赤子城
newborntown

Newborn Town Inc.

赤子城科技有限公司

Stock Code：9911

(Incorporated in the Cayman Islands with limited liability)

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. LIU Chunhe (Chairman)
Mr. LI Ping
Mr. YE Chunjian
Mr. SU Jian

Independent Non-executive Directors

Mr. GAO Ming
Mr. CHI Shujin
Mr. HUANG Sichen

JOINT COMPANY SECRETARIES

Mr. SONG Pengliang
Mr. AU-YEUNG Wai Ki, Joseph

AUTHORISED REPRESENTATIVES

Mr. LI Ping
Mr. AU-YEUNG Wai Ki, Joseph

AUDIT COMMITTEE

Mr. CHI Shujin (Chairman)
Mr. HUANG Sichen
Mr. GAO Ming

REMUNERATION COMMITTEE

Mr. HUANG Sichen (Chairman)
Mr. SU Jian
Mr. GAO Ming

NOMINATION COMMITTEE

Mr. LIU Chunhe (Chairman)
Mr. HUANG Sichen
Mr. CHI Shujin

AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
8th Floor, Prince's Building
Central
Hong Kong

REGISTERED OFFICE

The offices of Maples Corporate Services Limited
PO Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

HEADQUARTERS IN THE PRC

1701, Jingqi Road 28-1 Shandong Digital Industry Building
Shizhong District
Jinan
Shandong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN THE PRC

6/F, Tower B, Xiaoyun Road 33rd Building
Chaoyang District
Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2613, Floor 26th
The Center
No.99 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Central
Hong Kong

Industrial and Commercial Bank of China Limited
Beijing Academy of Sciences Sub-branch
2A Xinkexiangyuan
Haidian District
Beijing
PRC

LEGAL ADVISERS

As to Hong Kong law:

Haiwen & Partners LLP
Suites 1101-1104
11/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

As to Cayman Islands law:

Maples and Calder (Hong Kong) LLP
26th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Maples Fund Services (Cayman) Limited
P.O. Box 1093
Boundary Hall, Cricket Square
Grand Cayman KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shop 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

09911

COMPANY'S WEBSITE

www.newborntown.com

BUSINESS HIGHLIGHT

MICO
YoHo
TopTop
SUGO

Pan-audience social networking business

HeeSay
Blued
Finka

Diverse-audience social networking business

Alice's Dream: Merge Island
Taylor's Secret
Sudoku

Innovative business including niche game

Solid growth in revenue and significant increase in profits

Revenue amounted to **3.31** billion
increased by **18.1**%
year-on-year

Adjusted EBITDA amounted to **674.6** million
increased by **80.0**%
year-on-year

Gross profit margin reached **52.1**%
increased by **14** percentage points
year-on-year

Cash and cash equivalents amounted to **1.39** billion
increased by **132.0**%
year-on-year

The strategic market continues to grow, and latecomer products rapidly break through

Business scale in the Middle East and North Africa region increased by **30.0%** period-on-period

SUGO
Both revenue and profit increased by **more than three times** year-on-year

TopTop
Revenue increased by **more than 2 times** year-on-year, profit increased by **more than 6 times** year-on-year

HEESAY
New upgrade of brand continuously profitable

Unit: RMB

	Year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from contracts with customers	**3,307,799**	2,799,698	2,359,816	1,181,593	389,685
Gross profit	**1,722,083**	1,057,907	1,003,320	752,489	261,512
Profit/(loss) before income tax	**772,758**	287,379	(393,881)	130,180	78,386
Profit/(loss) for the year	**760,612**	287,335	(387,125)	114,343	68,415
Non-IFRS measures[1]					
Adjusted EBITDA[2]	**674,638**	374,688	357,067	198,285	126,626

Notes:

(1) We believe that such non-IFRS measures facilitate comparisons of operating performance from period to period by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance. We believe that such measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management. The use of such measures has limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS.

(2) Adjusted EBITDA is defined as operating profit adjusted by share-based compensation expenses, listing expenses, depreciation and amortisation.

	As at 31 December				
	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets	**848,724**	743,600	496,434	505,469	203,315
Current assets	**1,942,132**	976,617	1,125,994	762,695	574,245
Total assets	**2,790,856**	1,720,217	1,622,428	1,268,164	777,560
LIABILITIES					
Current liabilities	**696,410**	349,074	727,297	409,487	131,027
Non-current liabilities	**146,951**	133,133	55,037	71,669	11,988
Total liabilities	**843,361**	482,207	782,334	481,156	143,015
EQUITY					
Total equity	**1,947,495**	1,238,010	840,094	787,008	634,545
Total liabilities and equity	**2,790,856**	1,720,217	1,622,428	1,268,164	777,560

CHAIRMAN'S STATEMENT

Dear Shareholders,

From 2013 onwards, we have pressed on our journey towards globalisation for 10 years. Over the past decade, we have our footprints marked in over 100 countries and regions, persistently fostering positive emotional value for global users.

Guided by this vision, the Company has built a solid and broad business system within the global social entertainment sphere. We are dedicated to the "pan-audience social networking" business, with a steadfast commitment in the Middle East and North African markets. We have strategically positioned ourselves in the "diverse-audience social networking" and "niche game" businesses, enabling us to explore more diversified markets and opportunities.

In pursuit of expansion into the global market, the Company has cultivated a rich "social networking+" product matrix, entering different segmented tracks to cater to the diverse and personalised needs of users. Leveraging our continuously evolving localisation capabilities, we are set on a development path of "national replication+product replication" to form a competitive edge in the Middle East and North Africa, being key markets of the Company where we emerged as one of the leading enterprises in such segmented track, while we experienced rapid growth and flourished in markets such as Southeast Asia.

Such businesses have made positive progress over the past year. In 2023, the Company's various businesses have demonstrated improvements in both quality and efficiency, resulting in solid growth in revenue and profits. Our total revenue reached approximately RMB3.3 billion, representing a year-on-year increase of approximately 18.1%. The profit attributable to equity shareholders of the Company reached approximately RMB512.8 million, representing a year-on-year increase of approximately 294.2%. Adjusted EBITDA reached approximately RMB674.6 million, representing a year-on-year increase of approximately 80.0%. In particular, the Company's social business continues to thrive with high quality, achieving a revenue of approximately RMB3.0 billion and maintaining a leading position in markets such as the Middle East and North Africa, as well as Southeast Asia. Meanwhile, our innovative business has experienced the second curve in growth, with revenue reaching approximately RMB336 million, representing a year-on-year increase of approximately 38.6%.

As the Company expands its business, it remains committed to longtermism and actively fulfills its social responsibilities. We have created a large number of job opportunities in markets such as the Middle East and North Africa, aiding women in war-torn and impoverished areas to secure employment; We have launched multiple public welfare activities during Ramadan to improve living conditions of vulnerable groups. Starting from 2023, we launched the "TEEN in FOCUS" campaign worldwide, aiming to provide a conducive environment for young people in developing countries to grow. By fostering positive emotional value for global users, creating widespread employment opportunities, and participating in charitable and philanthropic endeavours, we have become an ESG advocate in more than ten countries and regions around the world.

Looking ahead, we will steadfastly focus on our core business of pan-audience social networking business, while actively developing our diverse-audience social networking business and niche game business. We will continue to steadfastly invest in the Middle East and North African markets, while actively expanding into diverse markets such as Southeast Asia, Japan and South Korea, as well as North America, and striving to foster positive emotional value for more users.

I hereby present the Company's financial position and operating highlights for 2023 and summarise the strategies and outlook of the Company for 2024.

BUSINESS REVIEW

I. Pan-audience social networking business: rapid surge in latecomer products, further unleashing market potential in the Middle East and North Africa

The pan-audience social networking business has been the core business of the Company, characterised by its unparalleled development speed, the most deep-seated efforts, the most robust competitive edge, and the most thorough cognitive methodology over the past decade. At present, the Company's pan-audience social networking business is comprised of products such as the open social networking platform MICO, the audio social networking platform YoHo, the companion-based social networking platform SUGO, and the game-oriented social networking platform TopTop, all of which have experienced exponential growth over the past few years, and emerged as leading platforms in emerging markets such as the Middle East and North Africa as well as Southeast Asia, while also making strides in developed countries such as Japan and South Korea.

In 2023, our relentless focus on technological innovation, product function enhancements, and meticulous localisation efforts have resulted in a substantially enriched content ecosystem across our products, with significant enhancements in terms of community ambiance, content quality, user experience, and user stickiness of our platforms, as well as a marked boost in commercialisation efficiency.

Specifically, MICO has undergone multiple upgrades and revisions catering to the needs of users in the Middle East, and provided customised services aimed at effectively enhancing community activity, further expanding the scale of new users, and driving profits at scale. YoHo has strengthened its content operation efforts, introducing more localised gameplay in the Middle East, further refining user operations. SUGO has optimised its matching strategies to facilitate more accurate matching of users and effectively improving the efficiency of social networking scenarios which in turn led to an increase in the number of monthly active users by more than three times year-on-year, as accompanied by more than threefold increase in both revenue and profits. TopTop has improved its user growth system, increased the distribution ratio of community incentive resources, thereby having effectively enhanced the community ambiance, with revenue more than doubled year-on-year and profits increased by over sixfold.

Since August 2023, the Company has three of its social products simultaneously making to the top 30 of the data.ai "China Non-Game Application Overseas Revenue List" for five consecutive months, solidifying its position as the social entertainment enterprise with the highest number of products featured on the list, while underscoring the general success of the Company's pan-audience social networking business.

In the early days of our overseas operations, we started off with MICO and have since deepened our efforts gradually. With the enhancement of our ability in "product replication" and "national replication", more and more long-term social products such as YoHo, SUGO, and TopTop have emerged, which not only verified the feasibility of the Company's "multi product, multi market" strategy, but also reaffirmed the sustainability of our core business.

Overall, the Company's pan-audience social networking business has experienced consistent and high-quality growth over the past year, demonstrating significant potential and ample room for expansion while providing a solid foundation for the Company's development in the social entertainment field. The Company is confident in continuously tapping into the varying needs of different countries, regions, and people around the world, launching more high-quality pan-audience social networking products, with an aim of establishing ourselves as a leading platform across various segmented tracks and achieving success in multiple markets.

II. Diverse-audience social networking business: achieving overall sustained profitability, with overseas brand HeeSay unveiling its new upgrade

The Company started to lay out the development of its diverse-audience social networking business in 2022. In August 2023, the Company conclusively completed the acquisition of Chizicheng Strategy Investment, as a result of which, products such as Blued and Finka were also integrated into our global social networking product matrix, thereby further expanding the Company's social networking business landscape.

In the process of laying out the diverse-audience social networking business, the Company recognised that the LGBTQ+ crowd's needs are not confined to making friends, but also characterised by the strong demand for self-expression, life sharing, and collective entertainment experiences. Leveraging such insight, we have upgraded our products for overseas LGBTQ+ users and officially launched HeeSay, a diverse-audience online community, in early 2024.

HeeSay, having seamlessly integrated the user base and brand prowess of Blued International, is designed for the cultivation of a diverse and open online community. Departing from the conventional single dating and socialising mode typical for diverse-audience social networking products, HeeSay introduces a plethora of dynamic features such as Post, live streaming, and voice rooms, enabling users to engage in real-time interactions with friends across the globe and discover like-minded friends.

Drawing on the Company's experience in overseas markets over the past decade, HeeSay has refined its operational efficiency and commercial monetisation capabilities, thereby currently enjoying sustained profitability.

III. Innovative business: breakthrough in flagship game scale

In tandem with the robust high quality growth of our social networking business, the Company has been actively pursuing its venture into the innovative businesses, with a particular focus on avenues such as niche games. Leveraging our proprietary intelligent game development engines, we have launched niche games such as Alice's Dream: Merge Island.

Alice's Dream: Merge Island draws inspiration from the classic IP "Alice's Adventures in Wonderland". It receives widespread recognition in Google App Store for its innovative gameplay and exquisite artistry. Over the past year, the monthly revenue of Alice's Dream: Merge Island has continued to grow. It has emerged as a frontrunner in the global Merge category and has consistently topped in rankings such as "China Mobile Game Overseas Revenue Growth Ranking" and "China Mobile Game Overseas Download Ranking", as published by Sensor Tower.

Building upon such success, the Company's gaming team has steadily incubated new products and has successfully launched new synthetic mobile games such as Taylor's Secret, Merge Cove, and Sudoku in 2023.

STRATEGY AND OUTLOOK

I. Deeply cultivating the pan-audience social networking business and making long-term investments in strategic markets (Middle East and North Africa)

The Company is committed to pursuing high-quality growth strategies across various business lines and continuously improving operational efficiency, starting from the essence of business.

We will continue to ensure that MICO and YoHo generate stable and healthy cash flow and profits for the pan-audience social networking business, while continuously exploring additional avenues for growth. We will expand the reach of SUGO and TopTop in key markets and accelerate the optimisation of commercialisation efficiency.

Recognising the significant potential of the Middle East and North African markets, the media and entertainment sector of which is projected by Mordor Intelligence to grow from approximately US$39.05 billion in 2023 to approximately US$61.23 billion in 2028, we have become a leading player in the local online social entertainment field. Moving forward, the Company will firmly invest in and continue to focus on the Middle East and North African markets, sticking to its successful business strategies to consolidate its leading position in such regions while further exploring the vast opportunities within such markets.

Apart from the Middle East and North Africa, Southeast Asia is yet another market where the Company has an edge in, and the Company will press on its investment in expanding its market share within such locale. The Company will continue to maintain its composed stance towards strategic markets such as North America, Japan, and South Korea, steadily investing, continuously experimenting and on the lookout for strategic opportunities while ensuring profitability thereof.

To accomplish such goals, the Company will further strengthen its localised operational capabilities, continuously enhance the scale and influence of its products in markets where it has an edge in, as well as its penetration rate in strategic markets. At the same time, the Company will increase investment in technology and product innovation, facilitating rapid product iteration to meet the diverse needs of our users, and enhancing the global social entertainment ecosystem through enriching our portfolio of pan-audience social networking products.

II. Developing diverse-audience social networking business and enhancing HeeSay's global brand influence

According to Frost & Sullivan's survey report, the global diverse-audience user base totalled approximately 500 million in 2021, with continued rapid growth in monthly active users (MAU). In 2023, the global online diverse-audience social networking business market reached approximately US$3.842 billion. At present, the penetration rate of diverse-audience social networking products remains relatively low in the market, leaving significant room for growth in Southeast Asia, Japan, South Korea, Europe and America, thereby presenting ample opportunities for us to further develop our diverse-audience social networking business.

We will continue to explore the value of the global diverse-audience social networking filed and actively develop diverse-audience social networking businesses. In markets where we enjoy an edge in, such as Southeast Asia, we will solidify HeeSay's leading position by our thorough understanding user needs, improving product ecology, thus fostering a thriving community atmosphere through high-quality online and offline activities, and enhancing user experience and commercialisation level.

Furthermore, we will prioritise developing regions deemed suitable for the growth of HeeSay and other products, and gradually expand the reach of HeeSay and other diverse-audience social networking products into more global markets through our "national replication" strategy.

We believe that, with the continuous enhancement of the Company's product technology development, localised operations and other capabilities, as well as the closer collaboration across our entire Company's social networking business, we can expand the scale of our diverse-audience social networking business, achieve continuous growth in revenue and profits, and ultimately establish a "super brand" with global influence in the future.

III. Continuously refining flagship games to produce more high-quality products

In recent years, the leisure niche game market has experienced rapid growth. The growth rate of global leisure niche games is projected to remain at approximately 9% from 2022 to 2027, and the market size is estimated to reach approximately US$25 billion by 2027. The Company will continue to develop innovative businesses with our sight set on niche games and the creation of niche games with a long lifecycle.

We will continue to optimise and polish the gameplay and user experience of our existing products, so as to enhance the retention of new players, the stickiness of loyal players, while further enhancing the monetisation ability and profitability of flagship games. At the same time, we will stick with longtermism, making cautious investments and steadily nurturing new products to achieve "product replication". By establishing a deep product moat, we aspire to create more "evergreen" games capable of sustained operations for 5 to even 10 years.

We will further explore the integration of gaming business and social networking business, aligning with user preferences for social entertainment experiences and foster synergistic collaboration across businesses.

Over the past decade, the Company has been advancing on the path of globalisation, every step we have taken is aimed at enriching positive emotional value for more users. Grounded in our lasting commitment to long-term goals and our original vision, every decision and innovation is aimed at drawing us closer to fulfilling the needs of our users.

In this constantly evolving digital age, we firmly believe in the transformative power of technology to transcend borders and forge heartfelt connections. As a "Born Global" company, our globalisation strategy is being validated by the times and the market. In the future, we are dedicated to solidifying our global presence, vigorously advancing our technology, products, and services, and serve more users worldwide. At the same time, we remain unwavering in our commitment to uphold longtermism, focusing on new technologies and opportunities, achieving diversified and sustainable growth, thereby creating long-term returns for the Shareholders.

REVENUE

For the year ended 31 December 2023 our total revenue was approximately RMB3,307.8 million, representing an increase of approximately 18.1% as compared to approximately RMB2,799.7 million for the year ended 31 December 2022. The following table sets forth a breakdown of our revenue by segments for the years indicated:

	Year ended 31 December				
	2023		2022		
	RMB'000	***% of Total revenue***	*RMB'000*	*% of Total revenue*	*YoY change*
Social networking business	**2,971,915**	**89.8**	2,557,371	91.3	16.2%
Innovative business	**335,884**	**10.2**	242,327	8.7	38.6%
Total	**3,307,799**	**100.0**	2,799,698	100.0	18.1%

Revenue from our social networking business was approximately RMB2,971.9 million for the year ended 31 December 2023, representing an increase of approximately 16.2% as compared to approximately RMB2,557.4 million for the year ended 31 December 2022, which is primarily attributable to (i) the Company's steady progress in the pan-audience social networking business, the increasingly enriched content ecosystem across our products, through technological innovation and product function upgrades, which enhanced user experience and community activity, as well as further expanded the scale of new users; (ii) in August 2023, the Company conclusively completed the acquisition of Chizicheng Strategy Investment and started to consolidate the revenue of BlueCity and Land of Glory, which is conducive to the laying out of the diverse-audience social networking business and further expansion of the social networking business landscape.

The revenue from our innovative business for the year ended 31 December 2023 was approximately RMB335.9 million, representing an increase of approximately 38.6% as compared to approximately RMB242.3 million for the year ended 31 December 2022, which was primarily attributable to the successful product incubation and development by our gaming team.

COST OF REVENUE

Our cost of revenue for the year ended 31 December 2023 was approximately RMB1,585.7 million, representing a decrease of approximately 9.0%, as compared to approximately RMB1,741.8 million for the year ended 31 December 2022. The following table sets forth a breakdown of our cost of revenue by nature for the years indicated:

	Year ended 31 December				
	2023		2022		
	RMB'000	***% of Total revenue***	*RMB'000*	*% of Total revenue*	*YoY change*
Revenue sharing to streamers	**899,317**	**27.2**	1,175,258	42.0	-23.5%
Payment handling costs	**281,361**	**8.5**	260,496	9.3	8.0%
Employee benefit expense	**156,973**	**4.7**	130,184	4.6	20.6%
Server capacity expense	**72,581**	**2.2**	64,514	2.3	12.5%
Depreciation and amortisation	**60,738**	**1.8**	40,766	1.5	49.0%
Technical and other service fee	**28,679**	**0.9**	22,560	0.8	27.1%
Share-based compensation expenses	**28,295**	**0.9**	20,797	0.7	36.1%
Cost of merchandise sales	**25,767**	**0.8**	–	–	–
Others	**32,005**	**0.9**	27,216	1.0	17.6%
Total	**1,585,716**	**47.9**	1,741,791	62.2	-9.0%

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

	Year ended 31 December				
	2023		2022		
	RMB'000	***%***	*RMB'000*	*%*	*YoY change*
Social networking business	**1,542,819**	**97.3**	1,700,755	97.6	-9.3%
Innovative business	**42,897**	**2.7**	41,036	2.4	4.5%
Total	**1,585,716**	**100.0**	1,741,791	100.0	-9.0%

The cost of revenue for our social networking business was approximately RMB1,542.8 million for the year ended 31 December 2023, representing a decrease by approximately 9.3% as compared to approximately RMB1,700.8 million for the year ended 31 December 2022, which was primarily attributable to the decrease in revenue sharing to streamers of our social networking business driven by improved commercialisation efficiency of our social networking products.

The cost of revenue for our innovative business increased by 4.5% to RMB42.9 million for the year ended 31 December 2023 as compared to RMB41.0 million for the year ended 31 December 2022.

GROSS PROFIT AND GROSS PROFIT MARGIN

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

	Year ended 31 December						
	2023			2022			
	Gross profit	***%***	***Gross profit margin***	*Gross profit*	*%*	*Gross profit margin*	*YoY change in gross profit*
			(RMB'000,	*except for percentages)*			
Social networking business	**1,429,096**	**83.0**	**48.1%**	856,616	81.0	33.5%	66.8%
Innovative business	**292,987**	**17.0**	**87.2%**	201,291	19.0	83.1%	45.6%
Total	**1,722,083**	**100.0**	**52.1%**	1,057,907	100.0	37.8%	62.8%

Our gross profit for the year ended 31 December 2023 was approximately RMB1,722.1 million, representing an increase of approximately 62.8% as compared to approximately RMB1,057.9 million for the year ended 31 December 2022. The gross profit of our social networking business increased to approximately RMB1,429.1 million for the year ended 31 December 2023 from approximately RMB856.6 million for the year ended 31 December 2022, which was primarily attributable to the continuous enrichment of our pan-audience social networking product portfolio as we tapped into the diverse audience social networking market, which led to increases in both revenue and gross profit of our social networking business. The gross profit of our innovative business increased to approximately RMB293.0 million for the year ended 31 December 2023 from approximately RMB201.3 million for the year ended 31 December 2022, which was primarily attributable to the smooth progress in the Company's incubation of new products, such as the sudoku games, which have contributed to revenue growth for our innovative business, thereby driving the significant increase in our gross profit.

Our gross profit margin increased to approximately 52.1% for the year ended 31 December 2023 from approximately 37.8% for the year ended 31 December 2022. The gross profit margin of our social networking business increased to approximately 48.1% for the year ended 31 December 2023 from approximately 33.5% for the year ended 31 December 2022, which was mainly attributable to the improved commercialisation efficiency and commercial realisation of social networking products through upgrades in product features and enhancements in content quality. The gross profit margin of our innovative business increased to approximately 87.2% for the year ended 31 December 2023 from approximately 83.1% for the year ended 31 December 2022.

SELLING AND MARKETING EXPENSES

For the year ended 31 December 2023, our selling and marketing expenses was approximately RMB688.4 million, representing an increase of 42.2% as compared to approximately RMB484.1 million for the year ended 31 December 2022, which was mainly attributable to our stepped up efforts in promoting our social networking business.

RESEARCH AND DEVELOPMENT EXPENSES

For the year ended 31 December 2023, our research and development expenses was approximately RMB314.5 million, representing an increase of approximately 48.3% as compared to approximately RMB212.1 million for the year ended 31 December 2022, which was mainly attributable to the increase in our employee benefit expenses.

GENERAL AND ADMINISTRATIVE EXPENSES

For the year ended 31 December 2023, our general and administrative expenses was approximately RMB172.0 million, representing an increase of approximately 53.8% as compared to approximately RMB111.8 million for the year ended 31 December 2022, which was mainly attributable to an increase in our employee benefit expenses.

OPERATING PROFIT

For the year ended 31 December 2023, our operating profit was approximately RMB551.1 million, representing an increase of approximately 104.6% as compared to an operating profit of approximately RMB269.3 million for the year ended 31 December 2022, which was mainly attributable to (i) an increase of approximately RMB664.2 million in our gross profit; (ii) an increase of approximately RMB204.3 million in our selling and marketing expenses; (iii) an increase of approximately RMB102.4 million in our research and development expenses; and (iv) an increase of approximately RMB60.2 million in our general and administrative expenses.

FINANCE INCOME/(COST)

For the year ended 31 December 2023, we recorded net finance income of approximately RMB15.5 million as compared to net finance cost of approximately RMB0.5 million for the year ended 31 December 2022. Such change was mainly attributable to an increase in interest income from our bank deposits.

INCOME TAX

For the year ended 31 December 2023, we recorded income tax expense of approximately RMB12.1 million as compared to income tax expense of approximately RMB0.04 million for the year ended 31 December 2022.

PROFIT FOR THE YEAR

As a result of the foregoing reasons, our profit for the year increased by approximately 164.7% to approximately RMB760.6 million for the year ended 31 December 2023 as compared to a profit for the year of approximately RMB287.3 million for the year ended 31 December 2022.

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 in identifying underlying trends in our business and provides our investors useful information 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 the same approach that our management takes when comparing our 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:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Operating profit	**551,113**	269,261
Add:		
Share-based compensation expenses[(1)(2)]	**44,008**[(2)]	45,845[(1)]
Depreciation and amortization	**79,517**	59,582
Adjusted EBITDA	**674,638**	374,688
Adjusted EBITDA growth	**80.0%**	4.9%

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 recognised based on the respective vesting periods of the RSU Schemes, and amounted to approximately RMB11,119,000 for the year ended 31 December 2022, tantamount to the economic benefits in relation to the benefits 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 recognised share-based compensation expenses amounting to approximately 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. The Share Options of each grantee will be vested in four tranches subject to the fulfilment of certain performance targets regarding the Company. The performance targets were determined by the Board. Evaluations in relation to such awards were made on 31 December 2022 to assess the likelihood of such grantees meeting the performance targets. Share-based compensation expenses amounting to approximately RMB23,422,000 were recognised for the year ended 31 December 2022.

(2) In May 2020, March 2021 and March 2023, the Board approved the grant of an aggregate of 55,227,573 RSUs, 957,333 RSUs and 2,441,170 RSUs, respectively to certain employees and management pursuant to the RSU Schemes. Share-based compensation expenses were recognised based on the vesting period of the RSU Schemes, and amounted to approximately RMB5,315,000 for the year ended 31 December 2023, tantamount to the economic benefits in relation to the benefits of the certain employees and management obtained from the Company. For further details, please refer to the announcements dated 28 May 2020, 24 March 2021 and 24 March 2023 of the Company. A subsidiary of the Company has recognised share-based compensation expenses amounting to approximately RMB23,611,000 for the year ended 31 December 2023.

On 30 August 2021, the Board granted 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. The Share Options of each grantee shall be vested in four tranches subject to the fulfilment of certain performance targets regarding the Company. The performance targets were determined by the Board. Evaluations in relation to such awards were made on 31 December 2023 to assess the likelihood of such grantees meeting the performance targets. Share-based compensation expenses amounting to approximately RMB15,082,000 were recognised for the year ended 31 December 2023.

CAPITAL STRUCTURE

We continued to maintain a healthy and sound financial position. Our total assets grew from approximately RMB1,720.2 million as at 31 December 2022 to approximately RMB2,790.9 million as at 31 December 2023, while our total liabilities increased from approximately RMB482.2 million as at 31 December 2022 to approximately RMB843.4 million as at 31 December 2023. Our gearing ratio increased from approximately 28.0% as at 31 December 2022 to 30.2% as at 31 December 2023, which is calculated as total liabilities divided by total assets.

FINANCIAL RESOURCES AND OPERATING CASH FLOW

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

As at 31 December 2023, our cash and cash equivalents was approximately RMB1,386.3 million, compared with approximately RMB596.7 million as at 31 December 2022.

Compared with approximately RMB311.7 million for the year ended 31 December 2022, the cash generated from operations in 2023 increased to approximately RMB738.8 million.

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

To preserve funds for future capital expenditure and new business opportunities, we continue to invest surplus cash in 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 2023, the balance of such investments increased to RMB170.9 million, compared with approximately RMB149.4 million as at 31 December 2022. Such increase was primarily attributable to the purchase of financial products.

CAPITAL EXPENDITURE

For the year ended 31 December 2023, our capital expenditure primarily consisted of expenditures on property and equipment, and intangible assets, including purchases of computers, other office equipment and etc.. The capital expenditure payment decreased from approximately RMB10.9 million for the year ended 31 December 2022 to approximately RMB9.9 million for the year ended 31 December 2023.

SIGNIFICANT INVESTMENT

Save as disclosed in the annual report, the Group did not hold any significant investments as of 31 December 2023.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save for the Acquisition disclosed in the section headed "CONNECTED TRANSACTIONS – Non-exempted Connected Transaction" in this annual report, we did not have any other material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2023.

PLEDGE OF ASSETS

As at 31 December 2023, 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 in 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.

As at the Latest Practicable Date, the Company has no specific plans for significant investment or acquisition of material capital assets in the future.

CONTINGENT LIABILITIES

As of 31 December 2023, we did not have any material contingent liabilities.

FOREIGN EXCHANGE RISK MANAGEMENT

We operate our business internationally and our major overseas receipts and payments are denominated in the U.S. dollar. We are exposed to foreign exchange risk arising from various currency exposures. 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 have not hedged against any fluctuations in foreign currency during the year ended 31 December 2023.

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 sustain 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 developing, 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 of 31 December 2023, we had a total of 1,465 full-time employees, mainly based in Beijing, Shenzhen, Chengdu, Hainan and Jinan. Among all employees, 736 of them are in R&D department, representing approximately 50.24% 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.

As of the Latest Practicable Date, the brief information of the Directors and senior management of the Group is as follows.

DIRECTORS

The Board currently comprises seven Directors, of which four are executive Directors and three are independent non-executive Directors.

The following table sets out information of the Directors.

Name	Age	Position	Date of Appointment as Director
Mr. LIU Chunhe	38	Executive Director and Chairman	12 September 2018
Mr. LI Ping	34	Executive Director	22 June 2019
Mr. YE Chunjian	32	Executive Director	1 April 2021
Mr. SU Jian	49	Executive Director	1 April 2021
Mr. GAO Ming	38	Independent Non-executive Director	26 August 2021
Mr. CHI Shujin	39	Independent Non-executive Director	11 December 2019
Mr. HUANG Sichen	36	Independent Non-executive Director	1 April 2021

EXECUTIVE DIRECTORS

Mr. LIU Chunhe (劉春河), former name LIU Zhonghua (劉中華), aged 38, is the founder of the Group. He currently serves as the chairman of the Board and executive Director of our Company. He also holds directorships in various subsidiaries of the Company, including NewBornTown Mobile Technology, Beijing Mico World Technology Co., Ltd., Solo X Technology Limited and Newborn Town International Enterprise Limited. Mr. LIU Chunhe has been the chairman and manager of Beijing Newborn Town Group Ltd. (北京赤子城集團有限公司) since July 2020. He is responsible for the overall management, strategies planning and decision-making of our Company. Mr. LIU Chunhe acts in concert with Mr. LI Ping.

Mr. LIU Chunhe graduated from Shandong University (山東大學) majoring in electronic information science and technology and obtained his bachelor's degree in science in July 2007. In March 2010, he obtained his master's degree in communication and information system from Beijing University of Posts and Telecommunications (北京郵電大學).

Mr. LI Ping (李平), aged 34, is our co-founder, executive Director and chief executive officer of our Company. He joined the Group in July 2011 and is responsible for overall operation and management of our business. Mr. Li Ping also holds directorships in NewBornTown Mobile Technology, NewBornTown Network Technology, Shandong NewBornTown and Beijing Mico World Technology Co., Ltd.. Mr. LI Ping has been a director of Beijing Fantasy Dream Technology Co., Ltd.(北京奇幻夢想科技有限公司) since December 2020, an executive director and general manager of Hainan NewBornTown Network Technology Co., Ltd. (海南赤子城網絡技術有限公司) since January 2021, a director of Beijing Newborn Town Group Ltd. (北京赤子城集團有限公司) since January 2021 and a director of Beijing AFun Team Technology Ltd (北京阿凡提互娛科技有限公司) since August 2021. Mr. LI Ping acts in concert with Mr. LIU Chunhe.

Mr. LI Ping obtained his bachelor's degree in engineering from Hebei Normal University of Science and Technology (河北科技師範學院) in June 2011.

Mr. YE Chunjian (葉椿建), aged 32, is an executive Director and the chief technology officer of our Company. He joined our Group in June 2014 and is responsible for the research and development of the social networking business. He has been a founding partner of Beijing Mico World Technology Co., Ltd. since February 2017, and serving as its director and manager since June 2018, whilst he has served an executive director and general manager of Hainan Jidu Kongjian Internet Technology Co., Ltd. (海南幾度空間網絡科技有限責任公司) since January 2019 and a director of Beijing Newborn Town Group Ltd. (北京赤子城集團有限公司) since January 2021.

Mr. YE Chunjian graduated from Beijing University of Technology (北京工業大學) in July 2014 with a bachelor's degree in engineering.

Mr. SU Jian (蘇鑒), aged 49, is an executive director of the Company. He joined the Group in May 2014 and is responsible for the overall management, strategies planning and decision-making of Beijing Mico World Technology Co., Ltd.. He has been serving as the chairman of the board and general manager of Shenzhen Yike Technology Co., Ltd. (深圳一刻科技有限公司) since June 2016, an executive director and general manager of Shenzhen Leyuyou Internet Technology Co., Ltd. (深圳樂娛游網絡科技有限公司) since April 2018, a director of Beijing Mico World Technology Co., Ltd. since June 2018, a director of Beijing Newborn Town Group Ltd. since January 2021, and an executive director and manager of Xiaoshitou Online (Beijing) Technology Co., Ltd. (小石頭在綫(北京)科技有限公司) since June 2021.

Mr. SU Jian graduated from Zhengzhou University of Light Industry (鄭州輕工業大學) in July 1997 with a bachelor's degree in engineering.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. GAO Ming (高明), aged 38, was appointed as an independent non-executive Director of our Company in August 2021. He is responsible for providing independent advice and judgement to our Board.

Mr. GAO Ming started his career as a postdoctoral researcher at Peking University's Guanghua School of Management from July 2014 to August 2016. Then, from July 2015 to July 2016, he joined Princeton University as a visiting scholar. Mr. GAO Ming then resumed his tenure at Peking University, and has since served at the School of Economics, first as assistant professor from August 2016 to August 2019. He then moved on to the role of supervisor of master's degree candidates since June 2017, and he also took up the role of doctoral supervisor since December 2018. From September 2019 to July 2022, he was appointed associate professor, and was promoted to the ranks of permanent associate professor.

Mr. GAO Ming graduated with a bachelor's degree in economics and law in July 2009; and obtained a doctorate degree in economics in July 2014, both from Peking University.

Mr. CHI Shujin (池書進), aged 39, was appointed as an independent non-executive Director of our Company in December 2019. He is responsible for providing independent advice and judgement to our Board. Mr. CHI Shujin has been the director and the chief financial officer of Beijing Siwei Zaowu Information Technology Holdings Co., Ltd. (北京思維造物信息科技股份有限公司) since September 2017.

Mr. CHI Shujin graduated from Beijing Jiaotong University (北京交通大學) in July 2007 majoring in science.

Mr. HUANG Sichen (黃斯沉), aged 36, was appointed as an independent non-executive Director of our Company in April 2021. He is responsible for providing independent advice and judgment to our Board. Mr. HUANG Sichen has been serving as a director of Beijing Zhenghe Island Information Technology Co., Ltd. (北京正和島信息科技有限公司) since July 2011, a managing partner of Beijing Prestige Angel Investment Management Co., Ltd. (北京貴格天使投資管理有限公司) since November 2014, the chairman of the board and general manager of Beijing Beetle Sports International & Investment Co., Ltd. since March 2015, a director of Shangkequan (Beijing) Cultural Communication Co., Ltd. (尚客圈(北京)文化傳播有限公司) since September 2015, a director of Beijing Youluqianxing Technology Development Co., Ltd. (北京有路前行科技發展有限公司) since May 2017, and a founding partner of Fenrir Partners Group Limited since March 2021.

Mr. HUANG Sichen graduated from the University of Southern California in May 2010 with a double bachelor's degree in accounting and commerce. Mr. HUANG Sichen obtained his chartered financial analyst (CFA) qualification in June 2011.

SENIOR MANAGEMENT

Mr. SONG Pengliang (宋朋亮), aged 36, is responsible for the Group's overall strategic and capital planning. Mr. SONG Pengliang joined the Group in March 2018 as our senior investment manager. From April 2021 to March 2023, he served as the acting chief financial officer of the Group. He has been serving as the senior vice president of the Group since April 2023.

Mr. SONG Pengliang obtained his bachelor's degree in engineering in July 2009 and master's degree in engineering in June 2012 from Beijing University of Technology (北京工業大學).

Ms. LYU Xiaonan (呂曉楠), aged 42, is responsible for the Group's financial operations. Ms. LYU Xiaonan joined the Group in February 2018 as the finance director of the Group. She has been serving as the senior vice president of the Group since April 2023.

Ms. LYU Xiaonan was accredited as a Certified Public Accountant by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in December 2013.

Ms. LYU Xiaonan obtained her bachelor's degree in economics from Zhengzhou University (鄭州大學) in June 2003 and later received her master's degree in economics from Central University of Finance and Economics (中央財經大學) in June 2007.

Ms. YU Xin (余欣), aged 43, is responsible for the Group's capital markets operation and investor relations. Ms. YU Xin joined the Group in June 2023 and has been serving as the vice president of the Group.

Ms. YU Xin obtained her bachelor's degree in business administration from Shanghai International Studies University in June 2022 and master's degree in business administration from University of Pennsylvania in June 2008.

JOINT COMPANY SECRETARIES

Mr. SONG Pengliang (宋朋亮), aged 36, was appointed as our joint company secretary on 27 May 2019.

Mr. AU-YEUNG Wai Ki, Joseph (歐陽偉基), aged 60, was appointed as our joint company secretary on 27 May 2019.

The Board is pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company is a global social networking entertainment company. The pan-audience social networking business is the Company's core business, as characterised by its unparalleled development speed, the most deep-seated efforts, and the most thorough cognitive methodology. At present, being in in-depth development of the open-end social networking sector in the global market through its launching of the open social networking platform MICO, the audio social networking platform YoHo, the companion-based social networking platform SUGO, and the game-oriented social networking platform TopTop, the Company actively explores innovative business realms in the direction of social networking entertainment, creating high-quality games such as "Mergeland-Alice's Adventure".

The Company is committed to meeting the diverse social and entertainment needs of its global users through a rich range of products, such that everyone around the world can enjoy a better social networking entertainment life.

The activities and particulars of the Company's subsidiaries are shown under note 19 to the consolidated financial statements. An analysis of the Group's revenue and operating profit for the year by principal activities is set out in the section headed "Management Discussion and Analysis" on pages 11 to 19 in this annual report.

RESULTS OF OPERATIONS

The financial results of the Group for the year ended 31 December 2023 are set out on pages 11 to 19 in this annual report.

FINANCIAL SUMMARY

The five year financial summary and financial summary of the Group are set out on page 5 in this annual report.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2023.

BUSINESS REVIEW

A review of the Group's business for the year ended 31 December 2023, which includes a discussion of the principal risks and uncertainties faced by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group since the end of the financial year ended 31 December 2023, and an indication of likely future developments in the Group's business can be found in the sections headed "Chairman's Statement" on pages 6 to 10, "Management Discussion and Analysis" on pages 11 to 19 and "Corporate Governance Report" on pages 63 to 77 in this annual report. In addition, a discussion on relationships with its key stakeholders is included in the section headed "Management Discussion and Analysis".

All references herein to other sections or reports in this annual report form part of this directors' report.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2023, as far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material aspects.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group pays heed to the importance of environment protection and has not noted any material incompliance with all relevant laws and regulations in relation to its business, including that of health and safety, workplace conditions, employment and the environment. The Group has implemented environmental protection measures and has also encouraged staff to be environmental friendly at work by utilising resources such as electricity and paper according to actual needs, so as to reduce energy consumption and minimise unnecessary wastage.

For details of the Company's environmental policies and performance, and the important relationship between the Company and its employees, customers and suppliers, please refer to the environmental, social and governance report of the Company for the year ended 31 December 2023, published on the website of the Stock Exchange and the website of the Company in accordance with the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2023, the Group's five largest customers in aggregate accounted for approximately 12.81% of the Group's total revenue. The Group's largest customer accounted for 8.81% of the Group's total revenue.

During the year ended 31 December 2023, the Group's five largest suppliers in aggregate accounted for approximately 42.92% of the Group's total purchase. The Group's largest supplier accounted for 16.93% of the Group's total purchase.

During the year ended 31 December 2023, to the best of the knowledge of the Directors, none of the Directors, their associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the Group's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2023 are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2023 are set out in note 28 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year ended 31 December 2023 are set out in notes 33b & 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company's distributable reserves were approximately RMB2,727.7 million.

BANK BORROWING

As at 31 December 2023, the Group did not have any short-term or long-term bank borrowings and had no outstanding, utilised or unutilised banking facilities.

LOAN AND GUARANTEE

During the year ended 31 December 2023, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, chief executives of the Company, the controlling Shareholders (as defined under the Listing Rules) or their respective connected persons.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

During the year ended 31 December 2023, save as disclosed under the section headed "Share Option Scheme" in this annual report, at no time during the year under review was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities including debentures of, the Company or any other body corporate.

DIRECTORS

As of the Latest Practicable Date, the Board currently consists of the following seven Directors:

Executive Directors:

Mr. LIU Chunhe (Chairman)
Mr. LI Ping (Executive Director and Chief Executive Officer)
Mr. YE Chunjian (Executive Director and Chief Technology Officer)
Mr. Su Jian (Executive Director and Mico Chief Executive Officer)

Independent Non-executive Directors:

Mr. GAO Ming
Mr. CHI Shujin
Mr. HUANG Sichen

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out in this annual report in the section headed "Profile of Directors and Senior Management" on pages 20 to 22.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all of the independent non-executive Directors are independent during the Relevant Period.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENTS

Mr. LIU Chunhe entered into a service contract with the Company on 12 September 2021. The service contract was for an initial fixed term of three years (subject to re-nomination and re-election by the Company in annual general meeting), until termination.

Mr. LI Ping entered into a service contract with the Company on 22 June 2023. The service contract was for an initial fixed term of three years (subject to re-nomination and re-election by the Company in annual general meeting), until termination.

Mr. YE Chunjian and Mr. SU Jian respectively entered into a service contract with the Company on 1 April 2021. Each service contract was for an initial fixed term of three years (subject to re-nomination and re-election by the Company in annual general meeting), until termination.

Mr. CHI Shujin has entered into a letter of appointment with the Company for a term of three years commencing from the Listing Date (subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association), until terminated.

Mr. HUANG Sichen has entered into a letter of appointment with the Company on 1 April 2021. He will hold office for a period of three years commencing from 1 April 2021 (subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association), until terminated.

Mr. GAO Ming has entered into a letter of appointment with the Company on 26 August 2021. He will hold office for a period of three years commencing from 26 August 2021 (subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association), until terminated.

Save as disclosed above, none of the Directors has entered into, or has proposed to enter into, a service contract with the Group which is not determinable by the employer within one year without payment of compensation (excluding statutory compensation).

EMOLUMENT OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in notes 12a & 8a to the consolidated financial statements of this annual report.

For the year ended 31 December 2023, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments for the year ended 31 December 2023.

Except as disclosed above, no other payments have been made or are payable, for the year ended 31 December 2023, by our Group to or on behalf of any of the Directors.

MANAGEMENT CONTRACTS

Other than the Directors' service contracts and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of, or at any time during the year ended 31 December 2023.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance subsisted in which a Director or an entity connected with a Director was materially interested, whether directly or indirectly, during or at the end of 31 December 2023.

PERMITTED INDEMNITY PROVISIONS

The Articles of Association provides that every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted, and against any loss in respect of his personal liability for the payment of any sum primarily due from the Company. Directors liability insurance is in place to protect the directors of the Company or its subsidiaries against potential costs and liabilities arising from claims brought against them.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) ("**SFO**") which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Capacity/ Nature of interest	Number of Shares and underlying Shares(1)	Approximate percentage of shareholding(2)
Mr. LIU Chunhe(3)(5)	Interest in a controlled corporation(3)	238,706,646	20.04%
	Concert party(5)	341,828,420	28.70%
	Beneficial owner(6)	24,000,000	2.01%
Mr. LI Ping(4)(5)	Interest in a controlled corporation(4)	73,121,774	6.14%
	Concert party(5)	341,828,420	28.70%
	Beneficial owner(6)	6,000,000	0.50%
Mr. SU Jian	Beneficial owner(7)	9,000,000	0.76%
Mr. YE Chunjian	Beneficial owner(8)	6,000,000	0.50%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 1,191,216,000 Shares in issue as of the Latest Practicable Date.

(3) The Shares are registered under the name of Spriver Tech Limited, the issued share capital of which is owned as to 100% by Mr. LIU Chunhe. Accordingly, Mr. LIU Chunhe is deemed to be interested in all the Shares held by Spriver Tech Limited for the purpose of Part XV of the SFO.

(4) The Shares are registered under the name of Parallel World Limited, the issued share capital of which is owned as to 100% by Mr. LI Ping. Accordingly, Mr. LI Ping is deemed to be interested in all the Shares held by Parallel World Limited for the purpose of Part XV of the SFO.

(5) Mr. LIU Chunhe and Mr. LI Ping are parties acting in concert (having the meaning ascribed thereto in the Takeovers Code). Accordingly, Mr. LIU Chunhe, Spriver Tech Limited, Mr. LI Ping, Parallel World Limited are each deemed to be interested in the Shares held by them under the SFO.

(6) On 30 August 2021, Mr. LIU Chunhe and Mr. LI Ping were granted 24,000,000 and 6,000,000 Share Options respectively by the Company under the Share Option Scheme adopted by the Company on 31 May 2021. The grant of 24,000,000 Share Options to Mr. LIU Chunhe and 6,000,000 Share Options to Mr. LI Ping was approved by the independent Shareholders at an extraordinary general meeting on 31 March 2022.

(7) On 30 August 2021, Mr. SU Jian was granted 9,000,000 Share Options by the Company under the Share Option Scheme.

(8) On 30 August 2021, Mr. YE Chunjian was granted 6,000,000 Share Options by the Company under the Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the Reporting Period was the Company or its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in or debentures of the Company or any other body corporate, and none of the Directors or their spouses or children under the age of 18 were granted any right to subscribe for the share capital or debt securities of the Company or any other body corporate, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of the Latest Practicable Date, to the best knowledge of the Directors, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Capacity/ Nature of interest	Number of Shares(1)	Approximate percentage of shareholding(2)
BGFG(3)	Beneficial owner(3)	100,000,000	8.39%
Phoenix Auspicious FinTech Investment L.P.(4)	Beneficial owner(4)	89,210,948	7.49%
Phoenix Wealth (Cayman) Asset Management Limited(4)	Interest in a controlled corporation(4)	89,210,948	7.49%
Phoenix Wealth (Hong Kong) Asset Management Limited.(4)	Interest in a controlled corporation(4)	89,210,948	7.49%
Mr. Du Li(4)	Interest in a controlled corporation(4)	89,210,948	7.49%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 1,191,216,000 Shares in issue as of the Latest Practicable Date.

(3) BGFG is directly and wholly owned by Mr. Wang Xinming. Mr. Wang Xinming is therefore deemed to be interested in all the Shares held by BGFG under the SFO.

(4) Phoenix Auspicious FinTech Investment L.P. is an exempted limited partnership established under the laws of Cayman Islands, the general partner of which is Phoenix Wealth (Cayman) Asset Management Limited, an exempted company incorporated under the laws of Cayman Islands. Phoenix Wealth (Cayman) Asset Management Limited is wholly owned by Phoenix Wealth (Hong Kong) Asset Management Limited, a limited company incorporated under the laws of Hong Kong, which is in turn wholly owned by Mr. Du Li. Mr. Du Li is therefore deemed to be interested in all the Shares held by Phoenix Auspicious FinTech Investment L.P. under the SFO.

Save as disclosed above, as of the Latest Practicable Date, the Directors were not aware of any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company under section 336 of the SFO.

CONTRACT WITH CONTROLLING SHAREHOLDERS

Save as disclosed in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and the controlling Shareholders (as defined under the Listing Rules) of the Company or any of its subsidiaries during the year or subsisted at the end of the year under review and no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries was entered into during the year or subsisted at the end of the year under review.

NON-COMPETITION UNDERTAKINGS

As disclosed in the Prospectus, Mr. LIU Chunhe and Mr. LI Ping entered into a deed of non-competition with the Company on 11 December 2019 in favour of the Company (the "**Deed of Non-competition**"). Pursuant to the Deed of Non-competition, each of Mr. LIU Chunhe and Mr. LI Ping undertook to the Company that, he shall not and shall procure that none of their close associates not, subject to and except as mentioned in the Deed of Non-competition, directly or indirectly, carry on, be engaged in or interested in or otherwise be involved in any business which, wholly or partly, competes or proposes to compete with the mobile app development business, mobile advertising platform and related business carried on or to be carried on in the immediate or foreseeable future by the Group.

Each of Mr. LIU Chunhe and Mr. LI Ping has confirmed in writing to the Company of his compliance with the Deed of Non-competition for disclosure in this annual report during the financial year of 2023. No new business opportunity has been notified by them as at 31 December 2023. The independent non-executive Directors have reviewed the implementation of the Deed of Non-competition and are of the view that the non-competition undertakings thereunder have been complied with by each of Mr. LIU Chunhe and Mr. LI Ping for the year ended 31 December 2023.

RETIREMENT BENEFITS SCHEME

The Group has only defined contribution plans in which the Group has to make contribution to staff retirement scheme managed by Chinese local government authorities in accordance with the relevant rules and regulations. Contributions to these schemes are charged to the consolidated statement of comprehensive income as and when incurred. The Group has no legal or constructive obligations to pay further contributions. The employees of subsidiaries of the Group established in the PRC (excluding Hong Kong) participate in defined contribution retirement schemes managed by the local government authorities, whereby the Group is required to contribute to the schemes based on certain percentages of the employees' salaries. According to the provisions of the relevant plans, the Group shall not use any forfeited contributions to reduce the current level of contributions.

Details of the company's retirement and employee benefit plans are set out in note 8 to the consolidated financial statements.

RSU SCHEMES

Employee RSU Scheme

We adopted and revised the Employee RSU Scheme on 11 December 2019 and 28 May 2020, respectively, to incentivise employees and consultants (not being core connected persons of the Company under the Listing Rules) of the Group and to attract and retain skilled and experienced personnel for the future growth of the Group by providing them with the opportunity to own equity interests in the Company. The Company has appointed TMF Trust (HK) Limited as the Employee RSU Trustee to assist with the administration and facilitate the vesting of RSUs granted pursuant to the Employee RSU Scheme. A summary of the terms of the Employee RSU Scheme has been set out in the Appendix IV of the Prospectus, and the announcement dated 28 May 2020 of the Company setting out the amendments to the Employee RSU Scheme.

Participants in the Employee RSU Scheme

Persons eligible to receive RSUs under the Employee RSU Scheme ("**Employee RSU Eligible Persons**") include existing employees and consultants (not being core connected persons of the Company under the Listing Rules) of the Company or any of their subsidiaries, excluding any person who is a Director, member of senior management, core connected persons of the Company or who is resident in a place where the award of the Shares and/or the vesting of the transfer of the Shares pursuant to the Employee RSU Scheme is not permitted under the laws and regulations of such place or where in the view of the Employee RSU Administrator or the Employee RSU Trustee as the case may be, compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such person. Consultants refer to any person that provides research, development, consultancy and other technical or operational support to the Group and has contributed or will contribute to the Group. The Employee RSU Administrator selects the Employee RSU Eligible Persons to receive RSUs under the Employee RSU Scheme at its discretion.

Maximum entitlement of each participant

There is no limit on the maximum entitlement of each participant under the Employee RSU Scheme ("**Employee RSU Participant**").

Term of the Employee RSU Scheme

The Employee RSU Scheme shall be valid and effective for a period of ten (10) years, commencing from the date of the adoption of the Employee RSU Scheme (unless terminated earlier in accordance with its terms). As of the Latest Practicable Date, the remaining life of the Employee RSU Scheme is less than six years.

Maximum number of Shares under the Employee RSU Scheme

Unless otherwise approved by Shareholders, the total number of Shares underlying RSUs (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the Employee RSU Scheme) under the Employee RSU Scheme shall not exceed 32,540,356 Shares, representing approximately 2.73% of the issued share capital of the Company as of the date of this annual report.

Vesting of RSUs

The Employee RSU Administrator can determine the vesting criteria, conditions and time schedule for the vesting of the RSUs and such criteria, conditions and time schedule shall be stated in the Employee RSU Grant Letter.

Within a reasonable time after the vesting criteria, conditions and time schedule have been met, reached, fulfilled, satisfied or waived, the Employee RSU Administrator shall send a vesting notice ("**Employee RSU Vesting Notice**") to each of the relevant Employee RSU Participants. The Employee RSU Vesting Notice will confirm the extent to which the vesting criteria, conditions and time schedule have been met, reached, fulfilled, satisfied or waived, and the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions with respect of those Shares) involved. The Employee RSU Scheme does not provide for the vesting period of awards granted under the Employee RSU Scheme.

Total number of Shares available for issue under the Employee RSU Scheme and % of issued share capital as of the Latest Practicable Date

No new Shares will be issued under the Employee RSU Scheme.

Exercise of the RSUs

RSUs held by an Employee RSU Participant that are vested as evidenced by the Employee RSU Vesting Notice may be exercised (in whole or in part) by the Employee RSU Participant serving an exercise notice in writing on the Employee RSU Trustee and the Company. The Employee RSU Scheme does not provide for the period within which the RSUs may be exercised by the grantees under the scheme.

Amounts to be paid on acceptance of RSUs

An Employee RSU selected person may accept an offer of the grant of RSUs in such manner as set out in the Employee RSU Grant Letter. Once accepted, the RSUs are deemed granted from the date of the Employee RSU Grant Letter. The amount to be paid on acceptance of RSUs is nil under the Employee RSU Scheme.

Basis of determining the purchase price

No purchase price is to be paid by the grantees for the RSUs granted under the Employee RSU Scheme.

Details of the RSUs granted under the Employee RSU Scheme

As of 31 December 2023, details of the RSUs granted under the Employee RSU Scheme were as follows:

Date of grant	Number of grant (units)	Vesting period	Market price	Purchase price per Share (HK$)
28 May 2020	29,494,240	The RSUs granted shall normally be vested in the grantees within three and a half years from the date of grant 25% of the total RSUs granted shall be vested on 20 July 2020, 20 July 2021, 20 July 2022 and 20 July 2023, respectively. No performance target is attached to the vesting of RSUs granted.	29,494,240 RSUs represent a value of approximately HK$51.4 million, based on the average closing price of HK$1.744 per Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Date of Grant; or approximately HK$48.7 million, based on the closing price of HK$1.650 per Share as quoted on the Stock Exchange on the date of grant.	Nil
24 March 2021	957,333	The RSUs granted shall normally be vested in the grantees within three and a half years from the date of grant 25% of the total RSUs granted will be vested on 20 July 2021, 20 July 2022, 20 July 2023 and 20 July 2024, respectively. No performance target is attached to the vesting of RSUs granted.	957,333 RSUs represent a value of approximately HK$4.6 million, based on the average closing price of HK$4.78 per Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Date of Grant; or approximately HK$4.1 million, based on the closing price of HK$4.33 per Share as quoted on the Stock Exchange on the date of grant.	Nil
23 March 2023	2,441,170	The RSUs granted shall normally be vested in the grantees within three and a half years from the date of grant. 25% of the total RSUs granted were vested or shall be vested on 20 July 2023, 20 July 2024, 20 July 2025 and 20 July 2026, respectively. No performance target is attached to the vesting of RSUs so granted.	2,441,170 RSUs represent a value of approximately HK$3.7 million, based on the average closing price of HK$1.52 per Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; or approximately HK$4.1 million, based on the closing price of HK$1.67 per Share as quoted on the Stock Exchange on the date of grant.	Nil

Note: To the best of knowledge of the Directors, none of the grantees of the above grants is a connected person of the Company under Chapter 14A of the Listing Rules.

Since the adoption of the Employee RSU Scheme and as of 31 December 2023, no grant under the Employee RSU Scheme has been made to any of (i) the directors, chief executive or substantial shareholders of the Company, or their respective associates; (ii) any related entity participant or service provider with RSUs granted in any 12-month period exceeding 0.1% of the relevant class of shares in issue of the Company; and (iii) any other participant with RSUs granted in excess of the 1% individual limit (with the aforementioned terms having the same meanings as given to such terms in the Listing Rules).

As of 1 January 2023, the aggregate number of Shares underlying the granted RSUs under the Employee RSU Scheme was 30,451,573 (of which 2,600,668 RSUs previously granted to the grantees under the Employee RSU Scheme were forfeited at the date of their resignation), representing approximately 2.56% of the issued share capital of the Company as at 1 January 2023. 2,441,170 RSUs were granted and no RSUs were cancelled and lapsed during the year ended 31 December 2023, pursuant to the Employee RSU Scheme. As of 31 December 2023, the aggregate number of Shares underlying the granted RSUs under the Employee RSU Scheme was 32,892,743 (of which 3,059,773 RSUs previously granted to the grantees under the Employee RSU Scheme were forfeited at the date of their resignation), representing approximately 2.76% of the issued share capital of the Company as of 31 December 2023. As of the respective dates of 1 January 2023 and 31 December 2023, the aggregate number of Shares underlying the unvested RSUs were 6,640,905 and 1,872,728. As of the respective dates of 1 January 2023 and 31 December 2023, the aggregate number of Shares involved in RSUs vested under the Employee RSU Scheme were 21,210,000 and 27,960,242.

As of the respective dates of 1 January 2023 and 31 December 2023, the total number of Shares underlying the RSUs available for grant under the RSU Employee Scheme were 4,689,451 and 2,707,386 Shares, representing approximately 0.39% and 0.23% of the issued share capital of the Company and approximately 0.39% and 0.23% of the issued share capital of the Company as of the Latest Practicable Date, respectively.

The number of Shares under the Employee RSU Scheme outstanding as at 1 January 2023, granted during the year, vested during the year, cancelled or lapsed during the year, and outstanding as at 31 December 2023 for the five highest paid individuals in 2023 in aggregate were 0, 1,000,000, 250,000, 0 and 750,000, respectively. The average weighted average closing price of the Shares immediately before the date on which such RSUs were vested in 2023, being 20 July 2023, was HK$ 1.45.

The number of RSUs under the Employee RSU Scheme outstanding as at 1 January 2023, granted during the year, vested during the year, cancelled or lapsed during the year, and outstanding as at 31 December 2023 for other grantees (other than the Directors and the five highest paid individuals) in aggregate were 6,640,905, 1,441,170, 6,500,242, 459,105 and 1,122,728, respectively. The average weighted average closing price of the Shares immediately before the date on which such RSUs were vested in 2023, being 20 July 2023, was HK$1.45.

2,096,606 Shares underlying the vested RSUs were withheld for personal income tax incurred due to the vesting of such RSUs during the year and and a total of 7,159,502 shares underlying the vested RSUs have been withheld for personal income tax incurred due to the vesting of such RSUs as of 31 December 2023, pursuant to the Employee RSU Scheme.

Details of movements in the RSUs under the RSU Schemes are also set out in note 31 to the consolidated financial statements.

Management RSU Scheme

We adopted and revised the Management RSU Scheme on 11 December 2019 and 28 May 2020, respectively, to incentivise Directors, senior management and officers for their contribution to the Group, and to attract and retain skilled and experienced personnel for the future growth of the Group by providing them with the opportunity to own equity interests in the Company. The Company has appointed TMF Trust (HK) Limited as the RSU Trustee to assist with the administration and vesting of RSUs granted pursuant to the Management RSU Scheme. A summary of the terms of the Management RSU Scheme has been set out in the Appendix IV of the Prospectus and the announcement dated 28 May 2020 of the Company for the amendments to the Management RSU Scheme.

Participants in the Management RSU Scheme

Persons eligible to receive RSUs under the Management RSU Scheme ("**Management RSU Eligible Persons**") include senior management, Directors (whether executive or non-executive, but excluding independent non-executive directors) and officers of the Company or any of their subsidiaries, excluding any person who is resident in a place where the award of the Shares and/or the vesting of the transfer of the Shares pursuant to the Management RSU Scheme is not permitted under the laws and regulations of such place or where in the view of the Management RSU Administrator or the Management RSU Trustee as the case may be, compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such person. The Management RSU Administrator selects the Management RSU Eligible Persons to receive RSUs under the Management RSU Scheme at its discretion.

Maximum entitlement of each participant

There is no limit on the maximum entitlement of each participants under the Management RSU Scheme (the "**Management RSU Participants**").

Term of the Management RSU Scheme

The Management RSU Scheme will be valid and effective for a period of ten (10) years, commencing from the date of the adoption of the Management RSU Scheme (unless it is terminated earlier in accordance with its terms). As of the Latest Practicable Date, the remaining life of the Management RSU Scheme is less than six years.

Maximum number of Shares under the Management RSU Scheme

Unless otherwise approved by Shareholders, the total number of Shares underlying RSUs (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the Management RSU Scheme) under the Management RSU Scheme shall not exceed 27,795,210 Shares, representing approximately 2.33% of the issued share capital of the Company as at the Latest Practicable Date.

Vesting of RSUs

The Management RSU Administrator can determine the vesting criteria, conditions and the time schedule when the RSUs will vest and such criteria, conditions and time schedule shall be stated in the Management RSU Grant Letter.

Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, the Management RSU Administrator will send a vesting notice ("**Management RSU Vesting Notice**") to each of the relevant Management RSU Participants. The Management RSU Vesting Notice will confirm the extent to which the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, and the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) involved. The Management RSU Scheme does not provide for the the vesting period of awards granted under the Management RSU Scheme.

Total number of Shares available for issue under the Management RSU Scheme and % of issued share capital as of the Latest Practicable Date

No new Shares will be issued under the Management RSU Scheme.

Exercise of the RSUs

RSUs held by a Management RSU Participant that are vested as evidenced by the Management RSU Vesting Notice may be exercised (in whole or in part) by the Management RSU Participant serving an exercise notice in writing on the Management RSU Trustee and the Company. The Management RSU Scheme does not provide for the period within which the RSUs may be exercised by the grantee under the Management RSU scheme.

Amounts to be paid on acceptance of RSUs

A Management RSU selected person may accept an offer of the grant of RSUs in such manner as set out in the Management RSU Grant Letter. Once accepted, the RSUs are deemed granted from the date of the Management RSU Grant Letter. The amount to be paid on acceptance of RSUs is nil under the Management RSU Scheme.

Basis of determining the purchase price

No purchase price is to be paid by the grantees for the RSUs granted under the Management RSU Scheme.

Details of the RSUs granted under the Management RSU Scheme

As of 31 December 2023, details of the RSUs granted under the Management RSU Scheme were as follows:

Date of grant	Number of grant (units)	Vesting period	Market price	Purchase price per Share (HK$)
28 May 2020	25,733,333	The RSUs granted shall normally vest in the grantees within three and a half years from the date of grant, 25% of the total RSUs granted shall be vested on 20 July 2020, 20 July 2021, 20 July 2022 and 20 July 2023, respectively. No performance target is attached to the vesting of RSUs granted.	25,733,333 RSUs represent a value of approximately HK$44.9 million, based on the average closing price of HK$1.744 per Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; or approximately HK$42.5 million, based on the closing price of HK$1.650 per Share as quoted on the Stock Exchange on the date of grant.	Nil

Note: To the best of knowledge of the Directors, none of the grantees of the above grant is a connected person of the Company under Chapter 14A of the Listing Rules.

Since the adoption of the Management RSU Scheme and as of 31 December 2023, no grant under the Management RSU Scheme has been made to any of (i) the directors, chief executive or substantial shareholders of the Company, or their respective associates; (ii) any related entity participant or service provider with RSUs granted in any 12-month period exceeding 0.1% of the relevant class of shares in issue of the Company, and (iii) any other participant with RSUs granted in excess of the 1% individual limit (with the aforementioned terms having the same meanings as given to such terms in the Listing Rules).

As at 1 January 2023, the aggregate number of Shares underlying the granted RSUs under the Management RSU Scheme was 25,733,333, representing approximately 2.16% of the issued share capital of the Company as at 1 January 2023. No RSUs were granted, cancelled and lapsed during the year ended 31 December 2023, pursuant to the Management RSU Scheme. As at 31 December 2023, the aggregate number of Shares underlying the granted RSUs under the Management RSU Scheme was 25,733,333, representing approximately 2.16% of the issued share capital of the Company as at 31 December 2023, and none of the granted RSUs under the Management RSU Scheme has been forfeited. As of the respective dates of 1 January 2023 and 31 December 2023, the aggregate number of Shares underlying the unvested RSUs were 6,419,333 and 0. As of the respective dates of 1 January 2023 and 31 December 2023, the aggregate number of shares underlying the RSUs vested under the Management RSU Scheme were 19,314,000 and 25,733,333.

As of the respective dates of 1 January 2023 and 31 December 2023, the total number of Shares available for grant under the RSU Management Scheme were 2,061,877 Shares and 2,061,877 Shares, representing approximately 0.17% and 0.17% of the then issued share capital of the Company and approximately 0.17% and 0.17% of the issued share capital of the Company as at the Latest Practicable Date, respectively.

The number of Shares under the Management RSU Scheme outstanding as at 1 January 2023, granted during the year, vested during the year, cancelled or lapsed during the year, and outstanding as at 31 December 2023 for the five highest paid individuals in 2023 in aggregate were 462,667, 0, 462,667, 0 and 0, respectively. The average weighted average closing price of the shares immediately before the date on which such RSUs were vested in 2023, being 20 July 2023, was HK$1.45.

The number of RSUs under the Management RSU Scheme outstanding as at 1 January 2023, granted during the year, vested during the year, cancelled or lapsed during the year, and outstanding as at 31 December 2023 for other grantees (other than the Directors and the five highest paid individuals) in aggregate were 5,956,666, 0, 5,956,666, 0 and 0, respectively. The average weighted average closing price of the shares immediately before the date on which such RSUs were vested in 2023, being 20 July 2023, was HK$1.45.

2,540,218 Shares underlying the vested RSUs were withheld for personal income tax incurred due to the vesting of such RSUs during the year and and a total of 8,431,553 shares underlying the vested RSUs have been withheld for personal income tax incurred due to the vesting of such RSUs as of 31 December 2023, pursuant to the Management RSU Scheme.

Details of movements in the RSUs under the RSU Schemes are also set out in note 31 to the consolidated financial statements.

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme on 31 May 2021. The Board shall be entitled at any time during the life of the Share Option Scheme to make an Offer to any Participant as the Board may in its absolute discretion select to take up Options entitling him or her to subscribe for such number of Shares as the Board may determine at the Exercise Price.

(1) Purpose

The Share Option Scheme proposes to attract, retain and motivate talented employees to strive towards long term performance targets set by the Group and to provide them with an incentive to work better for the interest of the Group. The Scheme will link the value of the Company with the interests of the Participants, enabling the Participants and the Company to develop together and promote the Company's corporate culture.

(2) Participants

Any Director or Employee who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

(3) Total number of shares which may be issued

The total number of shares which may be issued upon exercise of all options granted by the Company under the Share Option Scheme must not exceed 10% of the total number of shares in issued on the adoption date (99,885,000 shares as at the date).

The Company may refresh the 10% limit set out in the above with Shareholders' approval provided that each such limit (as refreshed) may not exceed the 10% of the Shares in issue as at the date of the Shareholders' approval. Options previously granted under the Scheme and any other share option schemes adopted by the Company (including those outstanding, cancelled or lapsed in accordance with the relevant scheme or exercised options) will not be counted for the purpose of calculating the limit to be refreshed.

As of the Latest Practicable Date, the total number of shares which may be issued under the Share Option Scheme is 99,885,000 shares, accounting for approximately 8.39% of the issued shares (i.e. 1,191,216,000 shares) as of the Latest Practicable Date.

Notwithstanding the foregoing, the total number of Shares which may be issued upon exercise of all Options granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company must not exceed 30% of the Shares in issue from time to time. No Options may be granted under the Scheme and any other share option schemes of the Company if this will result in such limit being exceeded.

(4) Maximum entitlement to each participant

The total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised, cancelled and outstanding Options) under the Share Option Scheme or any other share option schemes adopted by the Company in any 12-month period must not exceed 1% of the Shares in issue unless the same is approved by the Shareholders.

Where any grant of Options to a substantial shareholder or an independent non-executive Director of the Company, or any of their respective associates (as defined under the Listing Rules), would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and (b) having an aggregate value, based on the closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of such grant, in excess of HK$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange), such grant of Options shall be subject to prior approval by the Shareholders (voting by way of poll) in general meeting.

(5) Time of acceptance and exercise of options

An Offer shall be made to a Participant by letter in such form as the Board may from time to time determine requiring the Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Scheme and shall remain open for acceptance by the Participant to whom an Offer is made for a period of 28 days from the Offer Date, provided that no such Offer shall be open for acceptance after the tenth anniversary of the Adoption Date or after the Scheme has been terminated in accordance with its provisions.

An Option may be exercised during the Option Period which shall not be more than ten (10) years commencing on the Offer Date. Subject to such terms and conditions as the Board may determine, there is no minimum period for which an Option must be held before it can be exercised.

(6) Amounts to be paid on acceptance of Options

An Offer shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Offer is duly signed by the Grantee with the number of Shares in respect of which the Offer is accepted clearly stated therein, together with a remittance in favour of the Company of HK$1.00 (receipt of which shall be deemed to be acknowledged by the Company upon receipt of the duplicate letter comprising acceptance of the offer letter duly signed by the Grantee) by way of consideration for the grant thereof, is received by the Company. Such remittance shall not be refundable.

(7) Basis for determination the Exercise Price

Subject to any adjustments made pursuant to the terms of the Scheme, the Exercise Price shall be at a price determined by the Board at its absolute discretion and notified to the Participant and shall be at least the highest of:

(i) the closing price of the Shares as stated in the daily quotation sheet issued by the Stock Exchange on the Offer Date;

(ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Business Days immediately preceding the Offer Date; and

(iii) the nominal value of a Share on the Offer Date.

(8) The remaining life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of ten (10) years commencing on the Adoption Date after which period no further Options will be granted but the provisions of the Scheme shall in all other respects remain in full force and effect and Options which are granted during the life of the Scheme may continue to be exercisable in accordance with their terms of issue unless the Share Option Scheme is terminated by ordinary resolution of the Board or Shareholders. As of the Latest Practicable Date, the remaining life of the Share Option Scheme is less than eight years.

(9) Details of the Options granted under the Share Option Scheme

As of 31 December 2023, details of the Options granted under the Share Option Scheme were as follows:

Date of grant	Number of grant (units)	Exercise period	Vesting period	Exercise price per Share (HK$)
30 August 2021	80,000,000	From date of grant to 29 August 2031 (both dates inclusive), save and except for the Share Options granted to Mr. LIU Chunhe and Mr. LI Ping which will be exerciseable from 31 March 2022 to 29 August 2031 (both dates inclusive).	80,000,000 Share Options granted by the Company will be vested in four phases after several performance targets related to the Company are achieved from Date of Grant to 29 August 2031 (both dates inclusive).	HK$4.81 per Share, which represents the higher of (rounding up to 2 decimal places): (i) the closing price of HK$4.67 per Share as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (ii) the average closing price of HK$4.81 per Share as stated in the daily quotations sheets of the Stock Exchange for five business days immediately preceding the date of grant; and (iii) the nominal value of US$0.0001 per Share.

The details of Options previously granted to under the Share Option Scheme for the year ended 31 December 2023 are as follows:

Grantee and position	Held on 1 January 2023	Granted for the year ended 31 December 2023	Expired for the year ended 31 December 2023	Exercised for the year ended 31 December 2023	Lapsed for the year ended 31 December 2023	Held on 31 December 2023	Exercise price (HK$)[2]	The closing price immediately before the date of grant (HK$)	Date of grant	Exercisable from	Exercisable until
Directors											
Mr. LIU Chunhe	24,000,000[1]	–	–	–	–	24,000,000	4.81	4.73	30 August 2021	31 March 2022	29 August 2031
Mr. LI Ping	6,000,000[1]	–	–	–	–	6,000,000	4.81	4.73	30 August 2021	31 March 2022	29 August 2031
Mr. SU Jian	9,000,000	–	–	–	–	9,000,000	4.81	4.73	30 August 2021	30 August 2021	29 August 2031
Mr. YE Chunjian	6,000,000	–	–	–	–	6,000,000	4.81	4.73	30 August 2021	30 August 2021	29 August 2031
Sub-total	45,000,000	–	–	–	–	45,000,000					
Other employees											
Employee	33,900,000	–	–	–	(1,000,000)[6]	32,900,000	4.81	4.73	30 August 2021	30 August 2021	29 August 2031
All the other grantees	330,000[7]	–	–	–	–	330,000	4.81	4.73	30 August 2021	30 August 2021	29 August 2031
Total	79,230,000	–	–	–	(1,000,000)[6]	78,230,000					

Notes:

1. The total number of Shares issued and to be issued upon exercise of the Options granted to each of Mr. LIU Chunhe and Mr. LI Ping exceeded in a 12-month period 1% of the Shares in issue and such grant in a 12-month period represented over 0.1% of the Shares in issue, and have an aggregate value, based on the closing price of HK$4.67 per Share on the date of grant, in excess of HK$5 million. The Options granted to Mr. LIU Chunhe and Mr. LI Ping were approved by the independent Shareholders at the extraordinary general meeting of the Company on 31 March 2022.

2. The Exercise Price shall be at least the highest of (i) the closing price of HK $4.67 per share as stated in the daily quotation sheet issued by the Stock Exchange on the Grant Date; (ii) the average closing price of HK $4.81 per share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately before the date of grant; and (iii) the nominal value of US$0.0001 each.

3. The number of Shares under the Share Option Scheme outstanding as of 1 January 2023, granted during the year, exercised during the year, cancelled or lapsed during the year, and outstanding as at 31 December 2023 for the five highest paid individuals in 2023 in aggregate are 37,000,000, 0, 0, 0, and 37,000,000, respectively.

4. The number of Shares under the Share Option Scheme outstanding as of 1 January 2023, granted during the year, exercised during the year, cancelled or lapsed during the year, and outstanding as at 31 December 2023 for the other grantees in 2023 (excluding the Directors and the five highest paid individuals) in aggregate are 30,230,000, 0, 0, 1,000,000, and 29,230,000, respectively.

5. As of 31 December 2023, 78,230,000 Share Options granted by the Company will be vested in four phases after several performance objectives related to the Company are achieved. A total of 45,000,000 options granted to Mr. LIU Chunhe, Mr. LI Ping, Mr. SU Jian and Mr. YE Chunjian will be vested in four phases according to the proportion of 30%, 25%, 25% and 20% of the Options granted, that is, the 30% granted will be vested when the audited income of the Group in the financial year exceeds RMB2.3 billion or the average market value of the Company in three months exceeds HK$12 billion, 25% will be attributed when the audited income of the Group in the financial year exceeds RMB3.5 billion or the three-month average market value of the Company exceeds HK$20 billion, and the other 25% will be attributed when the audited income of the Group in the financial year exceeds RMB5 billion or the three-month average market value of the Company exceeds HK$30 billion, The remaining 20% will be vested when the audited revenue of the Group in the financial year exceeds RMB6.5 billion or the three-month average market value of the company exceeds HK$40 billion. For other employees, the Board has set the performance objectives above or performance objectives that require grantees to meet certain revenue objectives of the Company's products.

6. 1,000,000 Share Options have lapsed according to the terms of the Share Option Scheme due to resignation of the relevant grantees during the Reporting Period.

7. These include 330,000 Share Options granted by the Company to a former employee who left the Group in May 2022, which have been vested before his resignation and reallocated from the category of employee to all other eligible participants due to his resignation.

Save as disclosed above, no Share Options expired or were granted, exercised or lapsed in accordance with the terms of the Share Option Scheme during the Reporting Period.

As no Options were granted under the Share Option Scheme of the Company during the year ended 31 December 2023, the number of Shares that may be issued in respect of the options and awards granted under all share schemes of the Company during the Reporting Period is nil. Accordingly, the value of the number of Shares that may be issued in respect of options and awards granted under all share schemes of the Company during the Reporting Period divided by the weighted average number of Shares in issue for the Reporting Period is nil.

As of the respective dates of 1 January 2023 and 31 December 2023, the total number of Options available for grant under the Share Option Scheme were 20,655,000 Shares and 21,655,000 Shares, respectively, representing approximately 1.7% and 1.8% of the then issued share capital of the Company and approximately 1.7% and 1.8% of the issued share capital of the Company as of the Latest Practicable Date, respectively.

Details of the Share Option Scheme and movements in Share Options during the Reporting Period are disclosed in note 31b to the consolidated financial statements.

RSU AWARD SCHEME

The Board of Directors approved the adoption of the RSU Award Scheme on 7 June 2022, which aims to provide opportunities for them to own the equity of the Company, motivate the directors (excluding independent non-executive directors), senior management, senior staff, and consultants of the Group to contribute to the Group, and attract and retain skilled and experienced personnel for the future growth of the Group. The Company appoints an RSU trustee ("**RSU Trustee**") to assist in the management and attribution of RSUs granted under the RSU Award Scheme. A summary of the terms of the RSU Award Scheme is contained in our announcement on the adoption of the RSU Award Scheme dated June 9, 2022.

RSU Award Scheme Participants

RSU Award Scheme participants ("**RSU Award Scheme Participants**", and each a "**RSU Award Scheme Participant**") include directors (excluding independent non-executive Directors), senior management, officers and consultants of the Company or its subsidiaries. Consultants refer to any person that provides research, development, consultancy and other technical or operational support to the Group and has contributed or will contribute to the Group. The RSU Administrator selects the RSU Participants to grant RSUs under the RSU Award Scheme at its discretion.

Maximum entitlement of each participant

The RSU Award Scheme does not provide for a maximum entitlement of each RSU Award Scheme Participant.

Term of RSU Award Scheme

The RSU Award Scheme will be valid and effective for a period of ten (10) years, commencing from the adoption date of the RSU Award Scheme, unless it is terminated earlier in accordance with its terms. As of the Latest Practicable Date, the remaining life of the RSU Award Scheme is less than nine years.

Maximum number of shares granted under the RSU Award Scheme

The aggregate number of Shares involved in the RSUs under the RSU Award Scheme (excluding the RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Award Scheme) shall not exceed 3% of the Company's share capital in issue on the adoption date of the RSU Award Scheme, being 35,736,480 Shares.

As at the date of this Latest Practicable Date, the total number of shares which may be granted under the RSU Award Scheme is 35,736,480 shares, accounting for approximately 3% of the issued shares (i.e. 1,191,216,000 shares).

Total number of Shares available for issue under the RSU Award Scheme and % of issued share capital as of the Latest Practicable Date

No new Shares will be issued under the RSU Award Scheme.

Grant and Acceptance

(1) Making an offer

Relevant Shares of the RSUs will be granted in accordance with the RSU Award Scheme Participants' contribution to the Group and the overall business performance of the Group. An offer to grant the RSUs will be made to a RSU Participant selected by the RSU Administrator (the "**RSU Selected Person**") by a letter (the "**RSU Grant Letter**"). The RSU Grant Letter should specify the RSU Selected Person's name, the manner of acceptance of the RSU, the number of RSU granted and the number of underlying Shares represented by the RSU, the vesting criteria and conditions, the vesting schedule and such other details as the RSU Administrator considers necessary.

(2) Acceptance of an offer

A RSU selected person may accept an offer of the grant of the RSUs in such manner as set out in the RSU Grant Letter. Once accepted, the RSU is deemed granted from the date of the RSU Grant Letter (the "**RSU Grant Date**").

Vesting of the RSUs

The RSU Administrator determined the vesting criteria, conditions and time schedule for the RSUs at the time of vesting of the RSUs as follows:

(1) Lock-up of the RSUs

The RSUs are subject to lock-up once granted to RSU Award Scheme Participants. The Lockup Period of the RSUs are from the date on which the RSU Award Scheme Participants are granted the RSUs and until three years after the date of the first unlocking of the RSUs. The date of the first unlocking is within six months after the grant of the RSUs and shall be at the discretion of Mr. LIU Chunhe under the authorisation of the Board.

(2) Unlock of the RSUs

(a) Unlock time schedule

Unless the Board shall otherwise determine and so notify the RSU Award Scheme Participant in writing, the RSUs will be unlocked in four successive equal proportions. The RSU Award Scheme Participant may unlock the RSUs in equal shares at the rate of 25% year by year after the date of the first unlocking; thereafter, the RSU Award Scheme Participant unlocks the RSUs successively and proportionally at the first anniversary, the second anniversary and the third anniversary of the date of the first unlocking.

(b) Requirements for unlock

Until the RSUs can be unlocked in the current period, where a RSU Award Scheme Participant is an employee of the Group who is under the employment of the Group, then he/she may perform the unlock of RSUs in current period; where a RSU Award Scheme Participant is an external consultant of the Group who is under the employment of the Group, he/she may perform the unlock of RSU in current period. As agreed under the RSU Award Scheme, where a RSU Award Scheme Participant falls under the circumstance that "the unvested portion of the RSUs granted to the RSU Award Scheme Participant is automatically and immediately terminated", "the unvested portion of the RSUs granted to the RSU Award Scheme Participant" will be revoked by Three D Partners Limited or the Company, and the RSU Award Scheme Participant ceases to have any right to "the unvested portion of the RSUs granted to the RSU Award Scheme Participant". As agreed under the RSU Award Scheme, where a RSU Award Scheme Participant falls under the circumstance that "the vested and unvested RSUs are automatically and immediately terminated", "the vested and unvested RSUs" of the RSU Award Scheme Participant will be revoked by Three D Partners Limited or the Company, and the RSU Award Scheme Participant ceases to have any right to "the vested and unvested RSUs".

Unless otherwise arranged in the RSU Award Scheme or permitted by a Board resolution of the Company, the locked part of the RSUs may not be used to pledge, guarantee or repay debts.

Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, the RSU Administrator shall send the vesting notice ("**Vesting Notice on RSU**") to each of the relevant RSU Award Scheme Participants. The Vesting Notice on RSU will confirm the extent to which the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, and the number of Shares involved and, if applicable, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares.

Amounts to be paid on acceptance of RSUs

The amount to be paid on acceptance of RSUs is nil under the RSU Award Scheme.

Basis of determining the purchase price

No purchase price is to be paid by the RSU Award Scheme Participant for the RSUs granted under the RSU Award Scheme.

Since the adoption of the RSU Award Scheme and as of 31 December 2023, the total number of Shares that are available for grant were 35,736,480 and 35,736,480, respectively. The RSU Trustee has purchased a total of 24,218,000 shares pursuant to RSU Award Scheme since the adoption of the RSU Award Scheme and as of 31 December 2023, accounting for 2.03% of the existing total number of Shares in issue of the Company.

Since the adoption of the RSU Award Scheme and as of 31 December 2023, no RSUs have been granted, cancelled and lapsed under the RSU Award Scheme. Since the adoption of the RSU Award Scheme and as of 31 December 2023, no grant has been made to the following persons: (i) each of the directors, chief executive or substantial shareholders of the Company, or their respective associates; (ii) each participant with options to be granted in excess of the 1% individual limit; (iii) each related entity participant or service provider with options to be granted in any 12-month period exceeding 0.1% of the relevant class of shares in issue of the Company; (iv) the five highest paid individuals during the financial year; and (v) other employee participants, related entity participants and service providers.

EQUITY-LINKED AGREEMENT

Save for the Share Option Scheme set out in the annual report, no equity-linked agreement that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares, were entered into by the Company during the year ended 31 December 2023 or subsisted as of the end of 2023.

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

The Shares have been listed on the Stock Exchange since the Listing Date. During the Relevant Period, save as disclosed in this annual report, neither the Company nor any member of the Group has purchased, sold or redeemed any of the Company's listed securities.

SHARE REPURCHASE PURSUANT TO RSU AWARD SCHEME

The details of Shares purchased by Three D Partners Limited pursuant to RSU Award Scheme during the Reporting Period are as follows:

Total number of Shares purchased: 19,064,000

Percentage of the Shares purchased to the existing total number of Shares in issue: Approximately 1.60%

Average consideration per Share: Approximately HK$1.57

Total consideration of Shares purchased: Approximately HK$30,011,040.40

For further details, please refer to the announcements of the Company dated 28 April 2023, 5 May 2023, 12 May 2023, 19 May 2023, 25 May 2023, 2 June 2023, 9 June 2023, 16 June 2023, 23 June 2023, 30 June 2023, 7 July 2023, 14 July 2023 and 21 July 2023.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

CONNECTED TRANSACTIONS

Non-exempted Connected Transaction

Entering into the Sale and Purchase Agreement and the Deeds of Amendment of the Partnership Agreement of the Fund

On 23 March 2023 (after trading hours), the Company entered into the Sale and Purchase Agreement with Spriver, pursuant to which the Company has agreed to acquire and Spriver has agreed to sell 1,000,000 ordinary shares of par value of US$0.01 each of Chizicheng Strategy Investment (the "**Sale Shares**") which represent the entire issued share capital of Chizicheng Strategy Investment, a wholly-owned subsidiary of Spriver and the General Partner of the Fund, for the consideration of US$1.00 (the "**Acquisition**").

Upon completion of the Acquisition, the Company held the entire issued share capital of Chizicheng Strategy Investment and directly controlled the Fund through its control of the General Partner and the interests held by the Company in the Fund, and consolidated the financial statements of the Fund and the companies held by the Fund, including Multelements (which is held as to 78.86% directly by the Fund), Land of Glory (which is held as to 78.92% directly by the Fund), and BlueCity (which is held as to 100% directly by Multelements). In connection with (but not conditional upon) the Acquisition, the Company, Spriver and Chizicheng Strategy Investment, entered into (i) the First Deed of Amendment on 23 March 2023 (after trading hours), and subsequently (ii) a deed of amendment on 18 April 2023 (collectively the "**Deeds of Amendment**"), to amend or supplement the Partnership Agreement. All conditions precedent to the Sale and Purchase Agreement and the Deeds of Amendment have been fulfilled and completion of the Acquisition took place on 2 August 2023. Upon completion of the Acquisition, the results of the Chizicheng Strategy Investment, the Fund, and the aforementioned companies held by the Fund were consolidated into the consolidated financial statements of the Group.

The Company believes that by drawing on BlueCity's unique appeal to the LGBTQ community, which would otherwise be hard or costly to reach, the Enlarged Group would reap the potential benefits of enhanced brand influence, awareness and recognition whilst achieving growth through the expansion and diversification of user base, thereby leading to a wider scope of service offerings and a surge in business opportunities which could fuel future growth in market share and profitability.

As at the date of the entering into of the Sale and Purchase Agreement and the Deeds of Amendment of the Partnership Agreement of the Fund and the Latest Practicable Date, Spriver is one of the substantial shareholders of the Company. Chizicheng Strategy Investment is a wholly-owned subsidiary of Spriver. Each of Spriver and Chizicheng Strategy Investment is thus a connected person of the Company under Rule 14A.07 of the Listing Rules. Therefore, the entering into of the Sale and Purchase Agreement, the Deeds of Amendment and the transactions contemplated thereunder, either individually or together, constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

For further details, please refer to the announcements of the Company dated 23 March 2023, 26 June 2023, 19 July 2023, and 2 August 2023, and the circular of the Company dated 30 June 2023.

Non-exempted Continuing Connected Transactions

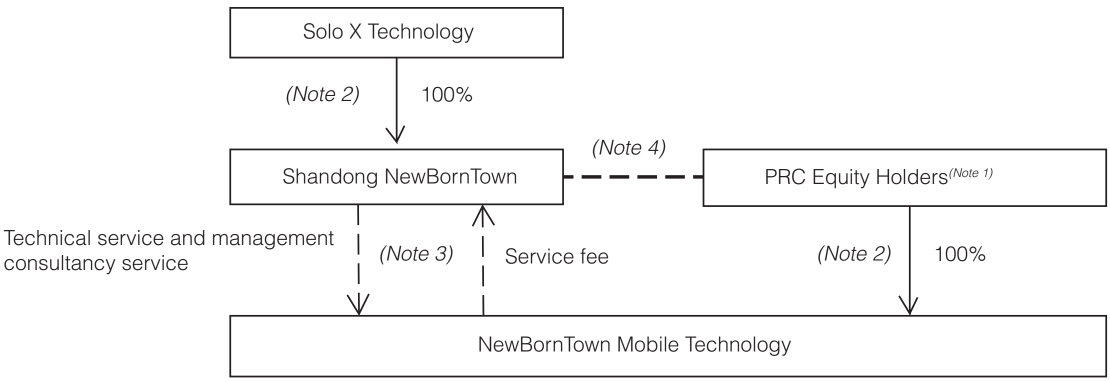
Contractual Arrangements

(1) The Group's existing contractual arrangements – Structural Contracts

Shandong NewBornTown has entered into various agreements with and among the PRC Equity Holders and other related parties. Under the Structured Contracts, Shandong NewBornTown has acquired effective control over the financial and operational policies of the Consolidated Affiliated Entities and has become entitled to all economic benefits derived from their operations to the extent permitted under the PRC laws and regulations by means of services fees payable by the Consolidated Affiliated Entities to Shandong NewBornTown.

Accordingly, through the Structured Contracts, the Consolidated Affiliated Entities' results of operations, assets and liabilities, and cash flows are consolidated into the Group's financial statements.

The following simplified diagram illustrates the flow of economic benefits from the Consolidated Affiliated Entities to the Group stipulated under the Structured Contracts:



Notes:

(1) PRC Equity Holders refer to the registered shareholders of NewBornTown Mobile Technology, namely Mr. LIU Chunhe, Mr. HUANG Mingming, Mr. YE Chunjian, Mr. DU Li, Mr. LI Ping, Beijing Phoenix Fortune Interconnection Investment Fund (Limited Partnership), and Hande Houcheng. With each of Shanghai Longwin Xinhu Investment Partnership Enterprise (Limited Partnership), Ningbo Meihua Shunshi Angel Capital Partnership Enterprise (Limited Partnership), Haitong Kaiyuan Investment Co., Ltd., Shanghai Haitong Xinxi Investment Center (Limited Partnership), Beijing Amphora Guotai Venture Capital Investment Co., Ltd. and Jiaxing Fuqiang Ruiyi Equity Investment Limited Partnership Enterprise (Limited Partnership) having completed the sale of all such Shares held in the Company held by them, on 1 February 2023, Hande Houcheng acquired the equity interests in NewBornTown Mobile Technology held by such entities for nominal consideration and pledged such equity interests to Shandong NewBornTown.

(2) "—>" denotes direct legal and beneficial ownership in the equity interest (except in the case of HUANG Mingming, which the beneficial ownership in the equity interest of NewBornTown Mobile Technology is held by HUANG Mingming on behalf of Future Capital Discovery Fund I, L.P.).

(3) "--->" denotes contractual relationship under the Structured Contracts, please refer to the section headed "Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements" in the Prospectus for details.

(4) "---" denotes the control by Shandong NewBornTown over the PRC Equity Holders and NewBornTown Mobile Technology through (i) powers of attorney to exercise all shareholders' rights in NewBornTown Mobile Technology, (ii) exclusive equity call options to acquire all or part of the equity interests in NewBornTown Mobile Technology, (iii) exclusive asset call options to acquire all or part of the intellectual property and all other assets of NewBornTown Mobile Technology, and (iv) equity pledges over the equity interests in NewBornTown Mobile Technology.

A description of each of the specific agreements that comprise the Structured Contracts is set out below.

Exclusive Business Cooperation Agreement

NewBornTown Mobile Technology and Shandong NewBornTown entered into the exclusive business cooperation agreement on 26 June 2019 ("**Exclusive Business Cooperation Agreement**"), pursuant to which Shandong NewBornTown shall provide exclusive technical services and exclusive management consultancy services to NewBornTown Mobile Technology, including:

(a) the use of any relevant software legally owned by Shandong NewBornTown;

(b) development, maintenance and updating of software in respect of the NewBornTown Mobile Technology's business;

(c) design, installation, daily management, maintenance and updating of network systems, hardware and database design;

(d) providing technical support and staff training services to relevant employees of NewBornTown Mobile Technology;

(e) providing assistance in consultancy, collection and research of technology and market information (excluding market research business that wholly foreign-owned enterprises are prohibited from conducting under the PRC Laws;

(f) providing business management consultation;

(g) providing marketing and promotional services;

(h) providing customer order management and customer services;

(i) transfer, leasing and disposal of equipment or properties; and

(j) other relevant services requested by NewBornTown Mobile Technology from time to time to the extent permitted under the PRC Laws.

Pursuant to the Exclusive Business Cooperation Agreement, the service fee shall consist of 100% of the total consolidated profit of NewBornTown Mobile Technology, after the deduction of any accumulated deficit of NewBornTown Mobile Technology and its subsidiaries in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions.

Exclusive Option Agreements

(a) Exclusive Equity Call Option Agreement

The PRC Equity Holders, NewBornTown Mobile Technology and Shandong NewBornTown entered into the exclusive equity call option agreement on 26 June 2019 ("**Exclusive Equity Call Option Agreement**"), pursuant to which the PRC Equity Holders shall irrevocably grant Shandong NewBornTown or its designated purchaser the right to purchase all or part of the equity interests in NewBornTown Mobile Technology, in whole or in part at any time and from time to time, at RMB1. If the minimum purchase price permitted under PRC laws and regulations is higher than RMB1, the transfer price shall be the minimum purchase price permitted under PRC laws and regulations.

The Exclusive Equity Call Option Agreement was commenced on 26 June 2019 being the date of the agreements, until it is terminated (i) upon the transfer of the entire equity interests of NewBornTown Mobile Technology to Shandong NewBornTown or its designated person, or (ii) as agreed by all parties to the agreement.

(b) Exclusive Assets Call Option Agreement

NewBornTown Mobile Technology and Shandong NewBornTown entered into the exclusive assets call option agreement on 26 June 2019 ("**Exclusive Assets Call Option Agreement**"), pursuant to which the NewBornTown Mobile Technology shall irrevocably grant Shandong NewBornTown or its designated purchaser the right to purchase all intellectual properties and all other assets in NewBornTown Mobile Technology, in whole or in part at any time and from time to time, at RMB1. If the minimum purchase price permitted under PRC laws and regulations is higher than RMB1, specified in PRC laws and regulations, the transfer price shall be the minimum purchase price permitted under PRC laws and regulations. Subject to the approval of both parties, the transfer fee of target assets under the Exclusive Assets Call Option Agreement may be offset by the relevant amount due to Shandong NewBornTown.

The Exclusive Assets Call Option Agreement was commenced on 26 June 2019, being the date of the agreements, until it is terminated (i) upon the transfer of the entire assets of NewBornTown Mobile Technology to Shandong NewBornTown or its designated person; or (ii) as agreed by all parties to the agreement.

Equity Pledge Agreement

Shandong NewBornTown, NewBornTown Mobile Technology and the PRC Equity Holders entered into the equity pledge agreement on 26 June 2019 and on 1 February 2023 ("**Equity Pledge Agreement**"), pursuant to which each of the PRC Equity Holders agreed to pledge all of their respective equity interests in NewBornTown Mobile Technology to Shandong NewBornTown that they own, including any interest or dividend paid for the shares, to Shandong NewBornTown as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts.

The pledge in respect of NewBornTown Mobile Technology takes effect upon the completion of registration with the relevant administration for industry and commerce and shall remain valid until the earlier date of (i) all the outstanding debts of the PRC Equity Holders and NewBornTown Mobile Technology under the relevant Structured Contracts have been fully performed; (ii) Shandong NewBornTown exercise its pledge rights in accordance with terms and conditions under such agreement; and (iii) each of the PRC Equity Holders has transferred his equity interests in NewBornTown Mobile Technology in accordance with the Exclusive Option Agreement.

The registration of the pledge of equity interests as required by the relevant laws and regulations has been completed in accordance with the term of the Equity Pledge Agreement and PRC Laws and regulations.

Powers of attorney

Each of the PRC Equity Holders and Shandong NewBornTown entered into the powers of attorney on 26 June 2019 pursuant to which the PRC Equity Holders irrevocably appointed Shandong NewBornTown and its designated persons as its attorneys-in-fact to exercise on its behalf, and agreed and undertook not to exercise without such attorneys-in-fact's prior written consent, any and all right that it have in respect of its equity interests in NewBornTown Mobile Technology, including without limitation:

(a) to convene and attend shareholders' meetings of NewBornTown Mobile Technology;

(b) to exercise all shareholder's rights and shareholder's voting rights in accordance with law and the constitutional documents of NewBornTown Mobile Technology, including but not limited to the sale, transfer, pledge or disposal of any or all of the equity interests in NewBornTown Mobile Technology;

(c) to execute any written resolutions; and

(d) to nominate or appoint the legal representatives, directors, supervisors, chief executive officers and other senior management of NewBornTown Mobile Technology.

Further, the Powers of Attorney shall remain effective for so long as each of the PRC Equity Holders holds equity interest in NewBornTown Mobile Technology, unless that (i) the Powers of Attorney is terminated by all parties; or (ii) all the equity interest or assets of NewBornTown Mobile Technology held by each of the PRC Equity Holders have been legally and effectively transferred to Shandong NewBornTown and/or a third party designated by it.

Save as disclosed above, there were no other new arrangements or agreements of a similar nature being entered into, renewed and/or re-entered into between Shandong NewBornTown the PRC Equity Holders and other related parties during the year ended 31 December 2023.

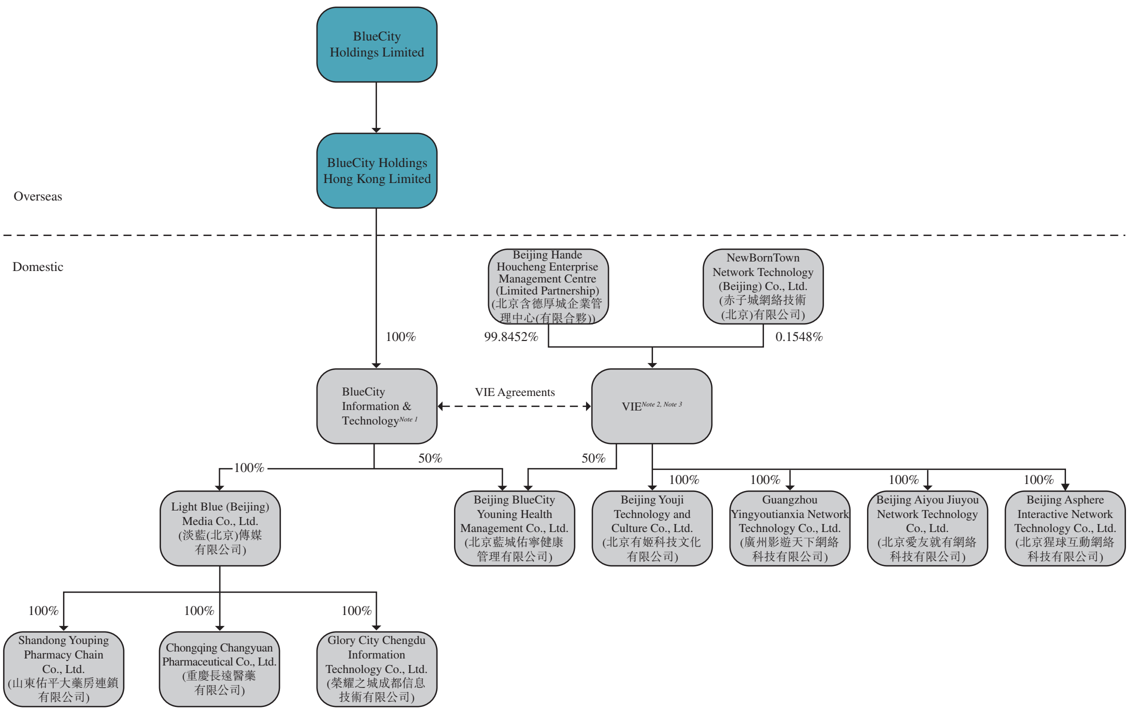
There was no material change in the Structured Contracts and/or the circumstances under which they were adopted during the year ended 31 December 2023. For the year ended 31 December 2023, none of the Structured Contracts had been unwound on the basis that none of the restrictions that led to the adoption of the Structured Contracts had been removed. As of 31 December 2023, the Group had not encountered interference or encumbrance from any PRC governing bodies in operating the businesses through the Consolidated Affiliated Entities under the Structured Contracts.

The revenue and profit for the year of the Consolidated Affiliated Entities subject to the Structured Contracts amounted to approximately RMB707.9 million and RMB198.2 million for the year ended 31 December 2023, respectively. The total assets and total liabilities of the Consolidated Affiliated Entities subject to the Structured Contracts amounted to approximately RMB2,134.2 million and RMB504.4 million as at 31 December 2023, respectively.

(2) BlueCity Entities' contractual arrangements – VIE Agreements

Since the Acquisition (as disclosed in the section headed "CONNECTED TRANSACTIONS – Non-exempted Connected Transaction" in this annual report), BlueCity and the BlueCity Entities have become consolidated entities of the Group. BlueCity and its Affiliates adopt contractual arrangements to operate their businesses in the PRC as amongst which certain onshore entities operate in sectors that are subject to foreign investment restriction or prohibition under the applicable PRC laws and regulations, namely, the provision of internet and social networking and related services by the BlueCity Entities. Such contractual arrangements are preserved by the VIE Agreements entered into between BlueCity Information & Technology, a WFOE entity, the VIE and the registered shareholders of the VIE, namely Hande Houcheng and Newborn Town Network Technology (collectively, the "**PRC Equity Owners**"), prior to and in preparation for the Acquisition. Under the VIE Agreements, the financial results, the entire economic benefits and the risks involved in the businesses of the BlueCity Entities that operate in restricted or prohibited sectors are able to flow into BlueCity Information & Technology, and through which our Group is able to exert control over the BlueCity Entities and their operations.

The following diagram illustrates the contractual arrangements of BlueCity and its Affiliates as stipulated under the VIE Agreements:



Notes:

1: Beijing BlueCity Information & Technology Co., Ltd. (北京藍城兄弟信息技術有限公司)

2: Beijing BlueCity Culture and Media Co., Ltd. (北京藍城兄弟文化傳媒有限公司)

3: The PRC Equity Owners, being the registered shareholders of the VIE are Hande Houcheng (a limited partnership established under the laws of the PRC on 25 August 2014 by LIU Chunhe and LI Ping, being founders of the Group and executive Directors of the Company) and Newborn Town Network Technology (a company incorporated under the laws of the PRC with limited liability on 28 February 2014 and a direct wholly-owned subsidiary of NewBornTown Mobile Technology which by virtue of the Company's existing contractual arrangements under the Structured Contracts, accounted for as the Company's subsidiary) holding approximately 99.85% and approximately 0.15% interest in the VIE, respectively.

INFORMATION ON THE VIE AGREEMENTS

Principal terms of each of the VIE Agreements are set out as follows:

(i) Exclusive Consulting and Services Agreement

Date

20 March 2023

Parties

(a) BlueCity Information & Technology

(b) The VIE

Subject matter

BlueCity Information & Technology has exclusive right to provide consultation and services required by the VIE's business. Without BlueCity Information & Technology's prior written consent, the VIE may not accept the consultation and services provided by any third party, including the VIE's own shareholders, during the term of the Exclusive Consulting and Services Agreement. The VIE agrees to pay BlueCity Information & Technology quarterly service fees at an amount confirmed by BlueCity Information & Technology and all of its subsidiaries, which amount and percentage may be adjusted by, and which should be paid within 10 business days upon receipt of invoice from BlueCity Information & Technology.

BlueCity Information & Technology has exclusive ownership over all the intellectual property rights created under the exclusive consulting and services agreement (the "**Exclusive Consulting and Services Agreement**"), and both BlueCity Information & Technology and the VIE will further their negotiations on the licensing of such intellectual properties.

Term

The Exclusive Consulting and Services Agreement shall remain effective, unless otherwise terminated by BlueCity Information & Technology.

(ii) Powers of Attorney

Date

20 March 2023

Parties

(a) BlueCity Information & Technology

(b) The PRC Equity Owners

Subject matter

The powers of attorney were executed by the PRC Equity Owners, namely Hande Houcheng and Newborn Town Network Technology, collectively, to irrevocably authorise BlueCity Information & Technology to act as their attorney-in-fact to exercise all of their rights as shareholders of the VIE, including but not limited to, the right to attend shareholders' meetings, to vote, to dispose of any such equity interests under their names, to recommend and appoint directors, managers in chief and other senior management of the VIE as authorised representatives of the shareholders of the VIE, and to sign minutes and file documents with the relevant companies registry.

Term

The powers of attorney shall, unless otherwise terminated by BlueCity Information & Technology, remain effective for as long as Hande Houcheng and Newborn Town Network Technology remain as shareholders of the VIE.

(iii) Equity Interest Pledge Agreement

Date

20 March 2023

Parties

(a) BlueCity Information & Technology

(b) The PRC Equity Owners

Subject matter

The PRC Equity Owners have collectively pledged 100% equity interests in the VIE to the WFOE to guarantee the performance by the VIE of its obligations under the Exclusive Consulting and Services Agreement. In the event of a breach by the VIE of contractual obligations under the VIE Agreements stipulated in the Exclusive Consulting and Services Agreement, BlueCity Information & Technology, as pledgee, shall have the right to dispose of the pledged equity interests in the VIE and shall be accorded priority in receiving the proceeds from such disposal.

The PRC Equity Owners also covenant that they will not, without the prior written consent of BlueCity Information & Technology, dispose of, create or allow any encumbrance on the pledged equity interests.

Term

The equity interest pledge agreement shall remain effective until (i) the termination of the Exclusive Consulting and Services Agreement (provided that all service fees under the Exclusive Consulting and Services Agreement have been paid and no further obligations need be undertaken by the VIE); or (ii) all equity interests of the VIE have been transferred to BlueCity Information & Technology or any third party designated by it.

(iv) Exclusive Option Agreement

Date

20 March 2023

Parties

(a) BlueCity Information & Technology

(b) The PRC Equity Owners

Subject matter

The PRC Equity Owners have irrevocably granted BlueCity Information & Technology an exclusive option to purchase all or part of their equity interests in the VIE and/or the assets in the VIE. BlueCity Information & Technology may exercise such options at the lowest price as permitted by PRC laws and regulations, which price may be adjusted based on the valuation of the equity interests of the assets, if required by the relevant PRC laws and regulations. The PRC Equity Owners should remit to the VIE any amount that is paid by the VIE or its designated person(s) in connection with the purchased equity interest.

The PRC Equity Owners further covenant that, without BlueCity Information & Technology's prior written consent, they will not, among other things, (i) transfer or otherwise dispose of, or create any pledge or encumbrance on their equity interests in the VIE, (ii) change the VIE's registered capital, or cause any increase or decrease in the number of the VIE's current equity interests owners, (iii) dispose of, or cause the VIE's management to dispose of any assets of the VIE, other than in the ordinary course of business, or (iv) amend the VIE's articles of association.

Term

The Exclusive Option Agreement shall, unless otherwise terminated by BlueCity Information & Technology in its sole discretion, with immediate effect upon written notice, remain effective until the PRC Equity Owners have transferred all of their equity interests and/or assets in the VIE to BlueCity Information & Technology or to any third party so designated by it.

(v) Partners' Undertaking

Date

24 June 2023

Parties

(a) Mr. LIU Chunhe, the general partner of Hande Houcheng

(b) Mr. LI Ping, the limited partner of Hande Houcheng

Subject matter

Each of the general partner and the limited partner of Hande Houcheng (i.e. Mr. LIU Chunhe and Mr. LI Ping) unconditionally and irrevocably undertakes:

(1) to procure Hande Houcheng to continuously comply with the VIE Agreements and will not initiate or adopt any claims which will contradict the VIE Agreements;

(2) that his interests in the VIE through Hande Houcheng are beneficially owned by BlueCity Information & Technology and he will not claim any such interests;

(3) that without prior written consent of BlueCity Information & Technology or its designated person, he will not, and will procure Hande Houcheng not to, amend the partnership agreements, partnership composition or dispose of any interests in Hande Houcheng;

(4) that he will transfer his interests in Hande Houcheng to the designated person in accordance with the instruction(s) of BlueCity Information & Technology or its designated person to the extent permissible by applicable laws, and remit the consideration (if any) to BlueCity Information & Technology or its designated person(s);

(5) that he will procure that Hande Houcheng refrain from breaching any of the VIE Agreements or taking any action in violation of the VIE Agreements by virtue of the equity interests held by Hande Houcheng in the VIE;

(6) that if BlueCity Information & Technology or its designated person(s) requires, pursuant to the VIE Agreements, that amendments be made to the relevant terms of the partnership agreement of Hande Houcheng or that adjustments be made to Hande Houcheng itself, he will facilitate and complete such requirements as requested; and

(7) that if he breaches any of the undertakings therein, he will be deemed a contracting party thereto, and bear liability of such breach in accordance with the VIE Agreements and compensate for losses so suffered by other parties to the VIE Agreements.

(vii) Spousal Undertaking

Date

24 June 2023

Parties

(a) Spouse of Mr. LIU Chunhe, the general partner of Hande Houcheng

(b) Spouse of Mr. LI Ping, the limited partner of Hande Houcheng

Subject matter

Each of the respective spouse of the general partner and the limited partner of Hande Houcheng unconditionally and irrevocably undertakes:

(1) to agree that any equity interests (together with any other interests therein) held by her spouse as a general partner or a limited partner of Hande Houcheng (as the case may be) are separate properties of her spouse and do not fall within the scope of communal properties; and her spouse and Hande Houcheng are entitled to deal with the equity interests in the VIE and any interests therein in accordance with the VIE Agreements without her prior consent;

(2) to agree that her spouse may amend or terminate the VIE Agreements without her authorisation or consent;

(3) that she will not raise any proposition or take any action against the contractual arrangements as stipulated in the VIE Agreements by virtue of the equity interests held by her spouse (through Hande Houcheng) in the VIE;

(4) that if all or part of the shares held by her spouse are transferred to her, to pledge, sell or dispose such shares in accordance with the provisions and requirements prescribed in the VIE Agreements, she will observe obligations of her spouse as a general partner or a limited partner of Hande Houcheng (as the case may be) under the VIE Agreements and to sign all necessary documents and take all necessary actions to ensure the contractual arrangements stipulated in the VIE Agreements to be properly performed;

(5) that she has never participated, nor does she intend to participate in the operation, management or voting matters of Hande Houcheng or the VIE; and

(6) to waive any rights related to the interests in Hande Houcheng held by her spouse that may be vested in her in accordance with the applicable laws.

Save as disclosed above, there were no other new arrangements or agreements of a similar nature being entered into, renewed and/or re-entered into between BlueCity Information & Technology, the PRC Equity Owners and other related parties during the year ended 31 December 2023. There was no material change in the VIE Agreements and/or the circumstances under which they were adopted during the year ended 31 December 2023. For the year ended 31 December 2023, none of the VIE Agreements had been unwound on the basis that none of the restrictions that led to the adoption of the VIE Agreements had been removed. As of 31 December 2023, the Group had not encountered interference or encumbrance from any PRC governing bodies in operating the businesses through the BlueCity Entities under the VIE Agreements. The revenue and loss for the year of the BlueCity Entities subject to the VIE Agreements amounted to approximately RMB46.4 million and RMB0.6 million for the year ended 31 December 2023, respectively. The total assets and total liabilities of the BlueCity Entities subject to the VIE Agreements amounted to approximately RMB158.1 million and RMB132.6 million at 31 December 2023, respectively.

Qualification requirements

Updates in Relation to the Qualification Requirements

On 11 December 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定(2016 年修訂)》) ("**FITE Regulations**"), which were amended on 10 September 2008 and 6 February 2016. According to the FITE Regulations, foreign investors are prohibited from holding more than 50% of the equity interests in a company providing value-added telecommunications services, including ICP services. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC shall have a record of good performance and operating experience in managing value-added telecommunications business ("**Qualification Requirements**"). Foreign investors that meet these requirements must obtain approvals from the Ministry of Industry and Information Technology of the PRC and/or its authorised local counterparts which retain considerable discretion in granting such approvals. For details, please refer to the Prospectus.

Efforts and Actions Undertaken to Comply with the Qualification Requirements

Despite the lack of clear guidance or interpretation on the Qualification Requirements, we have been gradually building up our track record of overseas value-added telecommunications business operations for the purpose of being qualified. We have taken the following measures, and have through Solo X Technology:

(a) applied for the registration of 28 trademarks in Hong Kong;

(b) operated proprietary app traffic monetisation business in Hong Kong; and

(c) monetised several apps which are offered in both Google Play and Apple App store through mobile advertising, and received payments from ad agencies.

On the other hand, we have, through BlueCity Holdings Hong Kong Limited, applied for the registration of 6 trademarks in Hong Kong.

Reasons for Adopting the Contractual Arrangements

Due to regulatory restrictions on foreign ownership in the PRC, we conduct a portion in the PRC of our business through the Consolidated Affiliated Entities through the entering into of Structured Contracts during our reorganisation in preparation for the Listing, details of which are set out in the Prospectus. In a similar vein, since the Acquisition (as disclosed in the section headed "CONNECTED TRANSACTIONS – Non-exempted Connected Transaction" in this annual report), the entering into of the VIE Agreements is necessary for achieving the very purpose of the Acquisition, i.e. to consolidate the operations and technological innovations of the BlueCity Entities into that of the Group's to form a synergistically coherent and operationally integrated framework.

We do not hold any equity interests in the Consolidated Affiliated Entities and the BlueCity Entities. Rather, through the Contractual Arrangements, i.e. by entering into the Structured Contracts and the VIE Agreements, we are able to effectively exert control over the Consolidated Affiliated Entities and the BlueCity Entities, and are able to derive substantially all of their economic benefits, and expect to continue to do so. Through the entering into of the Structured Contracts and the VIE Agreements, we are able to (i) receive substantially all of the economic benefits from the Consolidated Affiliated Entities and the BlueCity Entities in consideration for the services provided by the WFOE Entities; (ii) exercise effective control over the Consolidated Affiliated Entities and the BlueCity Entities; and (iii) hold an exclusive option to purchase all or part of the equity interests and assets in the Consolidated Affiliated Entities and the BlueCity Entities when and to the extent permitted by PRC laws.

The Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our legal structure and business operations, that such transactions have been and will be entered into in our ordinary and usual course of business, are on normal commercial terms or better and the terms are fair and reasonable and in the interests of the Group and Shareholders as a whole.

The Directors also believe that our structure, whereby the financial results of the Consolidated Affiliated Entities and the BlueCity Entities are consolidated into our financial statements as if they were our Company's wholly-owned subsidiaries, and all the economic benefits of their business flow to our Group, places our Group in a special position in relation to the continuing connected transactions rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, the Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to the Company, for all the transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and approval of independent Shareholders.

Risks Relating to the Contractual Arrangements

There are certain risks that are associated with the use of Structured Contracts and VIE Agreements (collectively, the "**Contractual Arrangements**") to consolidate control, including:

- If the PRC government determines that our Contractual Arrangements do not comply with applicable laws or regulations, or if these laws, regulations or their interpretations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

- Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

- Our Contractual Arrangements may not be as effective in providing operational control as direct ownership.

- We may lose the ability to use and enjoy assets and licences held by NewBornTown Mobile Technology and its subsidiaries and the BlueCity Entities that are important to the operation of our business if NewBornTown Mobile Technology or any its subsidiaries or any of the BlueCity Entities declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

- Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and additional taxes may be imposed. A finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.

- The PRC Owners may potentially have a conflict of interest with us, and they may breach their contracts with us or cause such contracts to be amended in a manner contrary to our interests.

- We conduct mobile apps development business in the PRC through NewBornTown Mobile Technology and its subsidiaries and provide internet and social networking and related services through the BlueCity Entities, both by way of the Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under PRC laws.

- If we exercise the option to acquire equity ownership of NewBornTown Mobile Technology, the VIE and their respective subsidiaries, the ownership transfer may subject us to certain limitations and substantial costs.

Further details of these risks are set out in the section headed "Risk Factors – Risks Relating to Our Contractual Arrangements" of the Prospectus and the section headed "Risk Factors in relation to the VIE Agreements" of the circular of the Company dated 30 June 2023.

The Group has adopted the following measures to ensure the effective operation of the Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

(a) the powers of attorney are granted to the WFOE Entities, and the related matters are decided by designated persons of the WFOE Entities, including for instance Directors and their successors, and the power of attorney will not be exercised by officers or directors of the Company who are also the PRC Owners to prevent any potential conflict of interest;

(b) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;

(c) the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

(d) the Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports; and

(e) the Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of the WFOE Entities, the Consolidated Affiliated Entities and the BlueCity Entities to deal with specific issues or matters arising from the Contractual Arrangements.

Waivers from the Stock Exchange

In view of the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange has granted, subject to certain conditions, a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange.

Annual Review by the Independent Non-Executive Directors and the Auditor

For the year ended 31 December 2023, the independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that:

(a) the transactions carried out during the year ended 31 December 2023 had been entered into in accordance with the relevant provisions of the Contractual Arrangements;

(b) no dividends or other distributions had been made by the Consolidated Affiliated Entities and the BlueCity Entities to the respective holders of their equity interests (i.e. the PRC Owners) which were not otherwise subsequently assigned or transferred to the Group;

(c) any new contracts entered into, renewed and/or re-entered into by the Group with either the Consolidated Affiliated Entities or the BlueCity Entities during the year ended 31 December 2023 are fair and reasonable, or advantageous to the Shareholders, so far as the Group is concerned and in the interests of the Company and the Shareholders as a whole; and

(d) the Contractual Arrangements had been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interest of our Group and our Shareholders as a whole.

The Company's auditor has confirmed in a letter in accordance with the Hong Kong Standard on Assurance Engagement 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA, under the requirements of Rule 14A.56 of the Listing Rules, to the Board that the transactions carried out pursuant to the Contractual Arrangements during the year ended 31 December 2023, nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board; nothing has come to their attention that causes the auditor to believe that the disclosed connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions, and with respect of the disclosed continuing connected transactions with the Consolidated Affiliated Entities and the BlueCity Entities under the Contractual Arrangements, nothing has come to their attention that causes the auditor to believe that dividends or other distributions have been made by the Consolidated Affiliated Entities and the BlueCity Entities to the holders of their equity interests of which are not otherwise subsequently assigned or transferred to the Group.

Save as disclosed in this annual report, as of the Latest Practicable Date, the Company had no connected transactions which are required to be disclosed in accordance with the provisions under Chapter 14A of the Listing Rules in relation to the connected transactions disclosure requirement.

Save as disclosed under the section headed "Connected Transactions" in this annual report, the Directors consider that none of the related party transactions disclosed in note 32 to the consolidated financial statements falls under the definition of "connected transactions" under Chapter 14A of the Listing Rules which is required to comply with the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules during the year under review. Further details on related party transactions for the year ended 31 December 2023 are set out in note 32 to the consolidated financial statements.

DONATIONS

For the year ended 31 December 2023, the charitable and other donations made by the Group amounted to RMB0.1 million.

MATERIAL LEGAL PROCEEDINGS

For the year ended 31 December 2023, there is no legal proceeding individually or jointly by the Group, which would have a material adverse impact on our business, financial position or business performance and has not yet been adjudicated or poses a threat to us or any of our Directors.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders of the Company by reason of their holding of the Company's securities.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend the vote at the AGM to be held on 21 May 2024, the registers of members of the Company will be closed from 14 May to 21 May 2024, 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 13 May 2024.

SUBSEQUENT EVENTS

As of the Latest Practicable Date, there has been no material event occurring after the reporting period of the Group.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 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 Latest Practicable Date, which was in line with the requirement under the Listing Rules.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2023 have been audited by KPMG, who will retire and, being eligible, offer themselves for re-appointment at the AGM.

A resolution will be proposed at the forthcoming AGM for the re-appointment of KPMG as the auditors of the Group.

By order of the Board
LIU Chunhe
Chairman

Beijing, 21 March 2024

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its affairs are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all Shareholders.

The Company has developed and implemented sound corporate governance policies and measures, and the Board is responsible for performing such corporate governance duties. The Board will continue to review and monitor the corporate governance of the Company, as well as various internal policies and procedures, including but not limited to those applicable to employees and Directors, with reference to the Corporate Governance Code and Corporate Governance Report set out in Appendix C1 to the Listing Rules (the "**Corporate Governance Code**") and other applicable legal and regulatory requirements so as to maintain a high standard of corporate governance of the Company.

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 of the Company accordingly.

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

BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group. The Board oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility of the day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

BOARD COMPOSITION

As of the Latest Practicable Date, the Board comprised four executive Directors and three independent non-executive Directors as set out below:

Executive Directors:

Mr. LIU Chunhe (Chairman)
Mr. LI Ping (Executive Director and Chief Executive Officer)
Mr. YE Chunjian (Executive Director and Chief Technology Officer)
Mr. SU Jian (Executive Director and Mico Chief Executive Officer)

Independent Non-executive Directors:

Mr. HUANG Sichen
Mr. CHI Shujin
Mr. GAO Ming

The biographies of the Directors are set out under the section headed "Profile of Directors and Senior Management" of this annual report.

During the Relevant Period, the Board has met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive directors representing at least one-third of the Board.

Each of the independent non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

Save as disclosed in the biographies of the Directors as set out in the section headed "Profile of Directors and Senior Management" of this annual report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Directors or any chief executive.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and expertise to the Board for its efficient and effective functioning. independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

Regarding the code provision under the Corporate Governance Code requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their identity and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that they remain informed and relevant for their contribution to the Board.

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understandings of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Besides, meetings with senior management of the Company were also being arranged for.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the Relevant Period, the Company organised one training session conducted by qualified professionals for all the Directors. Such training sessions cover a wide range of relevant topics including directors' duties and responsibilities, risk management and internal controls etc. In addition, relevant reading materials including directors' manual, legal and regulatory updates and seminar handouts have been provided to the Directors for their reference and studying.

The Directors as at 31 December 2023 confirmed that they had complied with such requirements for the period under review.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Under the Articles of Association, at every annual general meeting of the Company, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director required to stand for re-election pursuant to Article 16.2 of the Articles of Association shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation. A retiring Director shall retain in office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

The Articles of Association set out the procedures and process for the appointment, re-election and removal of Directors. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

BOARD MEETINGS

The Company adopts the practice of holding Board meetings regularly, at least four times per year, and at approximately quarterly intervals.

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. For other Board and Board committee meetings, reasonable notice is generally required to be given. The agenda and accompanying board papers shall be dispatched to the Directors or Board committee members at least 3 days before the meeting to ensure that they have sufficient time to review the relevant papers and are adequately prepared for the meeting. When Directors or Board committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman of the Board prior to the meeting. Minutes of meetings are kept by the joint company secretaries with copies circulated to all Directors or Board committee members for information and record.

Minutes of the Board meetings and Board committee meetings are recorded with sufficient details on the matters considered by the Board and the Board committees and the decisions reached are noted, including concerns raised by the Directors/Board committee members. Draft and final versions of the minutes of each Board meeting and Board committee meeting are sent to the Directors/Board committee members for comment within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

The Company has fully complied with the requirement under the code provision A.1.1 of the Corporate Governance Code of convening Board meetings at least four times a year at approximately quarterly intervals for the twelve months ended 31 December 2023.

During the year ended 31 December 2023, the Board held five meetings to discuss and approve (among others) the overall strategies and policies of the Company and to review and approve the change of address of the principal place of business in Hong Kong, the change of auditor, the sale and purchase agreement, the Deeds of Amendment of the Partnership Agreement of the Fund and the contractual arrangements in relation to the Acquisition, the Annual Report 2022, the Annual Results Announcement for the year 2022, the Interim Report 2023, and the Announcement of Interim Results for the year 2023 of the Company, etc.

The table below sets forth the attendance details of each Director to the Board meetings for the year ended 31 December 2023.

Directors	Number of Board meetings to attend	Number of Board meetings attended
Mr. LIU Chunhe	5	5
Mr. LI Ping	5	5
Mr. YE Chunjian	5	5
Mr. SU Jian	5	5
Mr. GAO Ming	5	5
Mr. CHI Shujin	5	5
Mr. HUANG Sichen	5	5

In 2023, the Company convened and held two general meetings, i.e. the annual general meeting 2022 held on 21 June 2023 and the extraordinary general meeting held on 19 July 2023. The table below sets forth the attendance details of each director to the general meetings for the year ended 31 December 2023.

Directors	Number of general meetings to attend	Number of general meetings attended
Mr. LIU Chunhe	2	2
Mr. LI Ping	2	2
Mr. YE Chunjian	2	2
Mr. SU Jian	2	2
Mr. GAO Ming	2	2
Mr. CHI Shujin	2	2
Mr. HUANG Sichen	2	2

DELEGATION BY THE BOARD

The Board reserves its right to decide on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, the appointment of Directors and other significant financial and operational matters. Directors may have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to approach and consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to the entering into any significant transactions by the management on behalf of the Company.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the functions set out in the code provision A.2.1 of the Corporate Governance Code. The Board recognises that corporate governance should be the collective responsibility of the Directors which includes:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and

(e) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

The Company has complied with the relevant Corporate Governance Code provisions for the period spanning from the Listing Date to 31 December 2023.

BOARD COMMITTEES

Audit Committee

The Audit Committee currently comprises three members, Mr. CHI Shujin (Chairman), Mr. GAO Ming and Mr. HUANG Sichen, all of whom are independent non-executive Directors.

The principal duties of the Audit Committee include the following:

(a) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

(c) to develop and implement policies on engaging an external auditor to supply non-audit services. For this purpose, an "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

(d) to monitor the integrity of the Company's financial statements, annual reports, accounts, interim reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee shall focus particularly on:

  (i) any changes in accounting policies and practices;

  (ii) major judgmental areas;

  (iii) significant adjustments resulting from the audit;

  (iv) the going concern assumptions and any qualifications;

  (v) compliance with accounting standards; and

  (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

(e) regarding paragraph (d) above:

  (i) members of the committee should liaise with the Board and senior management and the committee must meet, at least twice a year, with the Company's auditors; and

  (ii) the committee should consider any significant or unusual items that are, or may need to be, reflected in report and accounts, and should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

(f) to review the Company's financial controls, risk management and internal control systems;

(g) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion shall include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;

(h) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(i) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(j) to review the financial and accounting policies and practices of the Company and its subsidiaries;

(k) to review the external auditor's management letter, any material queries raised by the external auditors to management about accounting records, financial accounts or systems of control and management's response;

(l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(m) to report to the Board on the matters within its scope of duties;

(n) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(o) to act as the key representative body for overseeing the Company's relation with the external auditor;

(p) to review continuing connected transactions of the Company and ensure compliance with terms approved by shareholders of the Company;

(q) to assess the risks in relation to the Company's major investment projects; and

(r) to consider such other matters as the Board may from time to time determine.

During the year ended 31 December 2023, the Audit Committee held three meetings to review (among others) the Annual Report 2022, the Annual Results Announcement for the year 2022, the Interim Report 2023, the Announcement of Interim Results for the year 2023, and change in auditor etc. The Audit Committee has also examined the risk management and internal control system of the Company and assessed the effectiveness of the Group's internal audit function.

The table below sets forth the attendance details of each member of the Audit Committee to the Audit Committee meetings for the year ended 31 December 2023.

Directors	Number of the Audit Committee meetings to attend	Number of the Audit Committee meetings attended
Mr. CHI Shujin	3	3
Mr. HUANG Sichen	3	3
Mr. GAO Ming	3	3

The major duties of the Audit Committee are to review and oversee the financial reporting process, risk management and internal control system of the Group and independently advise on the effectiveness of the abovementioned, to monitor the audit procedures and perform other functions and obligations assigned by the Board.

Nomination Committee

The Nomination Committee currently comprises three members, including one executive Director namely Mr. LIU Chunhe (chairman) and two independent non-executive Directors namely Mr. HUANG Sichen and Mr. CHI Shujin.

The principal duties of the Nomination Committee include the following:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to develop the criteria and procedures for identifying and assessing the qualifications of and evaluating candidates for directors, the general manager and other senior management members;

(c) to identify individuals who are suitably qualified to become directors, the general manager and other senior management members of the Company and to select or make recommendations to the Board on the selection of individuals nominated therefor;

(d) to assess the independence of independent non-executive Directors;

(e) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the Chairman and the chief executive of the Company; and

(f) to develop a policy concerning diversity of Board members, disclose the policy or a summary of the policy in the corporate governance report, and review the policy from time to time, to ensure the continued effect and ensure the diversity of the Board members.

Nomination Policy

According to the nomination policy, in evaluating and selecting any candidate for directorship, the Nomination Committee would consider the criteria, including, among other things, character and integrity, qualifications (cultural and educational background, professional qualifications, skills, knowledge and experience and diversity aspects under the board diversity policy), any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and diversity, and willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s).

The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship with a ranking of the candidates (if applicable) by order of preference based on the needs of the Company and reference check of each candidate.

Board Diversity Policy

We have adopted a board diversity policy which sets out the approach to achieve and maintain appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth. Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review and assess the composition of the Board and make recommendations to the Board on appointment of members of the Board. Meanwhile, the Nomination Committee will consider the benefits of all aspects of diversity, in order to maintain an appropriate range and balance of talents, skills, experience and diversity of perspectives on the Board.

Measureable objectives of achieving diversity of the Board include (i) at least one third of the Board shall be independent non-executive Directors; (ii) at least one Director is female and (iii) at least one Director shall have obtained accounting or other professional qualifications. For the year ended 31 December 2023, items (i) and (iii) have been fulfilled. The Board expects item (ii) will be fulfilled in the recent future no later than 31 December 2024. Whereas the current Board of the Group comprises of all male members, viewing from the Group's perspective, as at 31 December 2023, the senior management of the Group had 3 members in total comprising 2 females and 1 male with a female to male ratio of 2:1 and the Group had 1,465 employees in total comprising of 563 females and 902 males with a female-to-male ratio approximately of 5:8, reflecting a gender diversity principle generally adhered by the Group. The Board is mindful of the objectives for the factors as set out in the paragraph headed "Nomination Committee" below for assessing the candidacy of the Board members, and will ensure that any successors to the Board shall follow the gender diversity policy. Similar considerations shall also be in place to assess the candidacy of the senior management team from time to time. The Group is determined to maintain gender diversity in terms of the whole workforce, and to procure the board to appoint at least one female director to achieve gender diversity no later than 31 December 2024. The Company expects the above to be achievable with suitable effort in promoting the gender diversity culture, which the Group has been advocating for.

During the year ended 31 December 2023, the Nomination Committee held one meeting to review the structure of the Board, the board diversity policy, the independence of independent non-executive Directors, and to review and advise the Board on the approval for re-election of the retired Directors.

The table below sets forth the attendance details of each member of the Nomination Committee to the Nomination Committee meetings for the year ended 31 December 2023.

Directors	Number of the Nomination Committee meetings to attend	Number of the Nomination Committee meetings attended
Mr. LIU Chunhe	1	1
Mr. CHI Shujin	1	1
Mr. HUNAG Sichen	1	1

The Nomination Committee is responsible for reviewing and evaluating the composition of the Board and the independence of independent non-executive Directors, as well as making recommendations to the Board on the appointment and dismissal of directors.

Remuneration Committee

The Remuneration Committee currently comprises three members, including one executive Director namely Mr. SU Jian and two independent non-executive Directors namely Mr. HUANG Sichen (Chairman) and Mr. GAO Ming.

The principal duties of the Remuneration Committee include the following:

(a) to review and make recommendations to the Board on the Company's policy and structure for the remuneration of all the Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) to review and approve the management's remuneration proposals with reference to the corporate goals and objectives resolved by the Board from time to time, and to supervise the implementation of the relevant proposals;

(c) to make recommendations to the Board on the remuneration packages of executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(d) to make recommendations to the Board on the remuneration of non-executive Directors;

(e) to consider factors such as the level of remuneration paid by comparable companies, the time commitment and responsibilities of directors and senior management, and the employment conditions of the Company and its subsidiaries and consolidated affiliated entities;

(f) to consider the level of remuneration required to attract and retain directors to manage the Company successfully;

(g) to ensure that no Director or any of his or her associates is involved in deciding his or her own remuneration. For the avoidance of doubt, members of the Remuneration Committee must not be involved in deciding his or her own remuneration;

(h) to review and approve compensation payments and arrangements to Directors and senior management of the Company for loss or termination of their office or appointment, or dismissal or removal for misconduct and to assess whether the proposed payments or arrangements are fair, not excessive, reasonable, consistent with the relevant contractual terms, or otherwise appropriate; and

(i) to advise shareholders of the Company on how to vote in respect of any service contracts of directors that require Shareholders' approval in accordance with the Listing Rules.

During the year ended 31 December 2023, the Remuneration Committee held one meeting to review the remuneration of directors and the senior management, as well as the remuneration policy and framework of directors and the senior management, assess performance of executive Directors, approve the terms of executive Directors' service contracts, and review the RSU Schemes, the Share Option Scheme and the RSU Award Scheme.

The table below sets forth the attendance details of each member of the Remuneration Committee to the Remuneration Committee meetings for the year ended 31 December 2023.

Directors	**Number of the Remuneration Committee meetings to attend**	**Number of the Remuneration Committee meetings attended**
Mr. HUANG Sichen	1	1
Mr. SU Jian	1	1
Mr. GAO Ming	1	1

The major duties of the Remuneration Committee are to establish and review the remuneration policy and structure in respect of directors and the senior management, and to make recommendations to the Board on the arrangement of employees' benefits.

Remuneration Policy

The Group's remuneration policy is based on the merits, qualifications and competence of individual employees and is regularly reviewed by the Remuneration Committee. Directors' remuneration is recommended by the Remuneration Committee and determined by the Board, which takes into account the Group's operating results, personal performance and comparable market statistics.

Details of the Directors' remuneration and the five highest paid employees in the Group are set out in notes 12a and 8a to the consolidated financial statements in this annual report.

REMUNERATION OF DIRECTORS

Please refer to note 12a to the consolidated financial statements for details of the remuneration of members of the Board for the year ended 31 December 2023.

Pursuant to code provision E.1.5 of the Corporate Governance Code, the annual remuneration of the members of senior management, including those members of senior management who are also the executive Directors, by band for the year ended 31 December 2023 is set out below:

Annual Remuneration (HK$)	**Number of individuals**
Nil – 2,500,000	5
2,500,001 – 5,000,000	2
5,000,001 – 10,000,000	–
10,000,001 – 30,000,000	–
30,000,001 – 350,000,000	–

Further details of the remuneration for the year ended 31 December 2023 are set out in note 8 to the consolidated financial statements contained in this annual report.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2023 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the Company's auditor regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report of this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code for the year ended 31 December 2023.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for ensuring that the Company has established and maintained adequate and effective risk management and internal control systems on an annual basis so as to ensure that internal control and risk management systems in place are adequate. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Company also has an internal audit function which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems, and reports their findings to the Board on, at least, an annual basis. The Board has duly assessed, and was satisfied with the performance of the internal audit function.

RISK MANAGEMENT

The Company is committed to continuously improving the risk management system, including structure, process and culture, through the enhancement of risk management ability, to ensure the long-term growth and sustainable development of the Company's business.

The Company has established a risk management system which sets out the roles and responsibilities of each relevant party as well as the relevant risk management policies and processes. Each business group of the Company, on a regular basis, identifies and assesses risk factors that may negatively impact the achievement of its objectives, and formulates appropriate response measures.

During the year ended 31 December 2023, the Company adopted dynamic risk management processes including risk identification, risk analysis, risk assessment, risk response, risk monitoring, and risk reporting in response to identifying significant risks of the Company. Regular meetings were held between the executive Directors and senior management to review and monitor the business and financial performance against the targets, the progress of certification and contract receipts from customers, the efficiency in the use of the Group's resources as compared against the budgets, and operational matters to ensure the Group has complied with the regulations that may have material impact on the Group's business. The aim is to enhance the communication and accountability of the Directors and management so that significant strategic, financial, operational and compliance risks or potential deviations are identified and dealt with in a proper and timely manner and such that, significant issues are timely reported and effectively conveyed to the Board for its attention.

During the year ended 31 December 2023, the Board has conducted an annual review of the effectiveness of the internal control and risk management systems of the Group to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards. The review covered all material controls, including financial, operational and compliance controls and risk management functions. The review was conducted through discussions with the management of the Company, its external and internal auditors and the assessment performed by the Audit Committee. The Board believes that the existing risk management and internal control systems are adequate and effective, in particular, for financial reporting and Listing Rules compliance as well as for resolving internal control defects (if any).

DIVIDEND POLICY

As advised by the Company's Cayman Islands legal adviser, under Cayman Islands law, a position of accumulated losses and net liabilities does not necessarily restrict the Company from declaring and paying dividends to its Shareholders out of either its profit or its share premium account, provided that this would not result in the Company being unable to pay its debts as they fall due in the ordinary course of business. As the Company is a holding company incorporated under the laws of the Cayman Islands, the payment and amount of any future dividends will also depend on the availability of dividends received from its subsidiaries. The PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including Hong Kong Financial Reporting Standards. Any dividends the Company pays will be determined at the absolute discretion of the Board, taking into account factors including the Company's actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that the Board deems to be appropriate. The Shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by the Board.

EXTERNAL AUDITORS

KPMG is appointed as the external auditors of the Company upon the recommendation of the Audit Committee.

An analysis of the remuneration paid to the external auditors of the Company, KPMG, in respect of audit services and non-audit services for the year ended 31 December 2023 is set out below:

Service Category	**Fee Paid/Payable** *RMB'000*
Audit Services	4,510
Non-audit Services	183
Total	4,693

JOINT COMPANY SECRETARIES

Since 27 May 2019, Mr. SONG Pengliang (宋朋亮) and Mr. AU-YEUNG Wai Ki, Joseph (歐陽偉基) were appointed as the joint company secretaries of the Company. These individuals are responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed. Mr. SONG Pengliang has been designated as the primary contact person at the Company which would work and communicate with Mr. AU-YEUNG Wai Ki, Joseph on the Company's corporate governance and secretarial and administrative matters.

Mr. SONG Pengliang (宋朋亮) and Mr. AU-YEUNG Wai Ki, Joseph (歐陽偉基) have complied with Rule 3.29 of the Listing Rules by partaking in no less than 15 hours of the relevant professional training during the year.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONSHIP

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which enables the Shareholders and investors to make the informed investment decisions. Thus, the Company has adopted a shareholders' communication policy to ensure that the Shareholders and investors are provided with equal and timely access to balanced and understandable information about the Company in order to enable the Shareholders to exercise their rights in an informed manner, and to allow the Shareholders and investors to engage actively with the Company. Information in relation to the Group is disseminated to the Shareholders and investors in a timely manner through a number of communication channels, including interim and annual reports, annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and the corporate communications and other corporate publications on the website of the Company. The annual general meeting of the Company provides an opportunity for the Shareholders to communicate directly with the Directors. Shareholders may send their enquiries and concerns to the Board by post, by phone, via email or by fax and such other means, and the relevant contact details are set out in the section headed "PUTTING FORWARD ENQUIRIES TO THE BOARD" in this annual report and the Company's website.

The Company reviewed the implementation and effectiveness of the shareholders' communication policy by reviewing the Company's shareholders engagement and communication activities conducted in 2023 and considered it to be effective for the year ended 31 December 2023.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

PUTTING FORWARD ENQUIRIES TO THE BOARD

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the headquarters of the Company at 6/F, Tower B, Xiaoyun Road 33rd Building, Chaoyang District, Beijing, PRC.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

Pursuant to the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the voting rights, on a one vote per share basis, of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and the resolutions to be added to the meeting agenda, and signed by the requisitionist(s). If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

The Board is not aware of any provisions allowing the Shareholders to put forward proposals at general meetings of the Company under the Articles of Association and the Companies Law. Shareholders who wish to put forward proposals at general meetings may refer to the preceding paragraph to make a written requisition to require the convening of an extraordinary general meeting of the Company.

CHANGE IN CONSTITUTIONAL DOCUMENTS

There was no change in the Articles of Association of the Company for the year ended 31 December 2023. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

To the Shareholders of Newborn Town Inc.
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Newborn Town Inc. (the "Company") and its subsidiaries (the "Group") set out on pages 85 to 193, which comprise the consolidated balance sheet as at 31 December 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition of social networking business

Refer to note 2.22 and note 6 to the consolidated financial statements and the accounting policies on page 117 and 140, respectively.

The Key Audit Matter

The Group recognised revenue from the social networking business of RMB2,972 million for the year ended 31 December 2023, which accounted for 90% of the Group's total revenue.

Such revenue mainly derives from sales of virtual currencies which can be used to purchase virtual items or services on the Group's live streaming platforms.

The revenue is generally recognised at the point in time when the consumable virtual items or services are consumed by customers.

We identified the recognition of social networking business revenue as a key audit matter because revenue is one of the key performance indicators of the Group and is, therefore, subject to possible manipulation by management to meet targets or expectations.

How the matter was addressed in our audit

Our audit procedures to assess the recognition of revenue from the social networking business included the following:

- obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls (including controls over relevant information systems with the assistance of our IT professionals with specialised skills and knowledge) in relation to revenue recognition from the social networking business, including the IT application controls on the top-up of virtual currencies as well as the consumption of virtual currencies;

- comparing the cash receipts recorded in the Group's information systems for the amounts of top-up received from customers against the cash receipts stated on statements of third-party payment platforms on a sample basis; and further comparing against the amount of cash receipts recorded in the general ledger on a sample basis;

- with the assistance of our IT professionals with specialised skills and knowledge, testing the mathematical accuracy and the completeness of the system generated reports that summarise the key inputs (including quantities of virtual currencies and virtual items or services purchased and consumed) for the calculation of revenue; and

- recalculating the revenue based on the inputs provided by the above system generated reports to test the accuracy of revenue recognised.

KEY AUDIT MATTERS (CONTINUED)

Accounting for business combination

Refer to note 4.8 and 19d to the consolidated financial statements and the accounting policies on page 138 and 170, respectively.

The Key Audit Matter

During the year ended 31 December 2023, the Group acquired a sub-group consisting of Metaclass Management ELP (the "Fund") and its operating subsidiaries. Before the acquisition, the Group accounted for its investment in the Fund as a joint venture using the equity method.

The step acquisition is accounted for as a business combination achieved in stages in accordance with International Financial Reporting Standard 3, Business Combinations.

The Group engaged an external valuation firm to assist the Directors to determine the acquisition-date fair values of its previously held interest in the Fund, the identifiable assets acquired and the liabilities assumed to apply the acquisition method. Goodwill and intangible assets arising from the business combination amounted to RMB188 million and RMB119 million respectively. The determination of the fair values required significant management judgement, in particular the forecasted revenue growth rates and the discount rate.

How the matter was addressed in our audit

Our audit procedures to assess the accounting for business acquisition included the following:

- obtaining an understanding of and assessing the design and implementation of management's key internal controls in relation to business acquisition;
- inspecting the sale and purchase agreement and evaluating management's accounting treatment for the acquisition with reference to the requirements of prevailing accounting standards;
- inspecting the valuation reports prepared by the external valuation firm engaged by the Group based on which the Directors determined the fair values the Group's previously held interest in the Fund and the identifiable assets acquired, including intangible assets, and the liabilities assumed;

KEY AUDIT MATTERS (CONTINUED)

Accounting for business combination (continued)

The Key Audit Matter (continued)	How the matter was addressed in our audit (continued)
We identified the accounting for business combination as a key audit matter because of the significant impact this transaction has on the consolidated financial statements of the Group and because the determination of the fair values can be inherently subjective and requires significant judgement and estimation which increase the risk of error or potential management bias.	• assessing the competence, capabilities and objectivity of the external valuer; • with the assistance of our internal valuation specialists, evaluating the appropriateness of the valuation methodologies in the determination of: – the fair value of the Group's previously held interest in the Fund; – the fair value of the identifiable assets acquired, including intangible assets, and liabilities assumed; with reference to the requirements of prevailing accounting standards and evaluating the reasonableness of the Company's forecasted revenue growth rates by comparing them to available market information and the Company's historical financial information, and the discount rate by comparing it to an independently developed discount rate range using publicly available market data for comparable entities; • testing the mathematical accuracy of non-controlling interests and management's purchase price allocation for the identifiable assets acquired and liabilities assumed, and the resulting amount of goodwill; and • assessing the reasonableness of the disclosures in relation to the business combination transaction with reference to the requirements of prevailing accounting standards.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Alex M. K. Shum.

KPMG
Certified Public Accountants

8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong

21 March 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2023
(Expressed in Renminbi ("RMB"))

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
Revenue from contracts with customers	6	**3,307,799**	2,799,698
Cost of revenue	7	**(1,585,716)**	(1,741,791)
Gross profit		**1,722,083**	1,057,907
Selling and marketing expenses	7	**(688,447)**	(484,068)
Research and development expenses	7	**(314,524)**	(212,072)
General and administrative expenses	7	**(171,987)**	(111,813)
Net impairment losses on financial assets	9	**(2,578)**	(1,593)
Other income	10	**3,373**	1,605
Other gain – net	10	**3,193**	19,295
Operating profit		**551,113**	269,261
Finance income	11	**21,461**	982
Finance cost	11	**(5,949)**	(1,512)
Finance income/(cost) - net		**15,512**	(530)
Share of profits of associates and joint ventures accounted for using the equity method	19c	**47,310**	18,648
Gain on revaluation of equity method investee	19c	**158,823**	–
Profit before income tax		**772,758**	287,379
Income tax expenses	13	**(12,146)**	(44)
Profit for the year		**760,612**	287,335

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2023
(Expressed in Renminbi ("RMB"))

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
Profit attributable to:			
Equity shareholders of the Company		**512,845**	130,135
Non-controlling interests		**247,767**	157,200
Other comprehensive income, net of tax effect			
Items that will not be reclassified to profit or loss			
Currency translation differences arising from translation of the Company's financial statements		**(1,597)**	6,627
Items that maybe subsequently reclassified to profit or loss			
Currency translation differences arising from translation of oversea subsidiaries' financial statements		**(14,430)**	24,920
Share of other comprehensive income of investments accounted for using the equity method	19c	**(10,034)**	10,034
Total comprehensive income for the year		**734,551**	328,916
Total comprehensive income attributable to:			
Equity shareholders of the Company		**489,536**	169,462
Non-controlling interests		**245,015**	159,454
Earnings per share for profit attributable to equity shareholders of the Company (expressed in RMB per share)			
Basic earnings per share	14	**0.45**	0.11
Diluted earnings per share	14	**0.45**	0.11

The notes on pages 93 to 193 form part of these financial statements.

		As at 31 December	
		2023	2022
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property and equipment	16	**124,875**	122,155
Intangible assets	17	**260,467**	185,635
Goodwill	18	**385,511**	197,287
Deferred tax assets	27	**22**	224
Investments accounted for using the equity method	19c	**24,300**	176,051
Financial assets measured at fair value through profit or loss	20	**36,634**	38,226
Other receivables	22	**16,865**	22,812
Other non-current assets		**50**	1,210
Total non-current assets		**848,724**	743,600
Current assets			
Inventories		**19,301**	–
Accounts receivable	21	**243,161**	164,877
Other receivables	22	**103,523**	56,893
Other current assets		**17,537**	7,445
Financial assets measured at fair value through profit or loss	20	**170,945**	149,401
Cash and cash equivalents	24	**1,386,363**	596,729
Restricted bank deposits	23	**1,302**	1,272
Total current assets		**1,942,132**	976,617
Total assets		**2,790,856**	1,720,217

CONSOLIDATED BALANCE SHEET

as at 31 December 2023
(Expressed in RMB)

	Note	As at 31 December 2023 RMB'000	2022 RMB'000
LIABILITIES			
Current liabilities			
Accounts payable	25	**292,997**	189,739
Contract liabilities	6a	**74,821**	18,089
Income tax payable		**17,580**	4,934
Bank overdraft		**37**	67
Lease liabilities	16b	**32,788**	25,879
Other payables	26	**278,187**	110,366
Total current liabilities		**696,410**	349,074
Net current assets		**1,245,722**	627,543
Non-current liabilities			
Deferred tax liabilities	27b	**70,409**	46,889
Lease liabilities	16b	**75,442**	86,244
Other non-current liabilities		**1,100**	–
Total non-current liabilities		**146,951**	133,133
Total liabilities		**843,361**	482,207

	Note	As at 31 December 2023 RMB'000	2022 RMB'000
EQUITY			
Equity attributable to the equity shareholders of the Company			
Share capital	28	**818**	818
Treasury shares	28	**(40,404)**	(12,719)
Share premium	28	**669,523**	669,523
Other reserves	29	**10,956**	80,636
Retained earnings/(accumulated losses)		**480,050**	(30,436)
		1,120,943	707,822
Non-controlling interests	19a	**826,552**	530,188
Total equity		**1,947,495**	1,238,010
Total liabilities and equity		**2,790,856**	1,720,217

The consolidated financial statements were approved by the Board of Directors on 21 March 2024 and were signed on its behalf:

Liu Chunhe
Director

Li Ping
Director

The notes on pages 93 to 193 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023
(Expressed in RMB)

		Attributable to equity shareholders of the Company							
	Note	Share capital *RMB'000*	Treasury shares *RMB'000*	Share premium *RMB'000*	Other reserves *RMB'000*	Accumulated losses *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2022		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	29	–	–	–	39,327	–	39,327	2,254	41,581
Total comprehensive income		–	–	–	39,327	130,135	169,462	159,454	328,916
Issuance of shares upon placement	28	59	–	282,367	–	–	282,426	–	282,426
Purchase of own shares	28(ii)	–	(12,719)	–	–	–	(12,719)	–	(12,719)
Appropriation to statutory reserves	29	–	–	–	1,413	(1,413)	–	–	–
Changes in the share of other reserves of investments accounted for using equity method	19c	–	–	–	(239,660)	–	(239,660)	–	(239,660)
Shares-based compensation expenses	31	–	–	–	31,510	–	31,510	7,443	38,953
Balance at 31 December 2022		818	(12,719)	669,523	80,636	(30,436)	707,822	530,188	1,238,010

		Attributable to owners of the Company							
	Note	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Other reserves RMB'000	(Accumulated losses)/ retained earnings) RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2023		**818**	**(12,719)**	**669,523**	**80,636**	**(30,436)**	**707,822**	**530,188**	**1,238,010**
Profit for the year		–	–	–	–	512,845	512,845	247,767	760,612
Other comprehensive income	29	–	–	–	(23,309)	–	(23,309)	(2,752)	(26,061)
Total comprehensive income		–	–	–	(23,309)	512,845	489,536	245,015	734,551
Purchase of own shares	28	–	(27,685)	–	–	–	(27,685)	–	(27,685)
Appropriation to statutory reserves	29	–	–	–	2,359	(2,359)	–	–	–
Shares-based compensation expenses	31	–	–	–	23,001	–	23,001	21,007	44,008
Transaction with non-controlling interests	19b	–	–	–	(71,731)	–	(71,731)	(28,268)	(99,999)
Business combination	19d	–	–	–	–	–	–	58,610	58,610
Balance at 31 December 2023		**818**	**(40,404)**	**669,523**	**10,956**	**480,050**	**1,120,943**	**826,552**	**1,947,495**

The notes on pages 93 to 193 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2023
(Expressed in RMB)

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash generated from operations	30a	**738,805**	311,667
Interest received	11	**21,461**	982
Payment of income tax		**(6,763)**	(4)
Net cash inflow from operating activities		**753,503**	312,645
Cash flows from investing activities			
Purchase of Wealth Management Products measured at fair value through profit or loss		**(220,375)**	(238,526)
Maturity of Wealth Management Products measured at fair value through profit or loss		**200,443**	265,105
Additional investment in equity interest of a private company measured at fair value through profit or loss		**–**	(13,000)
Investments in investees accounted for using the equity method	19c	**(27,893)**	(374,424)
Disposal of investments accounted for using the equity method	19c	**33,000**	–
Purchase of property and equipment		**(9,386)**	(10,904)
Purchase of intangible assets		**(558)**	
Disposal of property and equipment		**324**	28
Loans to other parties		**(10,035)**	(29,091)
Proceeds of loans repayments from other parties		**34,001**	44,254
Net cash obtained from a business combination	19d	**215,059**	–
Net cash inflow/(outflow) from investing activities		**214,580**	(356,558)
Cash flows from financing activities			
Issuance of shares upon placement	28	**–**	285,567
Transaction costs relating to issuance of shares upon placement	28	**–**	(3,141)
Capital element of lease rentals paid	30b	**(28,707)**	(12,573)
Interest element of lease rentals	30b	**(5,949)**	(1,512)
Purchase of own shares	28	**(27,685)**	(12,719)
Transactions with non-controlling interests	19b	**(99,999)**	(395,217)
Net cash outflow from financing activities		**(162,340)**	(139,595)
Net increase/(decrease) in cash and cash equivalents		**805,743**	(183,508)
Cash and cash equivalents at beginning of year		**596,662**	724,556
Effects of exchange rate changes on cash and cash equivalents		**(16,079)**	55,614
Cash and cash equivalents at end of year		**1,386,326**	596,662
Including:			
Cash and cash equivalents	24	**1,386,363**	596,729
Bank overdraft		**(37)**	(67)

The notes on pages 93 to 193 form part of these financial statements.

1 GENERAL INFORMATION AND SIGNIFICANT EVENTS

1.1 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, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

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

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

1.2 Significant events in the current and previous reporting periods

In March 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 capital of the Fund. More details of this transaction is set out in Note 19c.

On 2 August 2023, the Group completed the acquisition of the business operated by BlueCity Holdings Limited ("BlueCity"), subsidiary of the Fund, through the acquisition of Chizicheng Strategy Investment, the general partner of the Fund. The acquisition is accounted for as a business combination in accordance with IFRS 10. More details of this transaction is set out in Note 19d.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The material accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied throughout all years presented, unless otherwise stated.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of The Group. Note 2.3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to The Group for the current accounting period reflected in these financial statements.

2.2 Basis of preparation

The consolidated financial statements for the year ended 31 December 2023 comprise the company and its subsidiaries (together referred to as the "Group") and The Group's interest in associates and joint ventures.

The consolidated financial statements have been prepared under the historical cost convention, except for financial instruments measured at fair value through profit and loss ("FVPL").

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. Judgements made by management in the application of IFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are disclosed in Note 4.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in accounting policies

New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2023:

– Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates

– Amendments to IAS 1, Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies

– Amendments to IAS 12, Income taxes: International tax reform – Pillar Two model rules

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended IFRSs are discussed below:

Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to IAS 1, Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

(Expressed in RMB unless otherwise indicated)

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in accounting policies (continued)

New and amended standards adopted by the Group (continued)

Amendments to IAS 12, Income taxes: International tax reform – Pillar Two model rules

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("OECD") (income tax arising from such tax laws is hereafter referred to as "Pillar Two income taxes"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax including the estimated tax exposure to Pillar Two income taxes. The amendments are immediately effective upon issuance and require retrospective application. The Group provided the additional disclosures in Note 13(e).

New standards and amendments not yet adopted

Standards and amendments that have been issued but not yet effective and not been early adopted by the Group during the year are as follows:

	Effective for accounting periods beginning on or after
Amendments to IAS 1, Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")	1 January 2024
Amendments to IAS 1, Presentation of financial statements: Non-current liabilities with covenants ("2022 amendments")	1 January 2024
Amendments to IFRS 16, Leases: Lease liability in a sale and leaseback	1 January 2024
Amendments to IAS 7, Statement of cash flows and HKFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements	1 January 2024
Amendments to IAS 21, The effects of changes in foreign exchange rates: Lack of exchangeability	1 January 2025

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in accounting policies (continued)

New standards and amendments not yet adopted (continued)

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

2.4 Principles of consolidation and equity accounting

2.4a Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group other than the business combination of entities under common control (refer to Note 2.5).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet, respectively.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Principles of consolidation and equity accounting (continued)

2.4a Subsidiaries (continued)

Subsidiaries controlled through Contractual Arrangements

Current PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership of companies that engage in value-added telecommunications services, internet culture services and other related businesses, including mobile apps development business. The mobile apps development business in the PRC was carried out through NewBornTown Mobile Technology (Shandong) Holdings Co., Ltd. ("NewBornTown Mobile Technology") and its subsidiaries, and Beijing BlueCity Culture and Media Co., Ltd. (BlueCity Culture and Media) and its subsidiaries (together refers to "PRC Operating Entities"). To comply with the relevant PRC laws and regulations, the subsidiaries of the Company, Shandong NewBornTown Network Technology Co., Ltd. ("Shandong NewBornTown") and Beijing BlueCity Information & Technology Co., Ltd. (BlueCity Information & Technology) (together refers to "WFOE Entities"), have entered into a series of contractual arrangements (the "Contractual Arrangements"), respectively, including the Exclusive Equity/Assets Call Option Agreement, Exclusive Business Cooperation Agreement, Equity Pledge Agreement, and Powers of Attorney, with PRC Operating Entities and its respective equity holders, which enable the Group to:

- irrevocably exercise equity holders' voting rights of PRC Operating Entities;
- exercise effective financial and operational control over of PRC Operating Entities;
- receive substantially all of the economic interest returns generated by PRC Operating Entities by way of technical and consulting services provided by WFOE Entities;
- obtain an irrevocable and exclusive right to purchase all or part of the equity interests in PRC Operating Entities from the respective equity holders at a minimum purchase price permitted under the PRC laws and regulations; and
- obtain a pledge over the entire equity interests of PRC Operating Entities from their respective equity holders to secure performance of PRC Operating Entities' obligations under the Contractual Arrangements.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Principles of consolidation and equity accounting (continued)

2.4a Subsidiaries (continued)

Subsidiaries controlled through Contractual Arrangements (continued)

Nevertheless, there are still uncertainties regarding the interpretation and application of current and future PRC laws and regulations. The directors of the Company, based on the advice of its legal counsel, consider that the use of Contractual Arrangements is currently enforceable in the PRC except for certain provisions and does not constitute a breach of the relevant laws and regulations. As a result of the Contractual Arrangements, the Group is considered to control PRC Operating Entities as it has rights to exercise power over PRC Operating Entities, receive variable returns from its involvement with PRC Operating Entities, and has the ability to affect those returns through its power over PRC Operating Entities. Consequently, the Company regarded PRC Operating Entities as controlled entities and consolidated the financial position and results of operations of these entities in the consolidated financial statements of the Group.

2.4b Associates

An associate is an entity in which the Group has significant influence but not control or joint control, over its management, including participation in the financial and operating policy decisions. Investments in associates are accounted for using the equity method of accounting (see Note 2.4d below), after initially being recognised at cost in the consolidated balance sheet.

2.4c Joint arrangements

Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Interests in joint ventures are accounted for using the equity method (see 2.4d below), after initially being recognised at cost in the consolidated balance sheet.

2.4d Equity method accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income ("OCI") of the investee in OCI. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Principles of consolidation and equity accounting (continued)

2.4d Equity method accounting (Continued)

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted for investments is tested for impairment in accordance with the policy described in Note 2.11.

2.4e Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in OCI in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in OCI are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in OCI are reclassified to profit or loss where appropriate.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.5 Business combinations

The acquisition method of accounting is used to account for the business combinations except for business combination of entities under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

– fair values of the assets transferred,

– liabilities incurred to the former owners of the acquired entity,

– equity interests issued by the Group,

– fair value of any asset or liability resulting from a contingent consideration arrangement, and

– fair value of any pre-existing equity interest in the acquired entity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.5 Business combinations (continued)

The excess of the:

– consideration transferred,

– amount of any non-controlling interests in the acquired entity, and

– acquisition-date fair value of any previous equity interest in the acquired entity.

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.6 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.7 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.8 Foreign currency translation

2.8a Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company and its subsidiaries incorporated in Cayman Islands, Hong Kong S.A.R., Singapore, Egypt and UAE is United States dollar ("USD"). The functional currency of the Company's certain subsidiaries incorporated in Hong Kong S.A.R. is Hong Kong dollar ("HKD"). The functional currency of the Company's PRC subsidiaries is Renminbi ("RMB"). The presentation currency of the Group financial statements is RMB.

2.8b Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other gain – net.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.8 Foreign currency translation (continued)

2.8b Transactions and balances (continued)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVPL are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income ("FVOCI") are recognised in OCI.

2.8c Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,

– income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

– all resulting exchange differences are recognised in OCI.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in OCI. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.9 Property and equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and right-of-use assets, the lease term, if shorter, as follows:

	Estimated useful lives
Electronic equipment	3 years
Furniture and fixtures	3 – 5 years
Motor vehicles	5 years
Leasehold improvements	Shorter of estimated useful life and the lease term
Right-of-use assets	The lease term

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.10 Intangible assets

2.10a Initial recognition

(i) Goodwill

Goodwill is measured as described in Note 2.5. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

(ii) Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

– it is technically feasible to complete the software so that it will be available for use,

– management intends to complete the software and use or sell it,

– there is an ability to use or sell the software,

– it can be demonstrated how the software will generate probable future economic benefits,

– adequate technical, financial and other resources to complete the development and to use or sell the software are available, and

– the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.10 Intangible assets (continued)

2.10a Initial recognition (continued)

(iii) Research and development

Research expenditure and development expenditure that do not meet the criteria in (ii) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2.10b Amortisation methods and periods

The management estimates the useful lives to reflect the Group's intention to derive future economic benefits from the use of these assets. The Group amortises intangible assets with an estimated useful life using the straight-line method over the following periods:

	Estimated useful lives
Software	3 – 10 years
Brand name	10 years
User base	3 years
Technology	5 years
License	5 years

2.11 Impairment of non-financial assets

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each year.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.12 Investments and other financial assets

2.12a Classification

The Group classifies its financial assets in the following measurement categories:

– those to be measured subsequently at fair value (either through OCI or through profit or loss), and

– those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.12b Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.12c Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.12 Investments and other financial assets (continued)

2.12c Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

– Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gain – net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

– FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gain – net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gain – net and impairment expenses are presented as separate line item in the statement of profit or loss.

– FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gain – net in the period in which it arises.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.12 Investments and other financial assets (continued)

2.12c Measurement (continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gain – net in the statement of profit or loss as applicable.

2.12d Impairment

The Group has types of financial assets subject to new expected credit loss model of IFRS 9:

– accounts receivable and

– other financial assets at amortised cost.

Measurement of expected credit losses

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For accounts receivable, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1b for further details.

Impairment on other financial assets at amortised cost is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.12 Investments and other financial assets (continued)

2.12d Impairment (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating, if available;

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

Expected credit losses are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the expected credit loss amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.12 Investments and other financial assets (continued)

2.12d Impairment (continued)

Write-off policy

Financial assets are written off when the Group is satisfied that recovery is remote. Where loans or receivables have been written off, the Group continues to attempt to recover the receivable due. Where recoveries are made, the recovered amount is recognised in profit or loss.

2.13 Accounts receivable

Accounts receivable are amounts due from customers for services performed or goods sold in the ordinary course of business.

Accounts receivable are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the accounts receivable with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 2.12d for a description of the Group's impairment policies.

2.14 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Bank overdrafts are presented in current liabilities in the consolidated balance sheet.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.15 Inventories

Inventories are assets which are held for sale in the ordinary course of business. Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Accounts and other payables

These amounts primarily represent liabilities for services provided to the Group prior to the end of financial year which are unpaid. Accounts and other payables are presented as current liabilities unless payment is not due within 12 months after the year. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet dates in countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax (continued)

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in OCI or directly in equity. In this case, the tax is also recognised in OCI or directly in equity, respectively.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the years and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Bonus plans

The expected cost of bonuses is recognised as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

(iii) Pension obligations

The Group has only defined contribution plans in which the Group has to make contribution to staff retirement scheme managed by China local government authorities in accordance with the relevant rules and regulations. Contributions to these schemes are charged to the consolidated statement of comprehensive income as and when incurred. The Group has no legal or constructive obligations to pay further contributions.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.20 Share-based payments

(i) Equity-settled share-based payment transactions

The Group operates share incentive plan, under which it receives services from employees as consideration for equity instruments (restricted shares units ("RSUs") and share options) of the Company.

The fair value of the services received in exchange for the grant of the equity instruments (RSUs and share options) is recognised as an expense on the consolidated statement of comprehensive income with a corresponding increase in equity.

In terms of the RSUs and share options awarded to employees, the total amount to be expensed is determined by reference to the fair value of equity instruments (RSUs and share options) granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Service and non-marketing performance conditions are included in calculation of the number of RSUs and share options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of RSUs and share options that are expected to vest based on the non-marketing performance and service conditions.

It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

In some circumstances, employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the share options are exercised, the Company issues new ordinary shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.22 Revenue recognition

The Group provides social networking business (mainly through social networking apps such as MICO, Yumy, YoHo and Blued) and innovative business (mainly through niche games and casual games).

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Revenue from providing services is recognised in the accounting period in which the services are rendered.

(i) Social networking business

Live streaming service

The Group operates and maintains mobile platforms whereby viewers can enjoy live stream performances provided by the live streamers (the "streamers") and interact with the streamers on a real-time basis for free. The Group operates a virtual item system, under which viewers can purchase virtual items and present them as gifts to streamers to show their support and appreciation. The Group generates revenues from the sales of virtual items on the platform, and viewers are the Group's customers. The virtual items are produced and delivered by the Group. Sales of virtual items are recognised as revenues at the point in time when the virtual items are gifted by viewers to streamers as the Group has no further obligations related to virtual items once they are gifted to streamers. The non-refundable proceeds received from the sales of virtual items before they are gifted by viewers to streamers are recorded as contract liabilities.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue recognition (continued)

(i) Social networking business (continued)

Live streaming service (continued)

In order to attract streamers to the platforms, the Group shares liver-streaming revenues with the streamers in accordance with the agreements between the Group and streamers.

The Group has evaluated and concluded that it is the principal for the sales of the virtual items on the platforms. The Group produces and controls virtual items before they are transferred to customers. The prices of virtual items are set by the Group. Therefore, revenue from the sales of virtual items is recorded on a gross basis and the revenue sharing paid to streamers based on the predetermined percentage in the agreements is recognised as “cost of revenue” in the consolidated statement of comprehensive income.

Membership fees

Membership revenues include subscription-based membership services and Pay-Per-Use Services. Subscription-based membership services enable individual users to enjoy additional functions and privileges over a period of time ranging from one month to one year. Pay-Per-Use services enable individual users to better promote themselves and raise their profile through advanced enhancement functions on a pay per service basis. The Group collects non-refundable membership service fee in advance and records it as contract liabilities. Subscription-based membership revenue is recognised on a straight-line basis over the membership period. Pay-Per-Use revenue is recognised at the point in time when control of promised service is transferred to the users.

Merchandise sales

The Group generates revenues from merchandise sales to customers through the Group’s own and third-parties’ platforms. The Group controls the specified good before it is transferred to a customer, which is evidenced by the primary responsibility for fulfilling the promise to provide the specified good, including responsible for the acceptability of the specified good having inventory risk before the specified good has been transferred to a customer and having discretion in establishing the price for the specified good. Accordingly, the Group concludes that it is principal in merchandise sales and reports revenue from merchandise sales on a gross basis. Revenues are measured as the amount of consideration the Group expects to receive in exchange for transferring the specified good to customers. Merchandise revenue is recognised at the point in time when control of good is transferred to the customers.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue recognition (continued)

(ii) Innovative business

The Group generated revenue from the self-developed mobile applications mainly through providing advertising spaces to agencies of advertisers. The revenue for providing advertising spaces is recognised once the control of the spaces is transferred to the advertisers.

The revenue is normally billed on monthly basis and a receivable is expected to be collected within the contracted credit term.

2.23 Leases

The Group leases properties for operation. Rental contracts are typically made for fixed periods with fixed lease payments. Lease terms are negotiated on an individual basis and do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is recorded in property and equipment, and depreciated over the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate. When determining the incremental borrowing rate, specific condition, term and currency to the contract, as well as the recent debt issuances and public available data for instrument with similar characteristics are considered.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and the lease payment made before the lease commencement.

The payments associated with short-term leases and leases of the low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Right-of-use assets are presented in "Property and equipment" on face of the Group's consolidated balance sheet.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.24 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to cost are deferred and recognised as income in the profit or loss over the period necessary to match them with the expense that they are intended to compensate.

Government grants relating to the purchase of property and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.26 Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

– has control or joint control of the Group;

– has significant influence over the Group; or

– is a member of the key management personnel of the Group or the Group's parent.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.26 Related parties (continued)

(ii) An entity is related to the Group if any of the following conditions applies:

- The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

- Both entities are joint ventures of the same third party;

- One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

- The entity is controlled or jointly controlled by a person identified in Note 2.26(i); or

- A person identified in Note 2.26(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (primarily foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the senior management of the Group.

3.1 Financial risk factors

3.1a Market risk

(i) *Foreign exchange risk*

The transactions of the Company are denominated and settled in its functional currency, USD. The Group's subsidiaries operate in mainland China and overseas, and they are exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities denominated in a currency other than the functional currency of the each of the group companies.

The Group operates mainly in the PRC and oversea with most of the transactions settled in the functional currency of each of the group companies. Management considers that the business is not exposed to significant foreign exchange risk as there are no significant financial assets or liabilities of the Company denominated in currencies other than the respective functional currencies of the Company.

(ii) *Interest rate risk*

Financial assets/liabilities with variable interest rate expose the Group to cash flow interest-rate risk. And financial assets/liabilities with fixed interest rate expose the Group to fair value interest-rate risk. Other than interest-bearing cash and cash equivalents, restricted cash and lease liabilities, the Group has no other significant interest-bearing assets or liabilities. The directors of the Company do not anticipate there is any significant impact resulted from the changes in interest rate.

3.1b Credit risk

The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents, accounts receivable, other receivables, wealth management products ("WMP") measured at as FVPL and other financial assets at amortised cost, including loans to other parties and restricted bank deposits.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1b Credit risk (continued)

(i) Risk management

Credit risk is managed on a group basis.

The Group is exposed to credit risk primarily in relation to its cash and cash equivalent and restricted bank deposits placed with banks, WMPs issued by banks and other financial institutions, as well as accounts and other receivable including loans to other parties. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage this risk, deposits are mainly placed with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions. Majority of the WMPs are issued by financial institutions investing in low risk underlying assets, which mainly consist of bank deposits, treasury bond, central bank bill, local government debt, corporate bond or debt with high credit ratings. Thus, the directors of the Company were of the view the credit risk related to cash and cash equivalents, restricted bank deposits and WMP was immaterial.

The Group's exposure to credit risk arising from accounts receivable is influenced mainly by the individual characteristics of each customer. The Group performed credit evaluation which focus on the customer's past history of making payments and current ability to pay. The Group does not obtain collateral from customers. As at 31 December 2023 and 2022, approximately 40% and 53% of the Group's accounts receivable were due from the largest five payment channels and advertising customers. Given the strong business relationship established, the regular payment made according to contract and the financial capability of these customers, the management does not expect that there will be any significant credit risk from non-performance of these customers.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1b Credit risk (continued)

(ii) Impairment of financial assets

Accounts receivable

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all accounts receivable. Accounts receivable included amounts due from third parties with regular payment schedule and accounts due from third parties with increased credit risk.

And the recognition and measurement method of loss allowance for each category is measured separately:

– For accounts receivable due from oversea and domestic customers with regular payment schedule, the Group calculates the expected credit loss by referring to the historical credit loss experience, combining with the current situation and the forecast of future economic conditions and measuring the accounts receivable aging and expected credit loss rate during the lifetime.

– For accounts receivable due from customers with different credit risks, such as the customers that the Group has renegotiated with specific payment schedule, the Group applies the individual identification method based on the characteristics of credit risk of each individual balance.

The expected loss rates are based on the historical payment profiles and the corresponding historical credit losses experiences within this period. The Group has also considered the expected changes in macroeconomic factors, and accordingly adjusted the historical loss rates based on expected changes in these factors to reflect current and forward-looking information affecting the ability of the customers to settle the receivables.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1b Credit risk (continued)

(ii) Impairment of financial assets (continued)

Accounts receivable (continued)

The balance of each category of accounts receivable as at 31 December 2023 and 2022 was as follows:

	Accounts receivable *RMB'000*	**Loss allowance** *RMB'000*	**Net value** *RMB'000*
31 December 2023			
Accounts receivable			
From customers with regular payment schedule	**261,205**	**(18,044)**	**243,161**
From customers with different credit risks	**26,534**	**(26,534)**	**–**
	287,739	**(44,578)**	**243,161**

	Accounts receivable *RMB'000*	Loss allowance *RMB'000*	Net value *RMB'000*
31 December 2022			
Accounts receivable			
From customers with regular payment schedule	182,547	(17,670)	164,877
From customers with different credit risks	21,270	(21,270)	–
	203,817	(38,940)	164,877

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1b Credit risk (continued)

(ii) Impairment of financial assets (continued)

Accounts receivable (continued)

The loss allowance as at 31 December 2023 and 2022 was determined as follows for accounts receivable from innovative business customers with regular payment schedule.

	Up to 6 months *RMB'000*	**6 months to 1 year** *RMB'000*	**1 year to 2 years** *RMB'000*	**Over 2 years** *RMB'000*	**Total** *RMB'000*
31 December 2023					
Expected loss rate	**0.23%**	**22.71%**	**93.40%**	**100.00%**	
Accounts receivable	**37,630**	**106**	**73**	**8,500**	**46,309**
Less: loss allowance	**(86)**	**(24)**	**(68)**	**(8,500)**	**(8,678)**
	37,544	**82**	**5**	**–**	**37,631**

	Up to 6 months *RMB'000*	6 months to 1 year *RMB'000*	1 year to 2 years *RMB'000*	Over 2 years *RMB'000*	Total *RMB'000*
31 December 2022					
Expected loss rate	0.03%	6.91%	–	100.00%	
Accounts receivable	28,350	4,305	–	8,561	41,216
Less: loss allowance	(9)	(298)	–	(8,561)	(8,868)
	28,341	4,007	–	–	32,348

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1b Credit risk (continued)

(ii) Impairment of financial assets (continued)

Accounts receivable (continued)

The loss allowance as at 31 December 2023 and 31 December 2022 was determined as follows for accounts receivable from social networking business customers with regular payment schedule:

Receivables from overseas customers	Up to 3 months *RMB'000*	3 months to 6 months *RMB'000*	6 months to 1 year *RMB'000*	over 1 year *RMB'000*	Total *RMB'000*
31 December 2023					
Expected loss rate	0.56%	24.71%	67.51%	100.00%	
Accounts receivable	150,182	3,479	1,711	3,648	159,020
Less: loss allowance	(839)	(860)	(1,155)	(3,648)	(6,502)
	149,343	2,619	556	–	152,518

Receivables from domestic customers*	Up to 6 months *RMB'000*	6 months to 1 year *RMB'000*	1 year to 2 years *RMB'000*	over 2 year *RMB'000*	Total *RMB'000*
31 December 2023					
Expected loss rate	1.11%	20.95%	27.81%	100.00%	
Accounts receivable	50,504	1,527	2,582	1,263	55,876
Less: loss allowance	(563)	(320)	(718)	(1,263)	(2,864)
	49,941	1,207	1,864	–	53,012

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1b Credit risk (continued)

(ii) Impairment of financial assets (continued)

Accounts receivable (continued)

Receivables from overseas customers	Up to 3 months *RMB'000*	3 months to 6 months *RMB'000*	6 months to 1 year *RMB'000*	over 1 year *RMB'000*	Total *RMB'000*
31 December 2022					
Expected loss rate	0.62%	28.91%	63.28%	100.00%	
Accounts receivable	129,165	4,339	2,942	4,885	141,331
Less: loss allowance	(801)	(1,254)	(1,862)	(4,885)	(8,802)
	128,364	3,085	1,080	–	132,529

* Receivables from domestic customers was from the business of BlueCity Holdings Limited, which was acquired in 2023 (Note 19d). Hence, no comparable figures for 2022 are presented.

Throughout all years presented, the management kept monitoring the recoverability of accounts receivable.

Accounts receivable is written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a bankrupt of a debtor.

Impairment losses on accounts receivable are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1b Credit risk (continued)

(ii) Impairment of financial assets (continued)

Other financial assets at amortised cost

Other financial assets at amortised cost mainly include loan to other parties and employee. The Group measures credit risk using expected credit loss under IFRS 9.

At 31 December 2023, the credit risk of other receivables of approximately RMB121,565,000 (31 December 2022: RMB80,291,000) did not increase significantly since initial recognition. The average loss rate of 0.97% (31 December 2022: 0.73%) was applied as at the 31 December 2023.

For the remaining deposits and other receivables of approximately RMB3,053,000 (31 December 2022: RMB3,053,000) as at 31 December 2023, it was classified credit-impaired whose credit risk has increased significantly since initial recognition. The loss allowance was approximately RMB3,085,531(31 December 2022: RMB3,053,000) as at 31 December 2023.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1c Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each year to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and carrying amounts.

	As at 31 December 2023				
	Up to 1 year	**1 year to 2 years**	**2 years to 5 years**	**Total**	**Carrying amount**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Accounts and other payables (excluding non-financial liabilities)	**376,671**	**–**	**–**	**376,671**	**376,671**
Lease liabilities	**37,416**	**33,872**	**46,143**	**117,431**	**108,230**
Bank overdraft	**37**	**–**	**–**	**37**	**37**
	414,124	**33,872**	**46,143**	**494,139**	**484,938**

	As at 31 December 2022				
	Up to 1 year	1 year to 2 years	2 years to 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accounts and other payables (excluding non-financial liabilities)	203,591	–	–	203,591	203,591
Lease liabilities	30,842	24,585	69,918	125,345	112,123
Bank overdraft	67	–	–	67	67
	234,500	24,585	69,918	329,003	315,781

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio, which has not changed from previous year. This ratio is calculated as total liabilities divided by total assets. The Group aims to maintain its gearing ratio below 50%. The gearing ratios as at 31 December 2023 and 2022 were as follows:

	As at 31 December	
	2023	**2022**
	RMB'000	***RMB'000***
Total liabilities	**843,361**	482,207
Total assets	**2,790,856**	1,720,217
Gearing ratio	**30.22%**	28.03%

3.3 Fair values

(i) Fair value hierarchy

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the year.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the year. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the financial instruments (such as unlisted equity securities and WMPs) are included in level 3.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair values (continued)

(i) Fair value hierarchy (continued)

The following table presents the Group's asset that are measured at fair value.

	Level 1 *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
As at 31 December 2023				
Assets				
Financial assets measured at FVPL				
– WMPs	**–**	**–**	**170,945**	**170,945**
– Equity interests of certain private companies	**–**	**–**	**36,634**	**36,634**
Financial assets measured at FVPL	**–**	**–**	**207,579**	**207,579**

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
As at 31 December 2022				
Assets				
Financial assets measured at FVPL				
– WMPs	–	–	149,401	149,401
– Equity interests of certain private companies	–	–	38,226	38,226
Financial assets measured at FVPL	–	–	187,627	187,627

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair values (continued)

(i) Fair value hierarchy (continued)

There were no transfers between levels for recurring fair value measurements during all years presented.

The following table presents the changes in level 3 instruments of investment in WMPs measured at fair value through profit or loss for the years ended 31 December 2023 and 2022:

	Years ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
At the beginning of the year	**149,401**	166,119
Purchases	**220,375**	238,526
Maturity	**(200,443)**	(265,105)
Change in fair value	**2,038**	1,903
Exchange (losses)/gains	**(426)**	7,958
At the end of the year	**170,945**	149,401
Net unrealized gains for the period	**370**	763

The following table presents the changes in level 3 instruments of investments in equity interests of certain private companies measured at fair value through profit or loss for the years ended 31 December 2023 and 2022:

	Years ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
At the beginning of the year	**38,226**	26,756
Additions	**–**	13,000
Change in fair value	**(1,592)**	(1,530)
At the end of the year	**36,634**	38,226
Net unrealized losses for the period	**(1,592)**	(1,530)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair values (continued)

(ii) Valuation process and valuation techniques used to determine level 3 fair value

The Group has a team that manages the valuation exercise of level 3 instruments for financial reporting purpose. The team manages the valuation exercise of level 3 instrument on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

(iii) Fair value measurements using significant unobservable inputs

The valuation of level 3 instruments mainly included investment in WMPs issued by banks and financial institutions and equity investments in private companies. As these instruments are not traded in an active market, their fair values have been determined using various applicable valuation techniques.

All the WMPs will mature within one year with variable return rates indexed to the performance of underlying assets. The fair values were determined based on cash flow discounted assuming the expected return will be obtained upon maturity. The significant unobservable inputs is the return rate and the relationship of unobservable inputs to fair value is positive correlation. As at 31 December 2023, it is estimated that an increase/decrease in expected return rate by 1 percentage point would have increased/decreased the Group's other comprehensive income by RMB1,709,000 (2022: RMB1,494,000).

(Expressed in RMB unless otherwise indicated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair values (continued)

(iii) Fair value measurements using significant unobservable inputs (continued)

Fair value of the equity interest in private companies is determined using market approach or income approach. The following table summarises the quantitative information about the significant unobservable inputs used in the value measurements.

Significant unobservable inputs	Range of inputs As at 31 December 2023	2022	Relationship of unobservable inputs to fair values
Expected volatility	**51.27%-60.40%**	47.67%-65.27%	The higher the expected volatility, the lower the fair value
Discount for lack of marketability ("DLOM")	**20%**	22%-25%	The higher the DLOM, the lower the fair value
Risk-free rate	**2.86%-4.02%**	2.44%-2.70%	The higher the risk-free rate, the higher the fair value
Discount rate	**22%-25%**	22%-25%	The higher the discount rate, the lower the fair value
Revenue growth rate	**8%-55%**	5%-35%	The higher the revenue growth rate, the higher the fair value
Perpetual growth rate	**2.2%**	2%	The higher the perpetual growth rate, the higher the fair value

4 CRITICAL ESTIMATES AND JUDGMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Group's accounting policies.

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4.1 Revenue recognition

As disclosed in Note 2.22, the Group provides social networking business and innovative business services to its customers, which involve the assessment of revenue recognition on a gross or net basis, i.e., principal versus agent assessment in different business models. The Group follows the accounting guidance for principal-agent considerations to assess whether the Group controls the specified service before it is transferred to the customer, the indicators of which including but not limited to (a) whether the entity is primarily responsible for fulfilling the promise to provide the specified service; (b) whether the entity has inventory risk before the specified service has been transferred to a customer; and (c) whether the entity has discretion in establishing the prices for the specified goods or service. The management considers the above factors in totality, as none of the factors individually are considered presumptive or determinative, and applies judgment when assessing the indicators depending on each different circumstance.

4.2 Impairment of accounts receivable and other financial assets

The Group follows the guidance of IFRS 9 when assessing the expected credit losses of accounts receivable and other financial assets. This determination requires significant judgment and estimation. In making this judgment and estimation, the Group evaluates, among other factors, the duration of accounts receivable and the financial health collection history of debtors and expected future change of credit risks, including the consideration of factors such as general economy measure, changes in macroeconomic indicators etc. Further details are included in Note 3.1b to the consolidated financial statements.

4 CRITICAL ESTIMATES AND JUDGMENTS (CONTINUED)

4.3 Current and deferred income tax

The Group is subject to income taxes in different areas. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

4.4 Useful lives and amortization of intangible assets

The Group's management determines the estimated useful lives and related amortization for the Group's intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the amortization charges where useful lives are different from that of previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortization expense in future periods.

4.5 Fair value of financial instruments

Fair value of financial assets, in the absence of an active market, is estimated by using appropriate valuation techniques. Such valuations were based on certain assumptions associated with the instruments, which are subject to uncertainty and might materially differ from the actual results. Further details are included in Note 3.3.

4 CRITICAL ESTIMATES AND JUDGMENTS (CONTINUED)

4.6 Impairment of goodwill

The Group performs the impairment test for goodwill on an annual basis, by comparing the recoverable amount to the carrying amount. The recoverable amount is determined based on the value-in-use calculations by using the discounted cash flow method, which requires significant estimates and judgments relating to the growth rate, the gross margin and the discount rate. Additional information for the impairment assessment of goodwill is disclosed in Note 18.

4.7 Accounting treatment in investment in the Fund

As disclosed in Note 1.2 and Note 19c, the Company established the Fund with Chizicheng Strategy Investment and Spriver in 2022. Significant judgement is required to determine whether the Company controls, has joint controls or significant influence over the Fund, with consideration of the shareholding structure of the Fund, the relevant activities of the Fund, each respective partners' power over the Fund, their exposure or rights to variable returns from their involvement with the Fund and the ability to use their power over the Fund to affect the amount of each partner's returns.

4.8 Business combination

Business combinations except for business combination of entities under common control are accounted for under acquisition method. The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed are based on various assumptions and valuation methodologies requiring considerable management judgment. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. The Group determines discount rates to be used based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values are based on the expected lives of assets, the forecasted life cycles and forecasted cash flows over that period. Although the Group believes that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material.

5 SEGMENT INFORMATION

The Group's business activities are regularly reviewed and evaluated by the CODM and the Group is organised into segments according to the revenue streams of the Group.

The CODM assesses the performance of the operating segments based on the gross profit. The reconciliation of gross profit to profit before income tax is shown in the 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 2023 and 2022 are as follows:

	Social networking business *RMB'000*	Innovative business *RMB'000*	Total *RMB'000*
For the year ended 31 December 2023			
Revenue	**2,971,915**	**335,884**	**3,307,799**
Cost of revenue	**(1,542,819)**	**(42,897)**	**(1,585,716)**
Gross profit	**1,429,096**	**292,987**	**1,722,083**
For the year ended 31 December 2022			
Revenue	2,557,371	242,327	2,799,698
Cost of revenue	(1,700,755)	(41,036)	(1,741,791)
Gross profit	856,616	201,291	1,057,907

Geographic information

Revenues generated from social networking business operated by BlueCity are mainly in the Chinese Mainland. Except for that, revenues generated from other social networking business and innovative business are mainly in oversea markets.

As at 31 December 2023 and 2022, substantially all of the specified long-lived assets of the Group were located in the PRC. Such long-lived assets of the Group consist of property and equipment, software, technology and license. For brand name and user base acquired in business combinations, they are related to the social networking Apps MICO and Blued.

For the year ended 31 December 2023, no single external customer accounted for 10% or more of the Group's total revenue (for the year ended 31 December 2022: nil).

6 REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of the Group's revenue by service line and timing of revenue recognition for the years ended 31 December 2023 and 2022 was as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Recognised at a point in time		
Social networking business	**2,854,467**	2,535,943
Innovative business	**335,884**	242,327
Recognised over time		
Social networking business	**117,448**	21,428
Total	**3,307,799**	2,799,698

The Group generally enters into service contracts with customers for a contract term less than one year. Therefore, the Group has applied the practical expedient permitted under IFRS 15 not to disclose the transaction price allocated to the unsatisfied performance obligations.

6a Details of contract liabilities

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Contract liabilities	**74,821**	18,089

Contract liabilities represent advance payments received from customers for goods or services that have not yet been transferred to the customers. As at 31 December 2023, the contract liabilities mainly included with the advances for the purchase of virtual items and memberships. All of the balance of contract liabilities as at 1 January 2023 and 2022 were recognised as revenue to the customers within one year.

7 EXPENSES BY NATURE

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

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Revenue sharing to streamers	**899,317**	1,175,258
Employee benefit expense (Note 8)	**656,652**	438,586
Promotion and marketing expenses	**616,687**	473,364
Payment handling costs	**281,361**	260,496
Depreciation and amortisation	**79,517**	59,582
Server capacity expenses	**72,581**	64,514
Technical and other service fee	**57,806**	26,492
Consultancy and professional service fee	**11,154**	13,124
Travel expense	**13,396**	6,554
Rent expense – short term leases	**6,679**	5,793
Auditor's remuneration		
– Audit and audit related services	**4,510**	3,800
– Non-audit services	**183**	519
Cost of inventories	**25,767**	–
Others	**35,064**	21,662
Total	**2,760,674**	2,549,744

8 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Wages, salaries and other employee benefits	**585,987**	381,221
Share-based compensation expenses (Note 31)	**44,008**	45,845
Pension costs-defined contribution retirement plans	**17,947**	9,110
Dismissal compensation	**8,710**	2,410
Total employee benefit expenses	**656,652**	438,586

The employees of subsidiaries of the Group established in the PRC (excluding Hong Kong) participate in defined contribution retirement schemes managed by the local government authorities, whereby the Group is required to contribute to the schemes based on certain percentages of the employees' salaries.

8a Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 2 Directors whose emoluments are reflected in the analysis shown in Note 12a for the year ended 31 December 2023 (2022: 3). The emoluments payable to the remaining 3 individuals (2022: 2) for the year ended 31 December 2023 are as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Wages, salaries and bonus	**4,190**	875
Pension costs – defined contribution retirement plans	**130**	71
Other social security costs, housing benefits and other employee benefits	**183**	104
Share-based compensation expenses	**1,525**	5,964
	6,028	7,014

8 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

8a Five highest paid individuals (continued)

The emoluments fell within the following bands:

	Year ended 31 December	
	2023	2022
Emolument bands (in HKD)		
2,000,001-3,000,000	**3**	–
3,000,001-4,000,000	**–**	1
4,000,001-5,000,000	**–**	1

9 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Impairment loss provided for the year related to accounts receivable	**1,988**	1,307
Impairment loss provided for the year related to other receivables	**590**	286
	2,578	1,593

10 OTHER INCOME AND OTHER GAINS, NET

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Other income		
Government grants	**770**	1,004
Others	**2,603**	601
Total	**3,373**	1,605
Other gains – net		
Exchange gains, net	**4,847**	20,014
Fair value change of financial assets measured at FVPL	**446**	373
Donation	**(146)**	(955)
Others	**(1,954)**	(137)
Total	**3,193**	19,295

11 FINANCE INCOME/(COST) – NET

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Finance income		
Interest income from bank deposits	**21,461**	982
Finance cost		
Interest expense on lease liabilities	**(5,949)**	(1,512)
Finance income /(cost) – net	**15,512**	(530)

12 BENEFITS AND INTERESTS OF DIRECTORS

12a Executive directors' and independent non-executive directors' emoluments

For the year ended 31 December 2023:

	Fees	Wages, salaries and bonus	Discretionary bonuses	Pension costs-defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Share-based compensation expenses	Other social security costs, housing benefits and other employee benefits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors								
Liu Chunhe	–	938	–	63	–	2,790	90	3,881
Li Ping	–	535	–	63	–	697	90	1,385
Ye Chunjian	–	391	–	63	–	964	89	1,507
Su Jian	–	1,284	–	46	–	1,446	88	2,864
Independent non-executive directors								
Gao Ming	90	–	–	–	–	–	–	90
Huang Sichen	90	–	–	–	–	–	–	90
Chi Shujin	90	–	–	–	–	–	–	90
	270	3,148	–	235	–	5,897	357	9,907

12 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

12a Executive directors' and independent non-executive directors' emoluments (continued)

For the year ended 31 December 2022:

	Fees	Wages, salaries and bonus	Discretionary bonuses	Pension costs-defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Share-based compensation expenses	Other social security costs, housing benefits and other employee benefits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors								
Liu Chunhe	–	558	–	58	–	9,415	83	10,114
Li Ping	–	574	–	58	–	2,354	82	3,068
Ye Chunjian	–	574	–	58	–	1,582	81	2,295
Su Jian	–	664	–	45	–	2,372	83	3,164
Independent non-executive directors								
Gao Ming	86	–	–	–	–	–	–	86
Huang Sichen	86	–	–	–	–	–	–	86
Chi Shujin	86	–	–	–	–	–	–	86
	258	2,370	–	219	–	15,723	329	18,899

12 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

12b Director's retirement and termination benefits

No retirement or termination benefits have been paid to the Company's directors during 2023 and 2022.

12c Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available Directors' services subsisted at the end of the year or at any time during 2023 and 2022.

12d Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans or other dealings are entered into by the Company in favor of directors, controlled bodies corporate by and connected entities with such directors during 2023 and 2022.

12e Directors' material interests in transactions, arrangements or contract

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during 2023 and 2022.

13 INCOME TAX EXPENSES

13a Cayman Islands Income Tax

The Company is incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands and is not subject to Cayman Islands income tax.

13b UAE Tax

Mico World Technology FZ-LLC is incorporated in Dubai on 28 April 2023 as a Free Zone Company with limited liability. According to the Taxation of Corporations and Businesses ("CT Law") in the United Arab Emirates ("UAE"), the businesses registered in Free Trade Zones ("FZ") are not subject to corporate tax ("CT") for the year ended 31 December 2023.

13c Hong Kong Profits Tax

Hong Kong profits tax rate is 16.5% up to 1 April 2018 when the two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits in the first HKD2 million and 16.5% for any assessable profits in excess.

13d PRC Enterprise Income Tax ("EIT")

The income tax provision of the Group in respect of its operations in the PRC was subject to statutory tax rate of 25% on the assessable profits for the years ended 31 December 2023 and 2022, based on the exiting legislation, interpretations and practices in respect therefore.

13 INCOME TAX EXPENSES (CONTINUED)

13d PRC Enterprise Income Tax ("EIT") (continued)

NewBornTown Network Technology has been qualified as "High and New Technology Enterprises" under the relevant PRC laws and regulations since 2020. Accordingly, NewBornTown Network Technology was entitled to a preferential income tax rate of 15% on its assessable profits for the years from 2020 to 2022. In 2023, NewBornTown Network Technology completed the renewal of HNTE certificate. The renewed certificate entitled NewBornTown Network Technology to the preferential income tax rate of 15% effective retroactively from 1 January 2023 to 31 December 2025.

On 29 May 2021, Beijing Mico was accredited as a software enterprise under the relevant PRC laws and regulations since 2020. Accordingly, Beijing Mico is exempt from EIT for the years ended 31 December 2021 and 2020, followed by a 50% reduction in the statutory income tax rate of 25% for the next three years from 2022 to 2024.

On 28 May 2021, Shenzhen Leyuyou Internet Technology Co., Ltd. was accredited as a software enterprise under the relevant PRC laws and regulations since 2021. Accordingly, this subsidiary is exempt from EIT for the years ended 31 December 2022 and 2021, followed by a 50% reduction in the statutory income tax rate of 25% for the next three years from 2023 to 2025.

Shandong NewBornTown was accredited as a software enterprise under the relevant PRC laws and regulations since 2018. Accordingly, Shandong NewBornTown is exempt from EIT for two consecutive years which ended on 31 December 2019, followed by a 50% reduction in the statutory income tax rate of 25% for the next three years from 2020 to 2022.

BlueCity Information & Technology fulfilled the criteria required for preferential income tax rate granted to "high-and-new technology enterprises" ("HNTE") in the PRC, which entitled it to the preferential income tax rate of 15% from 1 January 2020 to 31 December 2022. In 2023, BlueCity Information & Technology completed the renewal of HNTE certificate. The renewed certificate entitled BlueCity Information & Technology to the preferential income tax rate of 15% effective retroactively from 1 January 2023 to 31 December 2025.

13 INCOME TAX EXPENSES (CONTINUED)

13d PRC Enterprise Income Tax ("EIT") (continued)

According to the relevant laws and regulations promulgated by the State Council of the PRC, enterprises engaging in research and development activities were entitled to claim 175% of their research and development expenses as Super Deduction in determining their taxable profits from 1 January 2018 to 31 December 2022. The State Taxation Administration of the PRC announced in September 2022, that enterprises engaging in research and development activities would be entitled to claim 200% of their research and development expense as Super Deduction from 1 October 2022 to 31 December 2022 and as further announced in 2023, that enterprises engaging in research and development activities would continuously be entitled to claim 200% of their research and development expenses as Super Deduction from 1 January 2023. The Group has made its best estimate for the Super Deduction to be claimed for the Group's PRC operating entities in ascertaining their taxable profits for the year.

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Current tax		
Provisions for the year	**17,581**	4,939
Deferred tax		
Changes in deferred tax assets/liabilities (Note 27)	**(5,435)**	(4,895)
Income tax expenses	**12,146**	44

13 INCOME TAX EXPENSES (CONTINUED)

13e Reconciliation of income tax expenses

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Profit before income tax	**772,758**	287,379
Tax at the PRC statutory tax rate of 25%	**193,190**	71,845
Effect of different tax rates in other jurisdictions	**(146,343)**	(5,906)
Effect of preferential tax rates	**(25,288)**	(86,985)
Effect of expenses not deductible for income tax purposes	**6,112**	17,385
Effect of tax losses for which no deferred tax assets were recognised	**40,239**	21,303
Impact on share of results of investments accounted for using equity method	**33**	44
Tax effect of non-taxable of income	**(3,178)**	–
Effect of super deduction of research and development expenses	**(52,619)**	(17,642)
Income tax expenses	**12,146**	44

13f Pillar Two income taxes

The Hong Kong government has enacted new tax laws to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("OECD"), which are expected to come into effect from 1 January 2025. The Group continues to monitor the local legislation for Hong Kong and development of Pillar Two model rules in other jurisdictions the Group operates and assess the potential impact.

14 EARNINGS PER SHARE

14a Basic

Basic earnings per share for the years ended 31 December 2023 and 31 December 2022 were calculated by dividing the profit attributable to equity shareholders of the Company of RMB512,845,000 and RMB130,135,000 by the weighted average number of ordinary shares of 1,147,908,000 and 1,143,463,000 in issue during the year, calculated as follows:

14 EARNINGS PER SHARE (CONTINUED)

14a Basic (continued)

Weighted average number of ordinary shares

	Year ended 31 December	
	2023	2022
	'000	*'000*
Issued ordinary shares at 1 January	**1,191,216**	1,098,850
Effect of ordinary shares held by trusts for employee share incentives	**(35,920)**	(40,883)
Effect of ordinary shares issued	**–**	83,762
Effect of shares repurchased	**(11,152)**	(2,577)
Effect of restricted share units (RSU) vested	**3,764**	4,311
Weighted average number of ordinary shares at 31 December	**1,147,908**	1,143,463

14b Diluted

For the year ended 31 December 2023, dilutive earnings per share were calculated by dividing the profit attributable to equity shareholders of the Company of RMB511,275,000 (2022: RMB129,942,000) by the weighted average number of ordinary shares of 1,148,767,000(2022: 1,155,191,000), calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the company (diluted)

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Profit attributable to ordinary equity shareholders	**512,845**	130,135
Effect of share incentive for non-wholly owned subsidiary	**(1,570)**	(193)
Profit attributable to ordinary equity shareholders (diluted)	**511,275**	129,942

14 EARNINGS PER SHARE (CONTINUED)

14b Diluted (continued)

(ii) Weighted average number of ordinary shares (diluted)

	Year ended 31 December	
	2023	2022
	'000	*'000*
Weighted average number of ordinary shares at 31 December	**1,147,908**	1,143,463
Effect of deemed issue of shares under the Company's share incentive scheme	**859**	11,728
Weighted average number of ordinary shares (diluted) at 31 December	**1,148,767**	1,155,191

For the years ended 31 December 2023 and 2022, the Group has considered the impact from the restricted share units ("RSU") and share options issued by the Group on diluted earnings per share. The RSUs issued by the Group have a dilutive effect during the year, while since the exercise price of the share options exceeds the average share 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.

15 DIVIDENDS

No dividends have been paid or declared by the Company for the years ended 31 December 2023 and 2022.

16 PROPERTY AND EQUIPMENT

16a Property and equipment

	Electronic equipment RMB'000	Furniture and fixtures RMB'000	Motor Vehicles RMB'000	Leasehold improvements RMB'000	Right-of-use assets RMB'000	Total RMB'000
Year ended 31 December 2022						
Opening net book amount	3,048	664	390	932	11,073	16,107
Additions	5,689	371	–	4,844	114,206	125,110
Currency translation differences	–	–	–	–	5	5
Depreciation charge	(2,157)	(194)	(101)	(997)	(15,356)	(18,805)
Disposal	(28)	–	–	–	(234)	(262)
Closing net book amount	6,552	841	289	4,779	109,694	122,155
As at 31 December 2022						
Cost	12,091	1,354	533	8,096	136,726	158,800
Accumulated depreciation	(5,539)	(513)	(244)	(3,317)	(27,032)	(36,645)
Net book amount	6,552	841	289	4,779	109,694	122,155
Year ended 31 December 2023						
Opening net book amount	**6,552**	**841**	**289**	**4,779**	**109,694**	**122,155**
Additions	**3,864**	**1,422**	**–**	**4,100**	**15,495**	**24,881**
Acquisition through business combination (Note 19d)	**378**	**–**	**–**	**3,130**	**9,615**	**13,123**
Depreciation charge	**(2,682)**	**(418)**	**(101)**	**(4,154)**	**(27,605)**	**(34,960)**
Disposal	**(324)**					**(324)**
Closing net book amount	**7,788**	**1,845**	**188**	**7,855**	**107,199**	**124,875**
As at 31 December 2023						
Cost	**16,009**	**2,776**	**533**	**15,326**	**144,401**	**179,045**
Accumulated depreciation	**(8,221)**	**(931)**	**(345)**	**(7,471)**	**(37,202)**	**(54,170)**
Closing net book amount	**7,788**	**1,845**	**188**	**7,855**	**107,199**	**124,875**

16 PROPERTY AND EQUIPMENT (CONTINUED)

16a Property and equipment (continued)

Depreciation charges were expensed off (Note 7) in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Cost of revenue	**16,865**	10,626
General and administrative expenses	**5,479**	3,330
Research and development expenses	**10,352**	4,593
Selling and marketing expenses	**2,264**	256
	34,960	18,805

For the years ended 31 December 2023 and 2022, the Group obtains right to control the use of properties through entering respective lease arrangements. The leased assets cannot be used as security for borrowing purposes.

16b Leases

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Right-of-use assets		
Buildings	**107,199**	109,694
Lease liabilities		
Current	**32,788**	25,879
Non-current	**75,442**	86,244
	108,230	112,123

On 11 July 2022, the Group, as the lessee, entered into lease agreements with Beijing Wanhai Xingchen Enterprise Management Co., Ltd., as the lessor, in relation to the lease of certain floors of a commercial building. The Group recognised additions to right-of-use asset amounting to approximately RMB112 million in aggregate for the lease term of 64 months.

16 PROPERTY AND EQUIPMENT (CONTINUED)

16b Leases (continued)

(ii) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

		Year ended 31 December	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Depreciation charge of right-of-use assets	16a	**27,605**	15,356
Interest expense (included in finance cost)	11	**5,949**	1,512
Expense relating to short-term leases		**6,665**	5,670
Expense relating to leases of low-value assets that are not shown above as short-term leases		**14**	123

The total cash outflow for leases for the year ended 31 December 2023 was RMB41,335,000 (2022: RMB20,488,000).

17 INTANGIBLE ASSETS

	Software	Brand name	User base	Technology	License	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2022						
Opening net book amount	2,362	196,350	23,500	4,200	–	226,412
Amortisation charge	(810)	(23,100)	(15,667)	(1,200)	–	(40,777)
Closing net book amount	1,552	173,250	7,833	3,000	–	185,635
As at 31 December 2022						
Cost	8,048	231,000	47,000	6,000	–	292,048
Accumulated amortisation	(6,496)	(57,750)	(39,167)	(3,000)	–	(106,413)
Net book amount	1,552	173,250	7,833	3,000	–	185,635
Year ended 31 December 2023						
Opening net book amount	**1,552**	**173,250**	**7,833**	**3,000**	**–**	**185,635**
Additions	**558**	**–**	**–**	**–**	**–**	**558**
Acquisition through a business combination (Note 19d)	**3,963**	**84,000**	**14,000**	**14,000**	**2,868**	**118,831**
Amortisation charge	**(2,394)**	**(26,771)**	**(11,993)**	**(2,842)**	**(557)**	**(44,557)**
Closing net book amount	**3,679**	**230,479**	**9,840**	**14,158**	**2,311**	**260,467**
As at 31 December 2023						
Cost	**12,569**	**315,000**	**61,000**	**20,000**	**2,868**	**411,437**
Accumulated amortisation	**(8,890)**	**(84,521)**	**(51,160)**	**(5,842)**	**(557)**	**(150,970)**
Closing net book amount	**3,679**	**230,479**	**9,840**	**14,158**	**2,311**	**260,467**

17 INTANGIBLE ASSETS (CONTINUED)

Amortisation charges were expensed off (Note 7) in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Cost of revenue	**43,461**	40,766
General and administrative expenses	**286**	5
Selling and marketing expenses	**728**	6
Research and development expenses	**82**	–
	44,557	40,777

18 GOODWILL

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Cost and carrying amount:		
At the beginning of the year	**197,287**	197,287
Additions through business combination (Note 19d)	**188,224**	–
At the end of the year	**385,511**	197,287

18 GOODWILL (CONTINUED)

Impairment tests for cash-generating units ("CGU") containing goodwill

Goodwill is allocated to the following CGUs:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Social networking – Beijing Mico	**197,287**	197,287
Social networking – BlueCity	**188,224**	–
	385,511	197,287

Social networking – Beijing Mico

The goodwill allocated to Social networking – Beijing Mico was generated from acquisition of Beijing Mico in year 2020. The impairment assessment as at 31 December 2023 was conducted by the management leveraging their extensive experiences in the industry without using of an independent professional valuer. The Group carries out annual impairment test on goodwill by comparing the recoverable amount to the carrying amount. The recoverable amount of the cash-generating unit is determined based on the value-in-use calculations by using the discounted cash flow method. The calculation used pre-tax cash flow projections based on financial budgets approved by management covering a five-year period with a terminal value related to the future cash flows extrapolated using the estimated growth rates stated below beyond the five-year period.

For the impairment test performed for the goodwill relating to the acquisition of Beijing Mico at 31 December 2023, the key assumptions used in impairment test including annual revenue growth rates which range from 3% to 5% (2022: 10%) for the forecast period, while for the years beyond the five-year period, the estimated continuous growth rate to perpetuity is 2% (2022: 3%). The gross margins are estimated around 46% (2022: 30%) with reference to the historical average gross margin of the Group's social networking business. The present value of cash flows is calculated by discounting the cash flow using pre-tax discount rate of 25% (2022: 25%) which was estimated by using the Weighted Average Cost of Capital ("WACC") method. The WACC was calculated by referring to public market date including risk-free rate, market return, beta of comparable public companies, and the specific risk of the Group's social networking business. A reasonably possible change in key assumptions used in the impairment test of goodwill would not likely cause the carrying amount to exceed its recoverable amounts as at 31 December 2023.

18 GOODWILL (CONTINUED)

Social networking – Beijing Mico (continued)

Based on the result of the goodwill impairment testing, the recoverable amount of Beijing Mico CGU amounted to RMB2.75 billion (31 December 2022: RMB1.95 billion) which exceeded the carrying amount of Beijing Mico with a headroom available amounted to approximately RMB1.80 billion as at 31 December 2023 (31 December 2022: RMB1.02 billion). As the recoverable amount was above the carrying amount, no impairment was resulted in respect of the goodwill as at 31 December 2023 (31 December 2022: nil).

The Group performs the sensitivity analysis based on the assumptions that revenue growth rate or terminal value or the discount rate has been changed. Had the key assumptions during the forecast period changed as below, the headroom would be decreased to amounts as below:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Revenue growth rate decreases by 10%	**1,750,890**	972,327
Terminal value decreases by 10%	**1,671,735**	939,547
Discount rate increases by 10%	**1,542,725**	809,751

Reasonable possible changes in key assumptions would not lead to impairment of the goodwill relating to Beijing Mico as at 31 December 2023 and 2022.

Social networking – BlueCity

The goodwill allocated to Social networking – BlueCity was generated from acquisition of BlueCity in year 2023. The impairment assessment as at 31 December 2023 was conducted by an independent professional valuer to assist with the calculation. The Group carries out annual impairment test on goodwill by comparing the recoverable amount to the carrying amount. The recoverable amount of the cash-generating unit is determined based on the value-in-use calculations by using the discounted cash flow method. The calculation used pre-tax cash flow projections based on financial budgets approved by management covering a five-year period with a terminal value related to the future cash flows extrapolated using the estimated growth rates stated below beyond the five-year period.

18 GOODWILL (CONTINUED)

Social networking – BlueCity (continued)

For the impairment test performed for the goodwill relating to the acquisition of BlueCity at 31 December 2023, the key assumptions used in impairment test including annual revenue growth rate of approximately 2.5% for the forecast period, while for the years beyond the five-year period, the estimated continuous growth rate to perpetuity is 2%. The gross margins are estimated around 39% with reference to the historical average gross margin of the BlueCity social networking business. The present value of cash flows is calculated by discounting the cash flow using pre-tax discount rate of 20% which was estimated by using the Weighted Average Cost of Capital ("WACC") method. The WACC was calculated by referring to public market date including risk-free rate, market return, beta of comparable public companies, and the specific risk of the Group's social networking business. A reasonably possible change in key assumptions used in the impairment test of goodwill would not likely cause the carrying amount to exceed its recoverable amounts as at 31 December 2023.

Based on the result of the goodwill impairment testing, the recoverable amount of BlueCity CGU amounted to RMB392 million which exceeded the carrying amount of BlueCity with a headroom available amounted to approximately RMB37 million as at 31 December 2023. As resulted in respect of the goodwill as at 31 December 2023.

The Group performs the sensitivity analysis based on the assumptions that revenue growth rate or terminal value or the discount rate ha been changed. Had the key assumptions during the forecast period changed as below, the headroom would be decreased to amounts as below:

	As at 31 December 2023 *RMB'000*
Revenue growth rate decreases by 10%	**25,623**
Terminal value decreases by 10%	**18,287**
Discount rate increases by 10%	**4,254**

Reasonable possible changes in key assumptions would not lead to impairment of the goodwill relating to BlueCity as at 31 December 2023.

(Expressed in RMB unless otherwise indicated)

19 SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

As at 31 December 2023, the Company has direct or indirect interests in the following major subsidiaries:

Company Name	Kind of legal entity	Place and date of incorporation/ establishment/ operation	Principal activities	Issued and paid-in capital/ registered capital	Percentage of effective interest held
NewBornTown Mobile Technology (Shandong) Holdings Co., Ltd. ("赤子城移動科技(山東)股份有限公司")	Joint stock limited liability company	The PRC/ 15 August 2007	Investment holding	RMB58,183,695	100.00%
Great Sailing Media Limited ("航海時代傳媒有限公司")	Limited liability company	Hong Kong/ 16 April 2013	Innovative business and social networking business	HKD500,000	100.00%
Newborn Town International Enterprise Limited ("赤子城國際企業有限公司")	Limited liability company	Hong Kong/ 20 December 2013	Innovative business	HKD10,000	100.00%
NewBornTown Network Technology (Beijing) Co., Ltd. ("赤子城網絡技術(北京)有限公司")	Limited liability company	The PRC/ 28 February 2014	Innovative business	RMB300,000,000	100.00%
Shandong NewBornTown Network Technology Co., Ltd. ("山東赤子城網絡技術有限公司")	Limited liability company	The PRC/ 30 August 2018	Support services to operation	RMB295,500,000	100.00%
Solo X Technology Limited	Limited liability company	Hong Kong/ 30 October 2018	Investment holding	HKD10,000	100.00%
Ninth Games Pte. Ltd.	Limited liability company	Singapore/ 2 September 2020	Innovative business	SGD10,000	100.00%
X Games Pte. Ltd.	Limited liability company	Singapore/ 23 September 2020	Innovative business	SGD10,000	100.00%
Hainan Newborn Town Network Technology Co., Ltd. ("海南赤子城網絡技術有限公司")	Limited liability company	The PRC/ 28 January 2021	Support services to operation	RMB1,000,000	100.00%
Meta Town Technology Limited	Limited liability company	Hong Kong/ 3 December 2021	Innovative business	HKD10,000	100.00%
Meta Play Technology Limited	Limited liability company	Hong Kong/ 8 December 2021	Innovative business	HKD10,000	100.00%
Beijing Mico World Technology Co., Ltd. ("北京米可世界科技有限公司")	Limited liability company	The PRC/ 30 May 2014	Support services to operation	RMB2,825,000	62.29%

(Expressed in RMB unless otherwise indicated)

19 SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Company Name	Kind of legal entity	Place and date of incorporation/ establishment/ operation	Principal activities	Issued and paid-in capital/ registered capital	Percentage of effective interest held
Mico World Limited	Limited liability company	Hong Kong/ 24 September 2015	Social networking business	HKD1	62.29%
Mobile Alpha Limited	Limited liability company	Hong Kong/ 2 March 2016	Social networking business	HKD1	62.29%
Shenzhen Leyuyou Internet Technology Co., Ltd. ("深圳樂娛游網絡科技有限公司")	Limited liability company	The PRC/ 27 September 2017	Support services to operation	RMB1,000,000	62.29%
Hainan Jidu Kongjian Internet Technology Co., Ltd. ("海南幾度空間網絡科技有限責任公司")	Limited liability company	The PRC/ 15 January 2019	Support services to operation	RMB1,000,000	62.29%
Mico World Egypt Network Ltd.	Limited liability company	Egypt/ 20 January 2020	Social networking business	EGP600,000	62.29%
Mico World Technology FZ-LLC	Limited liability company	Dubai	Social networking business	–	62.29%
Metaclass Management ELP	Exempted liability partnership	Cayman Island	Investment holding	USD53,800	92.94%
Chizicheng Strategy Investment Limited	Limited liability company	Cayman Island/ 11 January 2022	Investment holding	Number of shares: 1,000,000	100.00%
Shenzhen Bobi Joy Technology Co., Ltd ("深圳市波比歡樂科技有限公司")	Limited liability company	The PRC/ 6 March 2020	Social networking business	RMB1,250,000	62.29%
NBT Social Networking Inc.	Limited liability company	Cayman/ 16 June 2021	Investment holding	USD50,000	62.29%
Mind Vana Limited	Limited liability company	BVI/ 6 January 2021	Social networking business	USD50,000	62.29%
MX Innovation Pte. Ltd.	Limited liability company	Singapore/ 22 January 2021	Social networking business	SGD10,000	62.29%
NBT Social Networking Pte. Ltd.	Joint stock limited liability company	Singapore/ 6 July 2021	Investment holding	SGD100	62.29%
Beijing Mico World Internet Technology Co., Ltd. ("北京米可世界網絡技術有限公司")	Limited liability company	The PRC/ 29 September 2021	Support services to operation	RMB1,000,000	62.29%

(Expressed in RMB unless otherwise indicated)

19 SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Company Name	Kind of legal entity	Place and date of incorporation/ establishment/ operation	Principal activities	Issued and paid-in capital/ registered capital	Percentage of effective interest held
Multelement Limited	Limited liability company	Cayman Islands/ 27 April 2022	Investment holding	Number of shares: 18,538,363	73.29%
Land of Glory Ltd.	Limited liability company	Cayman Islands/ 29 May 2019	Investment holding	Number of share: 1	73.29%
BlueCity Holdings Limited	Limited liability company	Cayman Islands/ 17 December 2013	Investment holding	Number of share: 1	73.29%
BlueCity Holdings Hong Kong Limited	Limited liability company	Hong Kong/ 13 March 2014	Carrying out overseas operations	Number of shares: 10,000	73.29%
BlueCity Holdings Global Limited	Limited liability company	Hong Kong/ 14 August 2017	Investment holding	Number of share: 1	73.29%
Bluebaby Global Limited	Limited liability company	Hong Kong/ 3 December 2018	Carrying out consulting for assisted reproductive services	Number of share: 1	73.29%
Beijing BlueCity Information Technology Co., Ltd. (北京藍城兄弟資訊技術有限公司)	Limited liability company	PRC/ 19 August 2014	Application development and technology supporting	Issued and paid-up: USD61,680,000	73.29%
Blue Baby, LLC	Limited liability company	United States/ 22 May 2017	Carrying out consulting for assisted reproductive services	Issued: USD10,000 Paid-up: nil	73.29%
BlueCity Vietnam Company Limited (iii)	Limited liability company	Vietnam/ 26 July 2019	Carrying out supporting operations of overseas live streaming service in Vietnam	Issued and paid-up: VND690,000,000	73.29%
Blued Japan Co., Ltd. (Blued Japan 株式會社)	Limited liability company	Japan/ 26 November 2019	Carrying out overseas live streaming service	Number of share: 100	73.29%
Fleeper Holdings Limited	Limited liability company	Hong Kong/ 10 July 2019	Investment holding	Number of share: 1	73.29%
Catchme LLC	Limited liability company	United States/ 29 August 2019	Investment holding	Number of shares: 1	
iRainbow Hong Kong Limited	Limited liability company	Hong Kong/ 24 October 2014	Carrying out overseas live streaming service	Number of shares: 1	73.29%
Beijing Aloha Technology Co, Ltd. (北京阿羅哈科技有限公司)	Limited liability company	PRC/ 20 March 2015	Carrying out support of overseas business	Issued and paid-up: USD1,700,000	73.29%

(Expressed in RMB unless otherwise indicated)

19 SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Company Name	Kind of legal entity	Place and date of incorporation/ establishment/ operation	Principal activities	Issued and paid-in capital/ registered capital	Percentage of effective interest held
Beijing BlueCity Culture and Media Co., Ltd. (北京藍城兄弟文化傳媒有限公司)	Limited liability company	PRC/ 7 September 2011	Carrying out live streaming, advertising business, etc.	Issued and paid-up: RMB3,035,294	73.29%
Guangzhou Yingyou Tianxia Network Technology Co., Ltd. (廣州影遊天下網絡科技有限公司)	Limited liability company	PRC/ 22 December 2017	Carrying out live streaming, advertising business, etc.	Issued: RMB1,000,000 paid-up: nil	73.29%
City of Glory Chengdu Information Technology Co., Ltd. (榮耀之城成都資訊技術有限公司)	Limited liability company	PRC/ 6 September 2019	Providing IT support to the BlueCity Holdings Limited and its subsidiaries	Issued and paid-up: RMB1,000,000	73.29%
Beijing Asphere Interactive Network Technology Co., Ltd. (北京猩球互動網絡科技有限公司)	Limited liability company	PRC/ 24 October 2019	Carrying out live streaming, advertising business, etc.	Issued: RMB10,000,000 paid-up: nil	73.29%
Danlan (Beijing) Media Co., Ltd. (淡藍(北京)傳媒有限公司)	Limited liability company	PRC/ 17 May 2016	Carrying out consulting business for health organization	Issued: RMB1,000,000 paid-up: nil	73.29%
Beijing BlueCity Youning Health Management Co., Ltd. (北京藍城佑甯健康管理有限公司)	Limited liability company	PRC/ 1 November 2018	Carrying out online out-patient service	Issued and paid-up: RMB3,000,000	73.29%
Shandong Youping Pharmacy Chain Co., Ltd. (山東佑平大藥房連鎖有限公司)	Limited liability company	PRC/ 15 November 2019	Carrying out online out-patient service	Issued: RMB3,500,000 Paid-up: RMB3,000,000	73.29%
Chongqing Changyuan Pharmaceutical Co., Ltd. (重慶長遠醫藥有限公司)	Limited liability company	PRC/ 22 June 2020	Carrying out pharmaceuticals wholesale service	Issued: RMB10,000,000 Paid-up: RMB4,729,000	73.29%
Shandong Her Internet Hospital Co., Ltd. (山東荷爾互聯網醫院有限公司)	Limited liability company	PRC/ 30 October 2020	No operation now	Issued: RMB3,000,000 paid-up: nil	73.29%
Beijing You Ji Technology Culture Co., Ltd. (北京有姬科技文化有限公司)	Limited liability company	PRC/ 9 April 2021	No operation now	Issued and paid-up: RMB1,000,000	73.29%
Beijing Aiyou Jiuyou Network Technology Co., Ltd. (北京愛友就有網絡科技有限公司)	Limited liability company	PRC/ 6 May 2021	No operation now	Issued: RMB1,000,000 Paid-up: RMB500,000	73.29%

19 SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

19a Non-controlling interests

Set out below is summarised financial statements for NBT Social Networking and the Fund respectively as their non-controlling interests are material to the Group. The amounts disclosed are before inter-company eliminations.

	NBT Social Networking As at 31 December		The Fund As at 31 December
Summarised balance sheet	**2023** ***RMB'000***	2022 *RMB'000*	**2023** ***RMB'000***
Current assets	**2,167,010**	1,419,253	**385,228**
Current liabilities	**(320,081)**	(231,982)	**(205,079)**
Current net assets	**1,846,929**	1,187,271	**180,149**
Non-current assets	**240,446**	229,434	**144,358**
Non-current liabilities	**(36,231)**	(46,224)	**(28,251)**
Non-current net assets	**204,215**	183,210	**116,107**
Net assets	**2,051,144**	1,370,481	**296,256**
NCI Percentage	**36.69%**	38.63%	**26.71%**
Accumulated non-controlling interests	**753,051**	530,188	**73,501**

19 SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

19a Non-controlling interests (Continued)

Summarised statement of comprehensive income	NBT Social Networking Year ended 31 December 2023 RMB'000	NBT Social Networking Year ended 31 December 2022 RMB'000	The Fund For the period from 2 August to 31 December 2023 RMB'000
Revenue	**2,491,333**	2,380,220	**353,353**
Profit for the year/period	**657,130**	438,920	**53,464**
Other comprehensive income	**(3,486)**	30,527	**443**
Total comprehensive income	**653,644**	469,447	**53,907**
Profit allocated to non-controlling interests	**232,689**	157,200	**15,078**

Summarised cash flows	NBT Social Networking Year ended 31 December 2023 RMB'000	NBT Social Networking Year ended 31 December 2022 RMB'000	The Fund For the period from 2 August to 31 December 2023 RMB'000
Cash flows from operating activities	**603,555**	451,588	**62,567**
Cash flows from investing activities	**10,015**	(667,125)	**(3,095)**
Cash flows from financing activities	**(16,987)**	(57,553)	**(3,873)**
Effects of exchange rate changes on cash and cash equivalents	**4,703**	49,281	**1,319**
Net increase/(decrease) in cash and cash equivalents	**601,286**	(223,809)	**56,918**

19 SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

19b Transaction with non-controlling interests

On 16 January 2023, the Group completed the acquisition of an additional 1.90% equity interests of NBT Social Networking for a total consideration of approximately RMB99,998,000 in cash. The Group recognised a decrease in non-controlling interests of RMB28,268,000 and a decrease in equity attributable to equity shareholders of the Company of RMB71,730,000.

19c Investments accounted for using the equity method

The following table presents the changes in investments accounted for using equity method for the year ended 31 December 2023 and 2022:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
At the beginning of the year	**176,051**	2,789
Additions	**27,893**	374,424
Share of net profit attributable to the Group	**47,310**	18,648
Share of other comprehensive income attributable to the Group	**(10,034)**	10,034
Changes in other reserves of investees attributable to the Group	**–**	(239,660)
Gain on revaluation of equity method investee	**158,823**	–
Effects of exchange rate changes	**9,049**	9,816
Disposal of investment accounted for using the equity method	**(33,000)**	–
Disposal upon becoming a subsidiary (Note 19d)	**(351,792)**	–
At the end of the year	**24,300**	176,051

As mentioned in Note 1.2, the Company established the Fund with Chizicheng Strategy Investment and Spriver in year 2022. Pursuant to the exempted limited partnership agreement ("Partnership Agreement"), the total fund-raising target of the Fund is US$100 million, of which, Chizicheng Strategy Investment shall make cash contribution in the amount of US$0.1 million, Spriver shall make cash contribution in the amount of US$49.9 million, and the Company shall make cash contribution in the amount of US$50 million. The management concluded that the Company had joint control over the Fund and accounted for this investment as a joint venture using the equity method since then. According to the priority of distribution clause in the Partnership Agreement, net proceeds in respect of each portfolio investment of the Fund will be allocated in the first instance to the limited partners in proportion to each of their percentage interest with respect to such portfolio investment.

19 SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

19c Investments accounted for using the equity method (continued)

In August 2023, the Group completed the acquisition of the Fund through the acquisition of Chizicheng Strategy Investment Limited, the general partner of the Fund. The acquisition is accounted for as a business combination in accordance with IFRS 10 (Note 19d).

Set out below is the detailed information of the Fund as at 31 December 2022 which, in the opinion of the directors, was a material joint venture to the Group prior to the acquisition of Chizicheng Strategy Investment.

Name of entity	Place of business/ country of incorporation	Principal Activities	% of ownership interest 2022 %	Nature of relationship	Measurement method	Carrying amount 2022 RMB'000
The Fund	Cayman Islands	Equity investment in TMT industry	50.00	Joint venture	Equity method	148,559

The tables below provide summarised financial information for the joint venture which is material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint venture and not the Company's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

19 SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

19c Investments accounted for using the equity method (continued)

Summarised balance sheet	The Fund 31 December 2022 *RMB'000*
Current assets	241,240
Non-current assets	154,966
Current liabilities	217,828
Non-current liabilities	26,457
Non-controlling interests	28,353
Net assets attributable to partners of the Fund	123,568
Commitment from Spriver to the Fund in relation to its capital contribution to the investment portfolio	25,714
Adjusted net assets attributable to partners of the Fund	149,282
The Group's beneficial interest rate in the Fund's investment portfolio in %	92.94%
The Group's share in RMB	138,743
Impact of exchange rate changes	9,816
Carrying amount	148,559

Summarised consolidated statement of comprehensive income	**For the period from 1 January 2023 to 1 August 2023** ***RMB'000***	For the period from 20 January 2022 to 31 December 2022 *RMB'000*
Revenue	**493,224**	403,694
Profit from operations	**59,857**	44,788
Profit before tax	**61,196**	44,762
Profit for the period	**64,964**	46,477
Other comprehensive income	**26,725**	11,427
Total comprehensive income	**91,689**	57,904

19 SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

19d Business combination

On 2 August 2023 (acquisition date), the Group completed the acquisition of the business operated by subsidiaries of the Fund through the acquisition of Chizicheng Strategy Investment Limited, the general partner of the Fund. The acquisition is accounted for as a business combination in accordance with IFRS 10.

Included in the identifiable assets and liabilities acquired at the date of acquisition of BlueCity are inputs (network equipment, the website, user base, brand name, technologies and ICP licenses), production processes and an organised workforce. The Group has concluded that the acquired set is a business.

For the period from the acquisition date to 31 December 2023, the acquired BlueCity business contributed revenue of RMB353,353,000 and net profit of RMB53,464,000 to the Group's results. Had the acquisition occurred on 1 January 2023, management estimates that consolidated revenue of the Group would have been RMB3,801,019,000, and consolidated profit for the year would have been RMB772,793,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same had the acquisition occurred on 1 January 2023.

19 SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

19d Business combination (continued)

Identifiable assets acquired and liabilities assumed

The identifiable assets acquired and liabilities assumed in the business combination were recorded at their fair values on the acquisition date. The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	RMB'000
Cash and cash equivalents	215,059
Accounts receivable	66,112
Other receivables	44,940
Inventories	10,294
Property and equipment (Note 16a)	13,123
Intangible assets (Note 17)	118,831
Deferred tax assets	2,330
Other non-current assets	50
Accounts payable	(37,320)
Contract liabilities	(48,605)
Tax payable	(1,828)
Lease liabilities-current	(5,782)
Other payables	(118,726)
Lease liabilities-non current	(3,537)
Deferred tax liabilities	(31,487)
Other non-current liabilities	(1,276)
Total identifiable net assets acquired	222,178

Measurement of fair values

Assets acquired	**Valuation technique**
Intangible assets	Discounted cash flows: The valuation model considers the present value of net cash flows expected to be generated by the customer relationships/user base and by using the related technologies, discounted using a risk-adjusted discount rate.

19 SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

19d Business combination (continued)

Goodwill

		RMB'000
Cash consideration		–
Fair value of the acquirer's previously held equity interest	19c	351,792
Consideration transferred		351,792
Non-controlling interest, based on their proportionate interest in the recognised amounts of the assets and liabilities		58,610
Fair value of identifiable net assets		(222,178)
Goodwill		188,224

The goodwill is attributable mainly to technical talent of the acquirees and the synergies expected to be achieved.

Cash flow arising from business combination

	RMB'000
Purchase consideration settled in cash	–
Less: cash and cash equivalents in the subsidiary acquired	215,059
Net cash inflow from acquisition of the subsidiary, net of cash acquired	**215,059**

20 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

		As at 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
Financial assets			
Financial assets at amortised cost	(i)		
Accounts and other receivables	21,22	**363,549**	244,582
Cash and cash equivalents	24	**1,386,363**	596,729
Restricted bank deposits	23	**1,302**	1,272
Financial assets measured at FVPL			
Investment in WMPs	(ii)	**170,945**	149,401
Investment in equity interests of certain private companies	(iii)	**36,634**	38,226
		1,958,793	1,030,210
Financial liabilities			
Financial liabilities at amortised cost	(i)		
Accounts and other payables (excluding non-financial liabilities)		**376,671**	203,591
Lease liabilities	16b	**108,230**	112,123
Bank overdraft		**37**	67
		484,938	315,781

Notes:

(i) As at 31 December 2023 and 2022, the fair values of the financial assets and financial liabilities at amortised cost approximated their respective carrying amounts due to short-term maturities of these financial instruments.

(ii) The WMPs were not principal or interest guaranteed and were therefore classified as financial assets as FVPL. The fair value measurement of these assets is disclosed in Note 3.3.

(iii) The Group made investments in equity interests of certain private companies. The fair value measurement of these assets is disclosed in Note 3.3.

21 ACCOUNTS RECEIVABLE

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Current assets		
Gross carrying amount	**287,739**	203,817
Less: loss allowance (Note 3.1b)	**(44,578)**	(38,940)
Total accounts receivable	**243,161**	164,877

An aging analysis of the gross accounts receivable as at 31 December 2023 and 2022, based on date of recognition, is as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Up to 6 months	**241,795**	161,854
6 months to 1 year	**3,344**	7,246
1 year to 2 years	**7,203**	532
2 years to 3 years	**3,309**	12,022
Over 3 years	**32,088**	22,163
	287,739	203,817

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9. Movement in lifetime expected credit losses that has been recognised for accounts receivable is as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
At the beginning of the year	**(38,940)**	(33,724)
Provision for impairment, net (Note 9)	**(1,988)**	(1,307)
Currency translation impacts	**(3,650)**	(3,909)
At the end of the year	**(44,578)**	(38,940)

21 ACCOUNTS RECEIVABLE (CONTINUED)

As at 31 December 2023 and 2022, the analysis of carrying amounts of accounts receivable denominated in different currencies is as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Denominated in USD	**159,160**	129,016
Denominated in HKD	**68,070**	67,028
Denominated in RMB	**60,509**	7,773
	287,739	203,817

22 OTHER RECEIVABLES

		As at 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
Loans to an associate and other companies	(i)	**8,250**	30,050
Loans to employees	(ii)	**27,830**	25,665
Deposits placed at foreign licensed platforms	(iii)	**51,924**	13,966
Rental deposits		**16,197**	11,910
Others		**20,417**	1,754
		124,618	83,390
Less: loss allowance (Note 3.1b)		**(4,230)**	(3,640)
		120,388	79,705
Including:			
current portion		**103,523**	56,893
non-current portion		**16,865**	22,812

Notes:

(i) The balance mainly represents interest-free short-term loans lent to an associate of the Company during the year ended 31 December 2023, amounting to RMB8,000,000 (2022: an associate and other companies RMB26,000,000).

(ii) During the year ended 31 December 2023 and 2022, in order to retain high-performance employees within the Group, the Group adopted an employee interest-free loan arrangement, under which employees can receive interest-free and unsecured loans from the Group and repay such amount over the terms (1 – 5 years) agreed with the Group.

(iii) The balance represents the deposits placed at foreign licensed platforms such as PayPal, Payoneer, etc.

23 RESTRICTED BANK DEPOSITS

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Guarantee deposits at bank	**1,302**	1,272

The restricted bank deposits represent bank deposits pledged as guarantee for bank overdraft.

24 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Bank deposits at call	**1,383,912**	596,679
Other cash and cash equivalents	**2,451**	50
	1,386,363	596,729

For the years ended 31 December 2023 and 2022, the average interest rates of bank deposits at call were 0.5% and 0.31% respectively.

As at 31 December 2023 and 2022, the analysis of carrying amounts of cash and cash equivalents denominated in different currencies is as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Denominated in USD	**1,102,484**	480,760
Denominated in HKD	**81,678**	83,377
Denominated in RMB	**196,147**	28,777
Denominated in EUR	**3,219**	3,039
Denominated in JPY	**2,227**	452
Other currencies	**608**	324
	1,386,363	596,729

25 ACCOUNTS PAYABLE

Analysis of the accounts payable as at 31 December 2023 and 2022, based on the date of recognition is as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Up to 1 year	**267,808**	179,093
1 year to 2 years	**19,618**	3,206
More than 2 years	**5,571**	7,440
	292,997	189,739

Accounts payable are usually settled within 1 year of recognition.

As at 31 December 2023 and 2022, the analysis of carrying amounts of accounts payable denominated in different currencies is as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Denominated in USD	**68,478**	134,222
Denominated in HKD	**86,951**	24,276
Denominated in THB	**4,904**	9,960
Denominated in IDR	**6,650**	9,433
Denominated in RMB	**123,567**	7,268
Denominated in JPY	**2,447**	4,580
	292,997	189,739

26 OTHER PAYABLES

		As at 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
Employee benefits payable		**167,405**	91,252
Payable to minority shareholders of subsidiary		**42,496**	–
Other tax payables		**27,108**	5,262
Refundable advances from customers		**2,162**	799
Other accrued expenses		**39,016**	13,053
		278,187	110,366

27 DEFERRED INCOME TAX

Deferred income tax is calculated in full on temporary differences under the liability method using the tax rates at which are expected to be applied at the time of reversal of the temporary differences.

The amount of offsetting deferred income tax assets/liabilities is RMB18,226,000 and RMB19,394,000 as at 31 December 2023 and 2022, respectively. The analysis of deferred income tax assets and liabilities before offsetting is as follows:

27a Deferred tax assets

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
The balance comprises temporary differences attributable to:		
Lease liabilities	**15,064**	14,858
Accrued operating expenses	**1,675**	3,406
Others	**1,509**	1,354
Total deferred tax assets	**18,248**	19,618
Set-off of deferred tax liabilities pursuant to set-off provisions	**(18,226)**	(19,394)
	22	224

27 DEFERRED INCOME TAX (CONTINUED)

27a Deferred tax assets (continued)

Movements	Accrued operating expenses *RMB'000*	Lease liabilities *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 31 December 2021	3,841	–	1,486	5,327
Credited/(charged) to profit or loss	(435)	14,858	(132)	14,291
At 31 December 2022	3,406	14,858	1,354	19,618
Acquisition through a business combination	**–**	**2,330**	**–**	**2,330**
Credited/(charged) to profit or loss	**(1,731)**	**(2,124)**	**155**	**(3,700)**
At 31 December 2023	**1,675**	**15,064**	**1,509**	**18,248**

Deferred tax assets are recognised for deductible temporary differences to the extent that the realisation of the related tax benefits through future tax profit is probable.

As at 31 December 2023 and 2022, the Group did not recognise deferred tax assets in respect of accumulated tax losses amounting to RMB575,749,000 (2022: RMB21,303,000), which are mainly expected to expire from 31 December 2024 to 31 December 2032.

27 DEFERRED INCOME TAX (CONTINUED)

27b Deferred tax liabilities

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
The balance comprises temporary differences attributable to:		
Intangible assets identified in business combination	**61,509**	38,967
Right-of-use assets	**15,132**	14,854
Fair value changes of financial assets	**11,994**	12,462
Total deferred tax liabilities	**88,635**	66,283
Set-off of deferred tax liabilities pursuant to set-off provisions	**(18,226)**	(19,394)
	70,409	46,889

Movement	**Changes in fair value of financial assets** ***RMB'000***	**Intangible assets identified in business combination** ***RMB'000***	**Right-of-use assets** ***RMB'000***	**Total** ***RMB'000***
At 31 December 2021	12,924	43,963	–	56,887
Charged/(credited) to profit or loss	(462)	(4,996)	14,854	9,396
At 31 December 2022	12,462	38,967	14,854	66,283
Acquisition through a business combination	**–**	**29,083**	**2,404**	**31,487**
Charged/(credited) to profit or loss	**(468)**	**(6,541)**	**(2,126)**	**(9,135)**
At 31 December 2023	**11,994**	**61,509**	**15,132**	**88,635**

28 SHARE CAPITAL

	Notes	Number of shares authorised for issue *(Par value USD0.0001)*	Number of shares in issue	Share capital *USD'000*	Equivalent share capital *RMB'000*	Treasury shares *RMB'000*	Share premium *RMB'000*
As at 1 January 2022		3,000,000,000	1,098,850,000	109	759	–	387,156
Issuance of shares upon placement	(i)	–	92,366,000	9	59	–	282,367
Purchase of own shares	(ii)	–	–	–	–	(12,719)	–
As at 31 December 2022		3,000,000,000	1,191,216,000	118	818	(12,719)	669,523
Purchase of own shares		–	–	–	–	(27,685)	–
As at 31 December 2023		**3,000,000,000**	**1,191,216,000**	**118**	**818**	**(40,404)**	**669,523**

Treasury shares

The treasury shares mainly comprises the cost of the Company's shares held by the Group for the RSU Award Scheme. At 31 December 2023, the Group held 24,218,000 shares that the Group repurchased (31 December 2022: 5,154,000 shares).

Share premium

The share premium mainly comprises the portion of contributions from equity shareholders of the Group in excess of par value of share capital.

28 SHARE CAPITAL (CONTINUED)

Share premium (continued)

Notes:

(i) On 27 January 2022, Spriver placed an aggregate of 92,366,000 ordinary shares at HK$3.80 per share to no less than six professional, institutional and/or other investors procured by the sole placing agent, CLSA Limited. On 4 February 2022, a total of 92,366,000 ordinary shares were allotted and issued to Spriver at the net subscription price, after deducting all the applicable costs and expenses, of HK$3.76 per share under the general mandate. The subscribed shares represent approximately 7.75% of the issued share capital of the Company as enlarged by the allotment.

(ii) For the year 2023, the Company purchased a total of 19,064,000 (2022: 5,154,000) ordinary shares through Three D Partners Limited pursuant to the RSU Award Scheme adopted by the Company in June 2022 (Note 31), at a total consideration of approximately HK$30,011,000, equivalent to RMB27,685,000 (2022: HK$14,857,000, equivalent to RMB12,719,000).

29 OTHER RESERVES

	Note	Statutory reserve *RMB'000*	Capital reserve *RMB'000*	Translation reserve *RMB'000*	Total other reserves *RMB'000*
Balance at 1 January 2022		3,475	253,826	(9,255)	248,046
Other comprehensive income		–	–	39,327	39,327
Appropriation to statutory reserves		1,413	–	–	1,413
Changes in the share of other reserves of investments accounted for using equity method	19b	–	(239,660)	–	(239,660)
Share-based compensation expenses	31	–	31,510	–	31,510
As at 31 December 2022		4,888	45,676	30,072	80,636
Other comprehensive income		**–**	**–**	**(23,309)**	**(23,309)**
Appropriation to statutory reserves		**2,359**	**–**	**–**	**2,359**
Share-based compensation expenses		**–**	**23,001**	**–**	**23,001**
Transaction with non-controlling interests	31	**–**	**(71,731)**	**–**	**(71,731)**
As at 31 December 2023		**7,247**	**(3,054)**	**6,763**	**10,956**

29 OTHER RESERVES (CONTINUED)

Statutory reserves

In accordance with the Company Law of the PRC, domestic enterprises in Mainland China are required to transfer 10% of their profit after taxation, as determined under accounting principles generally accepted in the PRC ("PRC GAAP"), to the statutory surplus reserve until such reserve balance reaches 50% of the registered capital of such entities. Moreover, upon a resolution made by the shareholders, a certain percentage of domestic enterprises' profit after taxation, as determined under PRC GAAP, is transferred to the discretionary surplus reserve.

The statutory surplus reserves can be used to reduce previous years' losses, if any, and may be converted into paid-in capital, provided that the statutory reserve after such conversion is not less than 25% of the registered capital of relevant subsidiaries.

30 CASH FLOW INFORMATION

30a Cash generated from operations

		Year ended 31 December	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Profit before income tax		**772,758**	287,379
Adjustments for			
Depreciation and amortisation	7	**79,517**	59,582
Net impairment losses on financial assets	9	**2,578**	1,593
Finance income	11	**(21,461)**	(982)
Finance costs	11	**5,949**	1,512
Exchange gain, net	10	**(4,847)**	(20,014)
Share-based compensation expense	7, 31	**44,008**	45,845
Share of profits of associates and joint ventures accounted for using the equity method	19c	**(47,310)**	(18,648)
Gain on revaluation of equity method investee		**(158,823)**	–
Fair value change of financial assets measured at FVPL	10	**(446)**	(373)
Change in operating assets and liabilities:			
Increase in accounts receivable		**(17,810)**	(38,046)
Increase in inventories		**(9,007)**	–
(Increase)/decrease in other current assets		**(10,092)**	2,649
(Increase)/decrease in other receivables		**(19,089)**	15,609
(Increase)/decrease in restricted bank deposits		**(30)**	(178)
Increase/(decrease) in accounts payable		**65,938**	(59,357)
Increase in contract liabilities and other payables		**56,972**	35,096
Cash generated from operations		**738,805**	311,667

30 CASH FLOW INFORMATION (CONTINUED)

30b Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities *RMB'000*
As at 1 January 2022	10,733
Changes from financing cash flows	
Capital element of lease rentals paid	(12,573)
Interest element of lease rentals paid	(1,512)
Total changes from financing cash flows	(14,085)
Other changes	
Interest expenses	1,512
Increase in lease liabilities from entering into new leases during the year	113,963
Total other changes	115,475
As at 31 December 2022	**112,123**
Changes from financing cash flows	
Capital element of lease rentals paid	**(28,707)**
Interest element of lease rentals paid	**(5,949)**
Total changes from financing cash flows	**(34,656)**
Other changes	
Acquisition through a business combination (Note 19d)	**9,319**
Interest expenses	**5,949**
Increase in lease liabilities from entering into new leases during the year	**15,495**
Total other changes	**30,763**
As at 31 December 2023	**108,230**

30 CASH FLOW INFORMATION (CONTINUED)

30c Non-cash investing and financing activities

Non-cash investing and financing activities disclosed in other notes are:

- Disposal of equity method investee in step acquisition – Note 19d.

31 SHARE-BASED PAYMENTS

31a RSUs granted to employees

On 11 December 2019, the Board of Directors of the Company approved and adopted the restricted share unit scheme to employees ("Employee RSU Scheme") and the restricted share unit scheme to management ("Management RSU Scheme") to incentivise employees, consultants, directors, senior management and officers for their contribution to the Company. On 28 May 2020, the Board of Directors further resolved to amend the forfeiture provisions of the Management RSU Scheme and the Employee RSU Scheme for the purpose of better attracting and incentivising participants of the RSU Schemes in the long term.

On 28 May 2020, the Board of Directors resolved and approved the grant of 25,733,333 RSUs to 5 grantees pursuant to the Management RSU Scheme and the grant of 29,494,240 RSUs to 31 grantees pursuant to the Employee RSU Scheme (the "Grant"), subject to acceptance by the grantees. The fair value of RSUs as at the grant date was approximately HK$91.1 million. The first batch of the RSUs (being 25% of the total RSUs granted) vested on 20 July 2020, and the second to fourth batches of the RSUs (being 25% of the total RSUs granted respectively) will be vested on 20 July 2021, 20 July 2022 and 20 July 2023 respectively.

On 24 March 2021, the Board of Directors resolved and approved the grant of 957,333 RSUs to 5 grantees pursuant to the Employee RSU Scheme, which amounted to approximately 0.10% of the issued share capital of the Company as at the grant date. The fair value of RSUs as at the grant date was approximately HK$4.1 million. The first batch of the RSUs vested on 20 July 2021, and the second to fourth batches of the RSUs will be vested on 20 July 2022, 20 July 2023 and 20 July 2024 respectively.

On 7 June 2022, the Board of Directors resolved and approved the adoption of the restricted share unit award scheme ("RSU Award Scheme"). The purpose of the RSU Award Scheme is to incentivize the Group's directors (excluding independent non-executive directors), senior management, officers and consultants for their contribution to the Group, to attract and retain skilled and experienced personnel to strive for the future growth of the Group by providing them with the opportunity to own equity interests in the Company. The aggregate number of Shares involved in the RSUs under the RSU Award Scheme (excluding the RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Award Scheme) shall not exceed 3% of the Company's share capital in issue on the adoption date of the RSU Award Scheme, being 35,736,480 Shares. The Company will provide funds to TMF Trust (HK) Limited (the "RSU Trustee") and Three D Partners Limited, a wholly-owned subsidiary of the RSU Trustee to purchase Shares in the market at the prevailing market price which will be used to satisfy the relevant Shares upon the exercise of the RSUs.

(Expressed in RMB unless otherwise indicated)

31 SHARE-BASED PAYMENTS (CONTINUED)

31a RSUs granted to employees (continued)

On 23 March 2023, the Board of Directors resolved and approved the grant of 2,441,170 RSUs to 4 grantees pursuant to the Employee RSU Scheme, which amounted to approximately 0.20% of the issued share capital of the Company as at the grant date. The fair value of the RSUs as at the grant date was HK$4.1 million. The first batch of the RSUs (being 25% of the total RSUs granted) vested on 20 July 2023, and the second to fourth batches of the RSUs (being 25% of the total RSUs granted respectively) will be vested on 20 July 2024, 20 July 2025 and 20 July 2026 respectively.

Movements in the number of RSUs granted to the Company's employees and management under RSU Scheme as below:

	Number of RSU	Weighted average grant date fair value per RSU (HK$)
Outstanding as at 1 January 2023	**13,060,238**	**1.86**
Granted during the year	**2,441,170**	**1.67**
Forfeited during the year	**(459,105)**	**1.66**
Vested during the year	**(13,169,575)**	**1.70**
Outstanding as at 31 December 2023	**1,872,728**	**1.99**
Outstanding as at 1 January 2022	26,824,905	1.75
Granted during the year	–	–
Forfeited during the year	(412,667)	1.65
Vested during the year	(13,352,000)	1.65
Outstanding as at 31 December 2022	13,060,238	1.86

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date.

The total expenses recognised in the consolidated statement of comprehensive income for RSUs granted under Employee RSU Scheme and Management RSU Scheme were RMB5,315,000 for the year ended 31 December 2023 (2022: RMB11,119,000).

For the year ended 31 December 2023, a subsidiary of the Group has recognised share-based compensation expenses of RMB23,611,000 related to the RSU Scheme awarded by the subsidiary in 2022 (2022: RMB11,304,000).

(Expressed in RMB unless otherwise indicated)

31 SHARE-BASED PAYMENTS (CONTINUED)

31b Share options granted to executive directors and employees

On 31 May 2021, the shareholders of the Company approved the adoption of Share Option Scheme with the purpose of attracting, retaining and motivating eligible participants to strive towards long term performance target set by the Group and to provide them with an incentive to work better for the interest of the Group.

On 30 August 2021, the Board of Directors proposed to grant in aggregate 80,000,000 share options to 32 eligible persons, including four executive directors under the Share Option Scheme adopted on 31 May 2021 to subscribe for a total of 80,000,000 ordinary shares of US$0.0001 each in the share capital of the Company at the exercise price of HK$4.81 per share, of which the grant of 30,000,000 share options to an Executive Director was approved by the Independent Shareholders at an extraordinary general meeting of the Company in March 2022. 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 target is determined by the Board of Directors. For those awards, evaluations are made as of 31 December 2023 to assess the likelihood of performance criteria being met. Share-based compensation expenses are then adjusted to reflect the revision of original estimates.

Movements in the number of share options granted to employees and their related weighted average exercise prices are as below:

	Number of share options	Average exercise price per share option (HK$)
Outstanding as at 1 January 2023	**79,230,000**	**4.81**
Granted during the year	**–**	**–**
Forfeited during the year	**(1,000,000)**	**4.81**
Exercised during the year	**–**	**–**
Outstanding as at 31 December 2023	**78,230,000**	**4.81**
Exercisable as at 31 December 2023	**23,400,000**	**4.81**

(Expressed in RMB unless otherwise indicated)

31 SHARE-BASED PAYMENTS (CONTINUED)

31b Share options granted to executive directors and employees (continued)

	Number of share options	Average exercise price per share option (HK$)
Outstanding as at 1 January 2022	80,000,000	4.81
Granted during the year	–	–
Forfeited during the year	(770,000)	4.81
Exercised during the year	–	–
Outstanding as at 31 December 2022	79,230,000	4.81
Exercisable as at 31 December 2022	23,400,000	4.81

The options outstanding as at 31 December 2023 had a weighted average remaining contractual life of 7.8 years (31 December 2022: 8.7 years).

The Company has used the Binomial Model to determine the fair value of the share options as at the grant date, which is to be recorded as share-based compensation expenses in profit or loss over the vesting period.

There was no new granted options for the year ended 31 December 2023.

The weighted average fair value of the share options granted by the Company in prior years was HK$2.37 per share. Other than the exercise price mentioned above, the model inputs to determine the fair value of share options granted in prior years included:

The closing price at the respective grant date	HK$3.46/HK$4.67
Risk-free interest rates	1.07% – 2.08%
Expected dividend yield	0.00%
Expected volatility	61.15% – 66.60%

The total share-based compensation expenses recognised in the consolidated statement of comprehensive income for Share Option Scheme were RMB15,082,000 for the year ended 31 December 2023 (2022: RMB23,422,000).

32 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the years presented. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

32a Names and relationships with related parties

The following individuals/companies are significant related parties of the Group that had transactions and/or balances with the Group during all years presented.

Individuals/Companies	Relationship
BGFG	A Shareholder of the Company
Spriver	A Shareholder of the Company
Chizicheng Strategy Investment Limited*	A subsidiary of the shareholder of the Company
Gaming Lab Limited ("Gaming")	An associate of the Company
Metaclass Management ELP*	A joint venture of the Company
BlueCity Holdings Limited*	A subsidiary of the Company's joint venture
Shenzhen Haifang Network Co., Ltd. ("Hi-Fun")	An associate of the Company

* After the acquisition of Chizicheng Strategy Investment Limited in August 2023 (Note 19d), Chizicheng Strategy Investment Limited, Metaclass Management ELP and BlueCity Holdings Limited have become the consolidated entities of the Group.

32b Transactions with related parties

The transactions with related parties are conducted in the ordinary course of the Group's business on terms comparable to the terms of transactions with other entities that are not related parties. The Group prices its services and goods based on commercial negotiations with reference to rules and regulations stipulated by related authorities of the PRC Government, where applicable. The Group has also established its procurement policies and approval processes for purchases of goods and services, which do not depend on whether the counterparties are related parties or not.

The transaction of entering into the Partnership Agreement with Spriver and Chizicheng Strategy Investment and establishing the Fund as described in Note 1.2a and Note 19c in 2022 and the transaction of providing loan to an associate as described in Note 22 also constituted related party transactions of the Group.

32 RELATED PARTY TRANSACTIONS (CONTINUED)

32c Outstanding balances arising from transactions with related parties

The following balances are outstanding at the end of the year in relation to transactions with related parties:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Other receivables from associates		
Gaming	**–**	25,888
Hi-Fun	**7,966**	–
	7,966	25,888

32d Key management personnel remuneration

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Wages, salaries and bonus	**6,078**	5,013
Pension costs – defined contribution plans	**372**	337
Other social security costs, housing benefits and other employee benefits	**547**	498
Share-based compensation expenses	**8,147**	19,407
Total employee benefit expenses	**15,144**	25,255

32 RELATED PARTY TRANSACTIONS (CONTINUED)

32e Loans to related parties

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Loans to key management personnel (exclude directors)		
At the beginning of the year	**3,639**	3,685
Loans advanced	**8,000**	–
Loss allowance	**(294)**	(46)
At the end of year	**11,345**	3,639
Loans to associates		
At the beginning of the year	**25,888**	–
Loans (repaid)/advanced	**(18,000)**	26,000
Loss allowance	**78**	(112)
At the end of year	**7,966**	25,888

Loans to key management personnel and associates are unsecured, interest-free and have fixed repayment terms ranging from 1 to 5 years.

33 BALANCE SHEET AND OTHER RESERVE MOVEMENTS OF THE COMPANY

33a Balance sheet of the Company

	Note	As at 31 December 2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**3,034,425**	2,724,572
Investments accounted for using the equity method		**–**	173,557
Total non-current assets		**3,034,425**	2,898,129
Current assets			
Amounts due from subsidiaries		**317,879**	273,672
Other current assets		**375**	386
Cash and cash equivalents		**36,556**	26,159
Total current assets		**354,810**	300,217
Total assets		**3,389,235**	3,198,346
LIABILITIES			
Current liabilities			
Amounts due to related parties		**794,507**	629,892
Other payables		**21,913**	21,557
Total liabilities		**816,420**	651,449
EQUITY			
Share capital		**818**	818
Treasury shares	33b	**(40,404)**	(12,719)
Share premium	33b	**2,694,364**	2,694,364
Other reserves	33b	**(115,308)**	(123,529)
Retained earnings/(accumulated losses)		**33,345**	(12,037)
Total equity		**2,572,815**	2,546,897
Total liabilities and equity		**3,389,235**	3,198,346

The balance sheet of the Company was approved by the Board of Directors on 21 March 2024 and was signed on its behalf:

Liu Chunhe
Director

Li Ping
Director

33 BALANCE SHEET AND OTHER RESERVE MOVEMENTS OF THE COMPANY (CONTINUED)

33b Other reserve movements of the Company

	Share premium *RMB'000*	Treasury Shares *RMB'000*	Capital reserve *RMB'000*	Translation reserve *RMB'000*	Total other reserves *RMB'000*
As at 31 December 2021	2,411,997	–	82,201	(10,354)	2,483,844
Other comprehensive income	–	–	–	16,661	16,661
Issuance of shares upon placement (Note 28)	282,367	–	–	–	282,367
Purchase of own shares (Note 28)	–	(12,719)	–	–	(12,719)
Changes in the share of other reserves of investments accounted for using equity method (Note 19c)	–	–	(239,660)	–	(239,660)
Shares-based compensation expenses	–	–	27,623	–	27,623
As at 31 December 2022	2,694,364	(12,719)	(129,836)	6,307	2,558,116
Other comprehensive income	**–**	**–**	**–**	**(39,652)**	**(39,652)**
Purchase of own shares (Note 28)	**–**	**(27,685)**	**–**	**–**	**(27,685)**
Shares-based compensation expenses	**–**	**–**	**47,873**	**–**	**47,873**
As at 31 December 2023	**2,694,364**	**(40,404)**	**(81,963)**	**(33,345)**	**2,538,652**

"Adoption Date"	the date on which the Share Option Scheme was conditionally adopted by a resolution of the Shareholders
"Affiliates"	any person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with the person specified and, for this purpose, a person shall be treated as being controlled by another person if that other person is able to direct its affairs and/or to control the composition of its board of directors or equivalent body
"AGM"	the annual general meeting of the Company to be held on 21 May 2024
"Articles" or "Articles of Association"	the articles of association of our Company as amended from time to time
"Audit Committee"	the audit committee of the Company
"BGFG"	BGFG Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
"BlueCity Entities"	the VIE and the entities controlled by the VIE
"BlueCity Information & Technology"	Beijing BlueCity Information & Technology Co., Ltd., a limited liability company incorporated in the PRC
"BlueCity"	BlueCity Holdings Limited
"Board" or "Board of Directors"	the board of Directors
"Business Day(s)"	any day (excluding Saturday) on which banks in Hong Kong generally are open for business and the Stock Exchange is open for the business of dealing in securities
"BVI"	the British Virgin Islands
"China", "PRC" or "Mainland China"	the People's Republic of China, which for the purpose of this annual report only, excludes 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 the Company as of the Latest Practicable Date

"Companies Law"	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"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 on 12 September 2018
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consolidated Affiliated Entities"	the entities we control through the Structured Contracts, being NewBornTown Mobile Technology and NewBornTown Network Technology
"Contractual Arrangements"	a series of contractual agreements (being the Structured Contracts and the VIE Agreements) reached to consolidate our interests in the Consolidated Affiliated Entities and the BlueCity Entities
"Corporate Governance Code"	the "Corporate Governance Code and Corporate Governance Report" as contained in Appendix 14 to the Listing Rules
"Director(s)"	the director(s) of our Company or any one of them
"EBITDA"	earnings before interest and other finance costs, taxation, depreciation and amortisation
"Employee RSU Administrator"	the Employee RSU Scheme shall be subject to the administration of the Board in accordance with the rules of the Employee RSU Scheme. The Board may delegate the authority to administer the Employee RSU Scheme to a committee of the Board, and if no such committee is appointed, it shall mean the Board
"Employee RSU Grant Letter"	the letter containing such offer to grant RSUs to an Employee RSU Eligible Person selected by the Employee RSU Administrator
"Employee RSU Scheme"	the restricted share unit scheme of the Company adopted and revised by our Board on 11 December 2019 and 28 May 2020, respectively
"Employee RSU Trustee"	TMF Trust (HK) Limited, an independent and professional trustee appointed by our Company to act as the trustee of the Employee RSU Scheme
"Employee(s)"	any employee(s) or senior management of the Company or its subsidiaries

"Enlarged Group"	the Group as enlarged by the Target Group upon completion of the entering into Sale and Purchase Agreement, the Deeds of Amendment and the transactions contemplated thereunder
"ESG"	environmental, social and governance
"Exercise Price"	the price per Share at which a Grantee may subscribe for the Shares on the exercise of an Option as described in paragraph 8 of Appendix III to the circular of the Company dated 14 April 2021
"First Deed of Amendment"	the deed of amendment of the Partnership Agreement of the Fund entered into by the Company, Spriver and Chizicheng Strategy Investment on 23 March 2023 (after trading hours)
"Fund"	Metaclass Management ELP, an exempted limited partnership to be established under the laws of the Cayman Islands
"General Partner"	Chizicheng Strategy Investment
"Grantee"	any Participant who accepts an Offer in accordance with the terms of the Share Option Scheme, or (where the context so permits) any person who is entitled to any Option in consequence of the death of the original Grantee
"Group," "our Group," or "the Group"	the Company and its subsidiaries from time to time
"Hande Houcheng"	Beijing Hande Houcheng Enterprise Management Centre (Limited Partnership), a limited partnership established in the PRC on 25 August 2014, being held as to 99.9% by Mr. LIU Chunhe (the general partner), and 0.1% by Mr. LI Ping (the limited partner)
"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
"Land of Glory"	Land of Glory Ltd., an exempted company with limited liability incorporated in the Cayman Islands
"Latest Practicable Date"	20 April 2023, being the latest practicable date prior to the printing of this annual report for the purpose of ascertaining certain information contained herein

"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"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)
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"Management RSU Administrator"	the Management RSU Scheme shall be subject to the administration of the Board in accordance with the rules of the Management RSU Scheme. The Board may delegate the authority to administer the Management RSU Scheme to a committee of the Board, and if no such committee is appointed, it shall mean the Board
"Management RSU Grant Letter"	the letter containing such offer to grant RSUs to a Management RSU Eligible Person selected by the Management RSU Administrator
"Management RSU Scheme"	the restricted share unit scheme of the Company adopted and revised by our Board on 11 December 2019 and 28 May 2020, respectively
"Management RSU Trustee"	TMF Trust (HK) Limited, an independent and professional trustee appointed by our Company to act as the trustee of the Management RSU Scheme
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"Multelements"	Multelements Limited, an exempted company with limited liability incorporated in the Cayman Islands
"NBT Social Networking"	NBT Social Networking Inc., a company incorporated under the laws of the Cayman Islands with limited liability
"NewBornTown Mobile Technology"	NewBornTown Mobile Technology (Shandong) Holdings Co., Ltd. (赤子城移動科技(山東)股份有限公司), formerly known as NewBornTown Mobile Technology (Beijing) 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 on 15 August 2007 and by virtue of the Structured Contracts, accounted for as our subsidiary

"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 and a direct wholly-owned subsidiary of NewBornTown Mobile Technology
"Nomination Committee"	the nomination committee of the Company
"Offer Date"	the date on which an Offer(s) is/are made to Participant(s), which date must be a Business Day
"Offer(s)"	the offer(s) of the grant of Share Option(s) made by the Board in accordance with the Share Option Scheme
"Option Period"	a period to be determined and notified by the Board to each Grantee, during which an Option may be exercised (provided that such period shall not be more than ten (10) years commencing on the Offer Date and expiring on the last day of such period and the Board may also at its discretion impose any restrictions thereon)
"Option(s)" or "Share Option(s)"	a right granted to subscribe for the Shares pursuant to the Share Option Scheme
"Participant(s)"	participants of the Share Option Scheme, including any director(s) of the Group (including any Director(s)) or Employee(s) who the Board considers, in its sole discretion, have contributed or will contribute to the Group
"Partnership Agreement"	the amended and restated exempted limited partnership agreement entered into between Spriver, the General Partner and the Company on 4 July 2022
"PRC Equity Holders"	refer to the registered shareholders of NewBornTown Mobile Technology, namely Mr. LIU Chunhe, Mr. HUANG Mingming, Mr. YE Chunjian, Mr. DU Li, Mr. LI Ping, Beijing Phoenix Fortune Interconnection Investment Fund (Limited Partnership), and Hande Houcheng
"PRC Equity Owners"	refer to the registered shareholders of the VIE, namely Hande Houcheng and Newborn Town Network Technology which holds 99.85% interest and 0.15% interest in the VIE, respectively
"PRC Owners"	a collective term referring to the PRC Equity Holders and the PRC Equity Owners
"Prospectus"	the prospectus of the Company dated 17 December 2019

"Relevant Period"	the period from 1 January 2023 and up to the Latest Practicable Date
"Remuneration Committee"	the remuneration committee of the Company
"Reporting Period"	the period from 1 January 2023 to 31 December 2023
"RMB"	Renminbi yuan, the lawful currency of China
"RSU"	a restricted share unit award granted to a participant under the Employee RSU Scheme, the Management RSU Scheme and the RSU Award Scheme
"RSU Administrator"	The Board has the power to administer the RSU Award Scheme in accordance with the rules of the RSU Award Scheme. The Board may authorise a committee under the Board to administer the RSU Award Scheme and if no such committee is appointed, it may refer to the Board
"RSU Schemes"	the Employee RSU Scheme and the Management RSU Scheme
"Sale and Purchase Agreement"	the sale and purchase agreement dated 23 March 2023 entered into between the Company and Spriver in relation to the Acquisition
"SFC"	the Securities and Futures Commission
"Shandong NewBornTown"	Shandong NewBornTown Network Technology Co., Ltd. (山東赤子城網絡技術有限公司), a company incorporated under the laws of the PRC with limited liability on 30 August 2018 and a direct wholly-owned subsidiary of Solo X Technology
"Share Option Scheme" or "Scheme"	the share option scheme adopted by the Company, a summary of the principal terms of which is set out in the Appendix III to the circular of the Company dated 14 April 2021
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US$0.0001 each
"Shareholder(s)"	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

"Structured Contracts"	a series of structured contracts entered into on 26 June 2019 with respect to the contractual arrangements of NewBornTown Mobile Technology and the PRC Equity Holders with Shandong NewBornTown, details of which are set out in the Prospectus
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed thereto in the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers issued by SFC, as amended or supplemented from time to time
"Target Group"	Chizicheng Strategy Investment, the Fund and the companies held by the Fund, including Multelements (which is held as to 78.86% directly by the Fund), Land of Glory (which is held as to 78.92% directly by the Fund), and BlueCity (which is held as to 100% directly by Multelements)
"U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States
"VIE"	Beijing BlueCity Culture and Media Co., Ltd., a limited liability company incorporated in the PRC
"VIE Agreements"	a series of agreements entered into among the Group (through BlueCity Information & Technology, the WFOE entity), the VIE and the PRC Equity Owners with respect to the contractual arrangements of the BlueCity Entities
"We", "us" or "our"	our Company or our Group, as the context may require
"WFOE Entities"	the respective WFOEs under the Structured Contracts and the VIE Agreements, namely Shandong NewBornTown and BlueCity Information & Technology
"%"	per cent

赤子城

newborntown