convening the AGM and all other relevant documents will be published and despatched to Shareholders.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend the vote at the AGM to be held on 21 June 2023, the registers of members of the Company will be closed from 16 June to 21 June 2023, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on 15 June 2023.

## **PUBLIC FLOAT**

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained a public float of no less than 25% of the issued shares as at the date of this announcement, which was in line with the requirement under the Listing Rules.

## **AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS**

The Company has established the Audit Committee with written terms of reference in compliance with the Corporate Governance Code. As at the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely Mr. CHI Shujin, Mr. GAO Ming and Mr. HUANG Sichen. Mr. CHI Shujin is the chairman of the Audit Committee. The annual results of the Group for the year ended 31 December 2022 have been reviewed by the Audit Committee of the Company.

## **SCOPE OF WORK OF AUDITOR**

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto in this results announcement of the Group for the year ended 31 December 2022 have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this results announcement.

## USE OF PROCEEDS

### *Use of Proceeds from the Global Offering*

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

The breakdown of the intended use and amount utilised as at 31 December 2022 were as follows:

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

### *Use of Proceeds from the Completion of Placing of Existing Shares and Subscription of New Shares Under General Mandate*

On 24 January 2022, the Company, Spriver Tech Limited (the “**Seller**”) and CLSA Limited (the “**Sole Placing Agent**”) entered into the Placing and Subscription Agreement, pursuant to which, (i) the Seller agreed to sell, and the Sole Placing Agent agreed, as agent of the Seller, to procure on a best effort basis not less than six purchasers to purchase 92,366,000 Shares held by the Seller at a price of HK\$3.80 per Share, and (ii) the Seller conditionally agreed to subscribe for, and the Company conditionally agreed to issue, 92,366,000 new Shares at a price, which is equivalent to the Purchase Price of HK\$3.80 per Share.

The Directors considered that (i) the net proceeds from the Subscription will strengthen the financial position of the Group and provide additional working capital to the Group; (ii) the Placing and Subscription Agreement will be entered into upon normal commercial terms following arm's length negotiations among the Company, the Seller and the Sole Placing Agent; and (iii) the Placing and the Subscription also will represent good opportunities to broaden the shareholder base and the capital base of the Company. Accordingly, the Directors considered that the Placing and the Subscription are in the interests of the Company and the Shareholders as a whole.

The completion of the Placing and the Subscription took place on 27 January 2022 and 4 February 2022, respectively. An aggregate of 92,366,000 Sale Shares have been successfully placed at the Purchase Price of HK\$3.80 per Sale Share to no less than six professional, institutional and/or other investors procured by the Sole Placing Agent. The aggregate nominal value of the Sale Shares was US\$9,236.60.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the placees and their respective ultimate beneficial owners are third parties independent of and not connected with the Company or its connected persons. None of the placees has become a substantial shareholder of the Company as a result of the Placing.

The Company received total net proceeds of HK\$347.1 million, from the Placing and the Subscription after deducting all the applicable costs and expenses.

The breakdown of the intended use and amount utilised as at 31 December 2022 were as follows:

	<b>Budget</b> <i>HK\$ million</i> <i>(approximately)</i>	<b>Amount that had been utilised as at 31 December 2022</b> <i>HK\$ million</i> <i>(approximately)</i>	<b>Remaining balance as at 31 December 2022</b> <i>HK\$ million</i> <i>(approximately)</i>	<b>Proposed timetable for the use of unutilised net proceeds</b>
Promoting the Company's business development and improving the efficiency in monetisation of social networking business and game business	173.6	173.6	–	On or before 31 December 2022
Pursuing strategic alliances, investments and acquisitions	173.5	173.5	–	On or before 31 December 2022
<b>Total</b>	<b>347.1</b>	<b>347.1</b>	<b>–</b>	On or before 31 December 2022

## **FINAL DIVIDEND**

No final dividend would be recommended by the Board for the year ended 31 December 2022.

## **PUBLICATION OF 2022 ANNUAL RESULTS AND ANNUAL REPORT**

This annual results announcement is published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.newborntown.com](http://www.newborntown.com). The annual report of the Group for the year ended 31 December 2022 containing all applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the above websites in April 2023.

## GROUP RESULTS

The Company is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2022.

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022

(Expressed in Renminbi (“RMB”))

		Year ended 31 December	
		2022	2021
	Note	RMB'000	RMB'000
Revenue from contracts with customers	4	2,799,698	2,359,816
Cost of revenue	5	<u>(1,741,791)</u>	<u>(1,356,496)</u>
<b>Gross profit</b>		<b>1,057,907</b>	<b>1,003,320</b>
Selling and marketing expenses	5	(484,068)	(504,918)
Research and development expenses	5	(212,072)	(130,858)
General and administrative expenses	5	(111,813)	(730,089)
Net impairment losses on financial assets		(1,593)	(15,339)
Other income		1,605	6,082
Other gain/(loss) – net		<u>19,295</u>	<u>(18,259)</u>
<b>Operating profit/(loss)</b>		<b>269,261</b>	<b>(390,061)</b>
Finance income		982	2,214
Finance cost		<u>(1,512)</u>	<u>(5,829)</u>
Finance cost – net		<u>(530)</u>	<u>(3,615)</u>
Share of net gain/(loss) of associates accounted for using the equity method		<u>18,648</u>	<u>(205)</u>
<b>Profit/(loss) before income tax</b>		<b>287,379</b>	<b>(393,881)</b>
Income tax (expenses)/credits	6	<u>(44)</u>	<u>6,756</u>
<b>Profit/(loss) for the year</b>		<b>287,335</b>	<b>(387,125)</b>
<b>Profit/(loss) attributable to:</b>			
Owners of the Company		130,135	(286,284)
Non-controlling interests		157,200	(100,841)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – CONTINUED**

for the year ended 31 December 2022

(Expressed in RMB)

		Year ended 31 December	
		2022	2021
	Note	RMB'000	RMB'000
<b>Other comprehensive income/(loss), net of tax</b>			
Items that will not be reclassified to profit or loss			
Currency translation differences		6,627	(3,545)
Items that maybe subsequently reclassified to profit or loss			
Currency translation differences		24,920	(7,445)
Share of other comprehensive loss of investments accounted for using the equity method		10,034	–
<b>Total comprehensive income/(loss) for the year</b>		<b>328,916</b>	<b>(398,115)</b>
<b>Total comprehensive income/(loss) attributable to:</b>			
Owners of the Company		169,462	(292,453)
Non-controlling interests		159,454	(105,662)
<b>Earnings/(loss) per share for profit/(loss) attributable to owners of the Company (expressed in RMB per share)</b>			
Basic earnings/(loss) per share	7a	<u>0.11</u>	<u>(0.29)</u>
Diluted earnings/(loss) per share	7b	<u>0.11</u>	<u>(0.29)</u>



## CONSOLIDATED BALANCE SHEET

as at 31 December 2022

(Expressed in RMB)

	As at 31 December	
	2022	2021
Note	RMB'000	RMB'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property and equipment	122,155	16,107
Intangible assets	185,635	226,412
Goodwill	197,287	197,287
Deferred tax assets	224	248
Investments accounted for using the equity method	176,051	2,789
Financial assets measured at fair value		
through profit or loss	38,226	26,756
Other receivable	22,812	21,835
Other non-current assets	1,210	5,000
<b>Total non-current assets</b>	<b>743,600</b>	<b>496,434</b>
<b>Current assets</b>		
Other current assets	7,445	5,283
Accounts receivable	164,877	146,810
Other receivable	56,893	82,031
Financial assets measured at fair value through		
profit or loss	149,401	166,119
Cash and cash equivalents	596,729	724,588
Restricted bank deposits	1,272	1,163
<b>Total current assets</b>	<b>976,617</b>	<b>1,125,994</b>
<b>Total assets</b>	<b>1,720,217</b>	<b>1,622,428</b>

**CONSOLIDATED BALANCE SHEET – CONTINUED**

as at 31 December 2022

(Expressed in RMB)

		As at 31 December	
		2022	2021
	Note	RMB'000	RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		86,244	3,229
Deferred tax liabilities		46,889	51,808
<b>Total non-current liabilities</b>		<b>133,133</b>	<b>55,037</b>
<b>Current liabilities</b>			
Accounts payable	10	189,739	226,120
Contract liabilities		18,089	14,882
Tax payable		4,934	–
Bank overdraft		67	32
Lease liabilities		25,879	7,504
Other payable		110,366	478,759
<b>Total current liabilities</b>		<b>349,074</b>	<b>727,297</b>
<b>Total liabilities</b>		<b>482,207</b>	<b>782,334</b>
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital		818	759
Share premium		669,523	387,156
Treasury shares		(12,719)	–
Other reserves		80,636	248,046
Accumulated losses		(30,436)	(159,158)
		<b>707,822</b>	<b>476,803</b>
<b>Non-controlling interests</b>		<b>530,188</b>	<b>363,291</b>
<b>Total equity</b>		<b>1,238,010</b>	<b>840,094</b>
<b>Total liabilities and equity</b>		<b>1,720,217</b>	<b>1,622,428</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

(Expressed in RMB)

	Attributable to owners of the Company							Total equity RMB'000
	Share capital RMB'000	Treasury share RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings/ (accumulated losses) RMB'000	Sub-total RMB'000	Non-controlling Interests RMB'000	
<b>Balance at 1 January 2021</b>	695	–	93,701	314,950	127,126	536,472	250,536	787,008
Loss for the year	–	–	–	–	(286,284)	(286,284)	(100,841)	(387,125)
Other comprehensive loss	–	–	–	(6,169)	–	(6,169)	(4,821)	(10,990)
Total comprehensive loss	–	–	–	(6,169)	(286,284)	(292,453)	(105,662)	(398,115)
<b>Transaction with owners:</b>								
Issuance of shares as consideration for a transaction with non-controlling interest	64	–	293,455	(2,254)	–	291,265	–	291,265
Transaction with non-controlling interests	–	–	–	(418,264)	–	(418,264)	(105,474)	(523,738)
Shares-based compensation expenses	–	–	–	359,783	–	359,783	323,891	683,674
<b>Balance at 31 December 2021</b>	<u>759</u>	<u>–</u>	<u>387,156</u>	<u>248,046</u>	<u>(159,158)</u>	<u>476,803</u>	<u>363,291</u>	<u>840,094</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – CONTINUED

for the year ended 31 December 2022

(Expressed in RMB)

	Attributable to owners of the Company					Sub-total RMB'000	Non- controlling Interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Treasury share RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000			
<b>Balance at 31 December 2021</b>	759	–	387,156	248,046	(159,158)	476,803	363,291	840,094
Profit for the year	–	–	–	–	130,135	130,135	157,200	287,335
Other comprehensive income	–	–	–	39,327	–	39,327	2,254	41,581
Total comprehensive income	–	–	–	39,327	130,135	169,462	159,454	328,916
<b>Transaction with owners:</b>								
Issuance of shares upon placement	59	–	282,367	–	–	282,426	–	282,426
Purchase of own shares	–	(12,719)	–	–	–	(12,719)	–	(12,719)
Appropriation to statutory reserves	–	–	–	1,413	(1,413)	–	–	–
Changes in the share of other reserves of investments accounted for using equity method	–	–	–	(239,660)	–	(239,660)	–	(239,660)
Shares-based compensation expenses	–	–	–	31,510	–	31,510	7,443	38,953
<b>Balance at 31 December 2022</b>	<b>818</b>	<b>(12,719)</b>	<b>669,523</b>	<b>80,636</b>	<b>(30,436)</b>	<b>707,822</b>	<b>530,188</b>	<b>1,238,010</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2022

(Expressed in RMB)

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	311,667	391,649
Interest received	982	2,214
Payment of income tax	(4)	(13)
	<u>312,645</u>	<u>393,850</u>
<b>Net cash inflow from operating activities</b>		
	<u>312,645</u>	<u>393,850</u>
<b>Cash flows from investing activities</b>		
Purchase of Wealth Management Products measured at fair value through profit or loss	(238,526)	(266,595)
Maturity of Wealth Management Products measured at fair value through profit or loss	265,105	278,462
Additional investment in equity interest of a private company measured at fair value through profit or loss	(13,000)	(13,000)
Investments accounted for using the equity method	(374,424)	–
Purchase of property and equipment	(10,904)	(4,000)
Disposal of property and equipment	28	–
Loan to third parties	(29,091)	(44,964)
Proceeds of loans repayments from third parties	44,254	–
Prepayment for acquisition of a target company	–	(5,000)
	<u>(356,558)</u>	<u>(55,097)</u>
<b>Net cash outflow from investing activities</b>		
	<u>(356,558)</u>	<u>(55,097)</u>
<b>Cash flows from financing activities</b>		
Issuance of shares upon placement	285,567	–
Transaction costs relating to issuance of shares upon placement	(3,141)	–
Repayment of lease liabilities (including interest paid)	(14,085)	(8,680)
Purchase of own shares	(12,719)	–
Transactions with non-controlling interests	(395,217)	(21,153)
	<u>(139,595)</u>	<u>(29,833)</u>
<b>Net cash outflow from financing activities</b>		
	<u>(139,595)</u>	<u>(29,833)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(183,508)</b>	<b>308,920</b>
Cash and cash equivalents at beginning of year	724,556	430,998
Effects of exchange rate changes on cash and cash equivalents	55,614	(15,362)
	<u>596,662</u>	<u>724,556</u>
<b>Cash and cash equivalents at end of year</b>	<b>596,662</b>	<b>724,556</b>
	<u>596,662</u>	<u>724,556</u>
Including:		
Cash and cash equivalents	596,729	724,588
Bank overdraft	(67)	(32)

## **1 GENERAL INFORMATION**

Newborn Town Inc. (the “Company”) was incorporated in the Cayman Islands on 12 September 2018 as an exempted company with limited liability under the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Maples Corporate Services Limited, PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together referred as the “Group”) are principally engaged in providing social networking business (mainly through social networking apps such as MICO, Yumy and YoHo) and innovation business (mainly through niche games and casual games).

Mr. Liu Chunhe, Mr. Li Ping and Mr. Ye Chunjian are the founders of the Group. Mr. Liu Chunhe and Mr. Li Ping are parties acting in concert (having the meaning ascribed thereto in the Takeovers Code).

For the year ended 31 December 2022, the Company, as a limited partner, established Metaclass Management ELP (the “Fund”, an exempted limited partnership formed under the laws of the Cayman Islands) with Chizicheng Strategy Investment Limited (“Chizicheng Strategy Investment”) as the general partner and Spriver Tech Limited (“Spriver”) as a limited partner. Both Chizicheng Strategy Investment and Spriver are controlled by Mr. Liu Chunhe. The Company made a total cash contribution of USD50 million (equivalent to approximately RMB338 million) to the Fund.

## **2 BASIS OF PREPARATION**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial instruments measured at fair value through profit and loss (“FVPL”).

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before intended use
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to IFRS 3 – Reference to the Conceptual Framework
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group early adopted amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transition during the current reporting period. The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations, and will require the recognition of additional deferred tax assets and liabilities. To reflect these changes in policy, the Group recognized deferred tax assets and deferred tax liabilities of RMB422,000 as at 1 January 2021 and deferred tax assets and deferred tax liabilities of RMB1,297,000 as at 31 December 2021 respectively, but the Group did not recognize the impact of retained earnings relevant to this change due to immaterial.

The early adoption of the above amendments did not have any significant impact on the Group’s consolidated financial statements.

Certain new standards, amendments to standards and interpretations have been published that are not mandatory for the year ended 31 December 2022 and have not been early adopted by the Group. These are not expected to have a significant effect on the consolidated financial statements of the Group in the current or future reporting periods and on foreseeable future transactions.

### 3 SEGMENT INFORMATION

The Group’s business activities are regularly reviewed and evaluated by the chief operating decision maker (“CODM”) and the Group is organised into segments according to the revenue streams of the Group. Prior to 1 January 2022, value-added service business and traffic monetisation business were identified as the segments of the Group. With the upgrading of the Group’s strategy, the social networking business has become the main business and core revenue source of the Group, therefore the CODM revisited its assessment of the segment and updated its segments according to the Group’s product matrix, namely social networking business and innovative business during the current period for the year ended 31 December 2022, to better reflect the development of each business line. The segment information for the years ended 31 December 2021 has also been retrospectively adjusted.

The CODM assesses the performance of the operating segments based on the gross profit/loss. The reconciliation of gross profit to profit before income tax is shown in the interim condensed consolidated statement of comprehensive income. There were no separate segment assets and segment liabilities information provide to the CODM, as the CODM does not use this information to allocate resources or to evaluate the performance of the operating segments.

The segment results for the years ended 31 December 2022 and 2021 are as follows:

	<b>Social networking business</b> <i>RMB’000</i>	<b>Innovation business</b> <i>RMB’000</i>	<b>Total</b> <i>RMB’000</i>
<b>For the year ended 31 December 2022</b>			
Revenue	2,557,371	242,327	2,799,698
Cost of revenue	(1,700,755)	(41,036)	(1,741,791)
<b>Gross profit</b>	<b>856,616</b>	<b>201,291</b>	<b>1,057,907</b>
<b>For the year ended 31 December 2021</b>			
Revenue	2,095,522	264,294	2,359,816
Cost of revenue	(1,319,165)	(37,331)	(1,356,496)
<b>Gross profit</b>	<b>776,357</b>	<b>226,963</b>	<b>1,003,320</b>

#### 4 REVENUE FROM CONTRACTS WITH CUSTOMERS

An analysis of the Group's revenue by category for the years ended 31 December 2022 and 2021 was as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
<i>Recognised at a point in time</i>		
Social networking business	2,535,943	2,073,908
Innovative business	242,327	264,294
<i>Recognised over time</i>		
Social networking business	21,428	21,614
<b>Total</b>	<b>2,799,698</b>	<b>2,359,816</b>

#### 5 EXPENSES BY NATURE

The details of cost of revenue, selling and marketing expenses, general and administrative expenses and research and development expenses are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue sharing to streamers	1,175,258	892,521
Promotion expenses	473,364	498,576
Employee benefit expense	392,741	260,365
Payment handling costs	260,496	224,470
Server capacity expense	64,514	43,866
Depreciation and amortisation	59,582	51,023
Share-based compensation expenses	45,845	696,105
Technical and other service fee	26,492	15,955
Consultancy and professional service fee	13,124	11,134
Travel expense	6,554	4,546
Rent expense	5,793	4,922
Auditor's remuneration		
– Audit and audit related services	3,800	3,600
– Non-audit services	519	330
Others	21,662	14,948
<b>Total</b>	<b>2,549,744</b>	<b>2,722,361</b>



## 6 INCOME TAX EXPENSES/(CREDITS)

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Current tax		
Current tax on profits for the year	4,939	14
Deferred income tax		
Changes in deferred tax assets/liabilities	(4,895)	(6,770)
<b>Income tax expenses/(credits)</b>	<b>44</b>	<b>(6,756)</b>

The State Taxation Administration of the People's Republic of China announced in 22 September 2022, the pre-tax deduction rate for research and development expenses, which currently applies to 75% of enterprises, will be increased to 100% from 1 October 2022 to 31 December 2022.

## 7 EARNINGS/(LOSS) PER SHARE

### 7a Basic

Basic earnings/(loss) per share for the years ended 31 December 2022 and 31 December 2021 were calculated by dividing the profit attributable to owners of the Company of RMB130,135,000 and the loss attributable to owners of the Company of RMB286,284,000 by the weighted average number of ordinary shares of 1,143,463,000 and 999,124,000 in issue during the year respectively.

Issuance of ordinary shares upon placement in February 2022 and repurchase of ordinary shares in June 2022 were accounted at time portion basis.

### 7b Diluted

For the years ended 31 December 2022, the Group has considered the impact from the restricted share unit ("RSU") and share options issued by the Group. The RSUs issued by the Group had a dilutive effect during the year, while as the exercise price of the share options exceeded the average price of ordinary shares during the period for which the share options were in issue, such share options did not have any dilutive effect on earnings per share.

For the years ended 31 December 2022, dilutive earnings per share were calculated by dividing the profit attributable to owners of the Company of RMB129,942,000 by the weighted average number of ordinary shares of 1,155,191,000 to assume conversion of all dilutive potential ordinary shares in issue during the period, including the RSUs issued by a subsidiary of the Company. For the year ended 31 December 2021, as the Group incurred losses, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive.

## 8 DIVIDENDS

No dividends have been paid or declared by the Company for the years ended 31 December 2022 and 2021.

## 9 ACCOUNTS RECEIVABLE

An aging analysis of the gross accounts receivable as at 31 December 2022 and 2021, based on date of recognition, is as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Up to 6 months	161,854	145,760
6 months to 1 year	7,246	538
1 year to 2 years	532	12,033
2 years to 3 years	12,022	9,352
Over 3 years	22,163	12,851
	<hr/>	<hr/>
Gross carrying amount	203,817	180,534
	<hr/>	<hr/>
Less: impairment provision	(38,940)	(33,724)
	<hr/>	<hr/>
<b>Total accounts receivable</b>	<b>164,877</b>	<b>146,810</b>
	<hr/>	<hr/>

## 10 ACCOUNTS PAYABLE

Aging analysis of the accounts payable as at 31 December 2022 and 2021 based on the date of recognition are as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Up to 1 year	179,093	217,134
1 year to 2 years	3,206	2,750
More than 2 years	7,440	6,236
	<hr/>	<hr/>
	189,739	226,120
	<hr/>	<hr/>

Accounts payable are usually paid within 1 year of recognition.

## 11 EVENT OCCURRING AFTER THE REPORTING

On 23 March 2023, the Company entered into the Sale and Purchase Agreement with Spriver, pursuant to which Spriver has agreed to sell and the Company has agreed to acquire 1,000,000 ordinary shares (the "Sale Shares") which is the entire issued share capital of Chizicheng Strategy Investment for the consideration of US\$1.00. Completion of this transaction is conditional upon and subject to the fulfilment of several conditions, mainly including the approval from the independent shareholders of the Company by an ordinary resolution at the general meeting to be convened, and the completion of the reorganization and restructuring of BlueCity and affiliates in accordance with the requirements of the governmental authorities of the PRC and the Stock Exchange of Hong Kong. Upon completion of the acquisition, the Company will hold the entire issued share capital of Chizicheng Strategy Investment directly and will control the Fund through its control of Chizicheng Strategy Investment and the interests held by the Company in the Fund.

## DEFINITION

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

“Audit Committee”	the audit committee of the Company
“Beijing Mico”	Beijing Mico World Technology Co., Ltd. (北京米可世界科技有限公司) (formerly known as Beijing Zhongluo Technology Co., Ltd. (北京眾絡科技有限公司)), a company incorporated under the laws of the PRC with limited liability
“BGFG”	BGFG Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
“BlueCity”	BlueCity Holdings Limited, a NASDAQ-listed company with a stock code of BLCT
“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Chizicheng Strategy Investment”	Chizicheng Strategy Investment Limited, an exempted company with limited liability incorporated in the Cayman Islands on 11 January 2022 and was wholly owned by Spriver as of the Latest Practicable Date
“Company”, “our Company” or “the Company”	Newborn Town Inc. (赤子城科技有限公司), a company with limited liability incorporated in the Cayman Islands whose shares are listed on the Stock Exchange
“CSR”	corporate social responsibility
“Director(s)”	the director(s) of the Company
“EBITDA”	Earnings before interest and other finance costs, taxation, depreciation and amortisation
“Employee RSU Scheme”	the employee RSU scheme adopted by the Board on 11 December 2019
“ESG”	environmental, social and governance
“Fund”	a private fund to be established in the form of an exempted limited partnership under the laws of the Cayman Islands pursuant to the Partnership Agreement
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the AGM to allot, issue and deal with up to 20% of the total number of issued Shares of the Company as at the date of the AGM

“General Partner”	Chizicheng Strategy Investment
“Group,” “our Group,” or “the Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	the International Financial Reporting Standards, amendments and interpretation issued from time to time by the International Accounting Standards Board
“Independent Shareholders”	the Shareholders who are not required to abstain from voting in favour of the resolution for approving the proposed resolutions under the Listing Rules
“Listing Date”	31 December 2019, the date on which the Company was listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“NASDAQ”	National Association of Securities Dealer Automated Quotations
“NBT Social Networking”	NBT Social Networking Inc., a company incorporated under the laws of the Cayman Islands with limited liability
“NewBornTown Network Technology”	NewBornTown Network Technology (Beijing) Co., Ltd. (赤子城網絡技術(北京)有限公司), a company incorporated under the laws of the PRC with limited liability on 28 February 2014
“Partnership Agreement”	the amended and restated exempted limited partnership agreement entered into between Spriver, the General Partner and the Company on 4 July 2022
“Placing”	the placing of Sale Shares on the terms and subject to the conditions set out in the Placing and Subscription Agreement
“Placing and Subscription Agreement”	the agreement entered into between the Company, the Seller, the Sole Placing Agent in relation to the Placing and the Subscription on 24 January 2022
“Prospectus”	the prospectus of the Company dated 17 December 2019
“Reporting Period”	the year ended 31 December 2022
“RMB”	Renminbi, the lawful currency of China

“RSU”	a restricted share unit award granted to a participant under the RSU Schemes
“RSU Schemes”	the employee RSU scheme and the management RSU scheme adopted by the Board on 11 December 2019
“Sale Shares”	92,366,000 Shares that the Seller agrees to sell, and the Sole Placing Agent agrees, as agent of the Seller, to procure on a best effort basis not less than six purchasers to purchase, subject to the terms and conditions of the Placing and Subscription Agreement
“Shares”	ordinary share(s) in the share capital of the Company with a par value of US\$0.0001 each
“Shareholder(s)”	the holder(s) of the Share(s)
“Spriver”	Spriver Tech Limited, a BVI business company incorporated in the British Virgin Islands with limited liability on 22 August 2018, the issued shares of which is owned as to 100% by Mr. Liu Chunhe
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by the Seller
“Subscription Shares”	92,366,000 new Shares issued by the Company to the Seller under the Subscription pursuant to the General Mandate
“US\$”	United States dollars, the lawful currency of the United States
“We”, “us” or “our”	our Company or our Group, as the context may require
“%”	per cent

## APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to the management and staff of the Group for their commitment and contribution during the year. I would also like to express my appreciation to the guidance from the regulators and continued support from our Shareholders and customers.

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

Beijing, 23 March 2023

*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.*

*This announcement contains forward-looking statements relating to the business outlook, estimates of financial performance, forecast business plans and growth strategies of the Group. These forward-looking statements are based on information currently available to the Group and are stated herein on the basis of the outlook at the time of this announcement. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond our control. These forward-looking statements may prove to be incorrect and may not be realised in future. Underlying these forward-looking statements are a large number of risks and uncertainties. In light of the risks and uncertainties, the inclusion of forward-looking statements in this announcement should not be regarded as representations by the Board or the Company that the plans and objectives will be achieved. Shareholders and potential investors should therefore not place undue reliance on such statements.*