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newborntown

NEWBORN TOWN INC.

赤子城 科技 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9911)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

The board of directors (the “**Board**”) of Newborn Town Inc. (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2024 (the “**Annual Results**”). The Annual Results have been reviewed by the Company’s Audit Committee.

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

FINANCIAL HIGHLIGHTS

- Revenue from contracts with customers for the year ended 31 December 2024 amounted to RMB5,091.5 million, representing an increase of 53.9% from RMB3,307.8 million recorded for the year ended 31 December 2023.
- Gross profit for the year ended 31 December 2024 amounted to RMB2,607.7 million, representing an increase of 51.4% from RMB1,722.1 million recorded for the year ended 31 December 2023.
- Profit for the year for the year ended 31 December 2024 amounted to RMB787.8 million, representing an increase of 3.6% from profit for the year of RMB760.6 million recorded for the year ended 31 December 2023.
- Profit attributable to equity shareholders of the Company for the year ended 31 December 2024 amounted to RMB480.3 million, representing an decrease of 6.3% from RMB512.8 million recorded for the year ended 31 December 2023.
- Adjusted EBITDA for the year ended 31 December 2024 amounted to RMB963.1 million, representing an increase of 42.8% from RMB674.6 million recorded for the year ended 31 December 2023.

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Revenue from contracts with customers	5,091,527	3,307,799
Gross profit	2,607,667	1,722,083
Profit before income tax	784,841	772,758
Profit for the year	787,773	760,612
Basic earnings per share (expressed in RMB per share)	0.42	0.45
Diluted earnings per share (expressed in RMB per share)	0.42	0.45
	<u>728,916</u>	<u>551,113</u>
Operating profit	728,916	551,113
Add:		
Share-based compensation expenses ⁽¹⁾⁽²⁾	138,423⁽²⁾	44,008 ⁽¹⁾
Depreciation and amortization	95,805	79,517
Adjusted EBITDA	<u>963,144</u>	<u>674,638</u>

Notes:

- (1) 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 our management pursuant to the RSU Schemes. Share-based compensation expenses were recognised based on the respective vesting periods of grants under 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 benefit obtained by certain employees and management 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 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 2023 to assess the likelihood of such grantees meeting the performance targets. Share-based compensation expenses amounting to approximately RMB15,082,000 were recognized for the year ended 31 December 2023.

- (2) In March 2021, March 2023, March 2024 and May 2024, the Board approved the grant of an aggregate of 957,333 RSUs, 2,441,170 RSUs, 4,778,877 RSUs and 659,668 RSUs respectively to certain employees and management pursuant to the RSU Schemes. And in December 2024, the Board approved the grant of RSUs to certain employees and management, including 22,215,102 RSUs as the modification of a share incentive plan adopted by a subsidiary of the Company. Share-based compensation expenses were recognised based on the respective vesting periods of the grants under the RSU Schemes, and amounted to RMB8,306,000 for the year ended 31 December 2024, tantamount to the economic benefits which certain employees and management obtained from the Company. For further details, please refer to the announcements dated 24 March 2021, 24 March 2023, 22 March 2024 and 21 May 2024 of the Company. A subsidiary of the Company has recognised share-based compensation expenses amounting to RMB102,486,000 for the year ended 31 December 2024.

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. Share Options of each grantee are to be vested in four tranches subject to the fulfilment of certain performance targets that are tied to the Company's ability to deliver on certain key indicators. The performance targets and whether and to what extent achieved were determined by the Board. For the aforementioned grants, evaluations were made on 31 December 2024 to assess the likelihood of the performance targets being met. Share-based compensation expenses amounting to RMB27,631,000 were recognised for the year ended 31 December 2024.

BUSINESS HIGHLIGHTS



MICO



YoHo



TopTop



SUGO



Blued



Finka



HeeSay



Alice's Dream:
Merge Games

Pan-audience social
networking business

Diverse-audience social
networking business

Innovative business
including niche game

Significant growth in revenue and strong performance from social networking business



Revenue amounted to **5.09** billion
increased by **53.9%** year-on-year



Adjusted EBITDA amounted to
0.96 billion
increased by **42.8%** year-on-year



Social networking business revenue
amounted to **4.63** billion
increased by **58.1%** year-on-year



Innovative business revenue
amounted to **0.46** billion
increased by **21.3%** year-on-year

Products with second-mover advantages experienced rapid growth and strategic market barriers deepened



SUGO

Revenue increased
more than **200%**



TopTop

Revenue increased
more than **100%**

In 2024, potential of the Middle East and North
Africa region markets continued to open up

Revenue from core products increased more than
60% in the MENA market



Recharge amount of Niche game amounted to
approximately 0.705 billion and increased
more than 80%, starting to generate revenue



The social e-commerce business revenue
increased more than 200% and profit
increased more than 600%

Note: The revenue data of the social e-commerce business in 2023 is calculated
based on the consolidated financial data from August to December.

AI empowers product operations, facilitating commercialization efficiency

SoloAware
AI engine

Boomiix, the self-developed multi-modal algorithms

* User behavior profiling

* User preferences
identification

* User value measurement

Social networking
efficiency
Operational efficiency
Delivery efficiency

2024 CHAIRMAN’S STATEMENT

Dear Shareholders,

2024 was a year of breakthrough for our global social entertainment business. We continued to provide a wide slate of products and services in all regions across the world, leveraging AI technologies to enhance product experience, continuously delivering positive emotional value for our users.

Guided by the strategies of “globalisation” and “localisation”, the Company concluded the year of 2024 with yet another round of significant growth in revenue and profits. Throughout 2024, the total revenue of the Company amounted to RMB5.09 billion, representing a year-on-year increase of 53.9%; adjusted EBITDA amounted to RMB0.96 billion, representing a year-on-year increase of 42.8%. In particular, the Company’s social networking business continued to maintain rapid-paced growth, with revenue amounting to RMB4.63 billion, representing a year-on-year increase of 58.1%; the innovative business recorded a revenue of RMB0.46 billion, representing a year-on-year increase of 21.3%.

The growth in performance was mainly attributable to the continuous evolution of the Company’s capabilities. As the Company continues on its expansion in the global market, we have established solid localisation barriers in markets including that of the Middle East, North Africa, Southeast Asia. At the same time, we continuously accumulated knowledge and verified strategies in product innovation, ecological operation, customer acquisition growth, etc., supporting continuous innovation and development of the business with more comprehensive underlying capabilities and promoting the continuous improvement of the Company’s commercialisation capabilities.

The Company also continued to explore effective ways to drive business growth through new technologies, especially AI technologies. In 2024, the Company further invested in the research and application of AI, introduced the latest technological attainments in the industry, enhance the Company’s AI engine to empower the entire business process of product development, operation and promotion, effectively improving user experience, product development efficiency, operational decision-making efficiency, risk control and audit efficiency, advertising efficiency, etc., thereby bringing better commercialisation results for the Company.

In December 2024, we completed the acquisition of the remaining shares of NBT Social Networking, which then became a wholly-owned subsidiary of the Company, a move that further cemented our position in the global social entertainment market. Backed by confidence in our future growth prospects, the Company has provided funds to the RSU Trustee and Three D Partners Limited to purchase shares of the Company on the market at the prevailing market price, accordingly, approximately 46 million shares in aggregate were purchased pursuant to the RSU Award Scheme with a total amount of over HK\$150 million during 2024.

While creating commercial value, the Company is also active in fulfilling its corporate social responsibility. Since 2023, we have been promoting the “TEEN in FOCUS”(赤子少年守護計劃) worldwide, providing a better growth environment for young people in developing countries. In December 2024, the Company appointed Ms. CHEN Sichao as Independent Non-executive Director of the Company, to continuously enhance diversity in our corporate governance. Benefiting from the Company’s performance in global operations, technological innovation and corporate social responsibility, the Company has made it to the list of the “2024 China Tech 50” released by Fortune this year.

BUSINESS REVIEW

I. Pan-audience social networking business: AI empowerment driving the rapid growth of products with second-mover advantages

Pan-audience social networking business, being the Company's core business, continued to maintain high-quality growth in 2024. The live-streaming social networking platform MICO, the audio social networking platform YoHo, the game-oriented social networking platform TopTop, and the companion-based social networking platform SUGO have been continuously improving product experience and deepening local operations to meet the diverse demands of global users and firmly secure leading position in each vertical track.

In 2024, the Company's product strategy of "Diversified Product Matrix" continued to yield positive results, with the long-term value of products with second-mover advantages continuing to emerge. This year, SUGO achieved revenue growth of over 200% year-on-year, with its average monthly recharge amount exceeding US\$10 million, making it the Company's second product with monthly recharge amount of US\$10 million; TopTop also achieved explosive growth, with a year-on-year revenue growth of over 100% throughout the year. At the same time, MICO and YoHo, the two pioneering products, continued to experience steady growth in the core markets, contributing steadily to the Company's revenue and profit.

As our team's understanding of the markets deepen, the operational efficiencies and refinement of our main products have been further enhanced, as we continued to build a higher-quality and richer platform ecosystem. In addition, we launched a series of influential marketing campaigns in the Middle East, North Africa and Southeast Asia, etc. These campaigns not only enabled us to acquire new users for our products but also helped elevate their brand influence.

What delights us most is that the driving effect of AI on our business is becoming increasingly evident. For example, in 2024, SUGO further optimised its social recommendation algorithm model, which brought about significant improvements in terms of social networking efficiency and user experience, which in turn spurred on the increase in retention rate and payment rate. At the end of the year, the product ARPU (Average Revenue Per User) value increased by more than 20% compared with that at the beginning of the year. The business team has set up a more efficient production, research and design platform. Through the large-scale use of AI tools, the product development cycle has been significantly shortened, and the production speed of various materials has been significantly accelerated.

Delivering on our "localisation" strategy, the Company is on the constant quest of establishing deeper and more solid trust relationships with its major markets. In July 2024, the Company was notably granted the Regional Headquarters Business License (RHQ License) issued by the Ministry of Investment of Saudi Arabia (MISA), making us the first global social entertainment enterprise to establish its regional headquarters in Saudi Arabia.

II. Diverse-audience social networking business: optimising products and continuously holding its leading position in advantageous markets

As for our diverse-audience social networking business, we continued to focus on expanding into overseas markets in 2024. HeeSay, the globalised diverse-audience social networking platform, continued to enhance its product experience and brand influence, while products such as Blued and Finka also maintained their dominance in traditionally advantageous markets.

Throughout 2024, HeeSay placed more emphasis on laying a solid foundation for the product development by enriching related functions and deepening operations, which effectively improved the community content ecology of the product, and it also strengthened users' sense of identity with the community through a series of offline activities. In mid-April, HeeSay held a series of "LivelyLaugh" themed events in Bangkok, Thailand, to convey the brand philosophy of "express their love to the fullest whilst sharing laughter with others" to its users. At the same time, the diverse-audience social networking business team also actively engaged in public welfare and participated in a series of charity events across many countries worldwide.

For our diverse-audience social networking business, the emphasis on strengthening its product competitiveness by exploring the use of AI technologies, effectively improving the efficiency of user matching and product monetisation through iterative matching algorithms and business strategies. In 2024, HeeSay maintained revenue growth in several Southeast Asian countries, further consolidating its leading position in the region.

III. Innovative business: revenue contribution in niche games

While proactively promoting the strategic layout of the social networking business, the Company continued its investment in innovative business segments such as niche games and social e-commerce, with the effect that the "secondary growth curve" fueled by niche games is gradually becoming clearer.

In 2024, the niche game business continued to achieve important breakthroughs, with annual total recharge amount reaching RMB0.705 billion, representing a year-on-year increase of 80.4%. The flagship game, Alice's Dream: Merge Games achieved annual recharge amount increasing by more than 60% year-on-year, as it landed the spot in Sensor Tower's top 30 overseas revenue rankings for mobile games in China. Meanwhile, the niche game business also achieved significant cost reduction and benefit improvement by extensively utilising AI technology to empower segments including research and development, art and advertising.

In addition, the social e-commerce business achieved rapid development in 2024 through strategies including deepening user needs exploration, enriching product categories, and actively exploring new users, resulting in substantial growth in revenue and profit.

Overall, the Company's business maintained rapid growth in the year of 2024, and new AI technology continued to demonstrate its long-term driving effect on our business. With the accelerated progress of its "Diversified Product Matrix" strategy, the organisational capabilities of the Company have become stronger and increasingly more comprehensive. Continuous business value creation was thus effectively guaranteed by top-notch operational capabilities, unique product appeal and strong technological practical capabilities.

STRATEGY AND OUTLOOK

I. Promotion of the social networking strategy of “Diversified Product Matrix” and in-depth penetration of key markets

In 2025, social networking business will remain the most important business segment of the Company. We will continue to resolutely promote the strategy of “Diversified Product Matrix”, and to cover more segmented arenas of the global social entertainment market with diversified products. Leveraging on the localised advantages accumulated in key markets such as the Middle East and North Africa, the Company will further explore local market coverage.

In terms of product strategy, the Company will continue to consolidate its leading position in MICO, YoHo, TopTop, SUGO, HeeSay and other products, and improve social networking efficiency through optimising the AI algorithm model. By relying on its understanding of the local market, the Company enhances the refined operation of the platform ecosystem and improves the user experience and stickiness to further expand its market share. In addition, we will also continue to tap into the diversified and segmented social entertainment needs of global users, identify innovative opportunities by combining the AI engine capabilities, create products in more vertical segments, and continuously replicate the popular works.

In terms of market strategy, the Company will give priority to markets such as the Middle East and North Africa with established advantages, which we believe to have huge room for growth. As there are many social entertainment scenarios based on local culture that are worth exploring, and there is a large unmet demand for native content, the Company will continue to penetrate deeply into the market and expand its scale. At the same time, we will also proactively expand into markets including Southeast Asia, Japan, South Korea, Europe and the United States to seek diversified growth opportunities.

Along with the increasingly mature product matrix and the gradual improvement of market layout, the Company’s social networking team will also further strengthen the cultivation of organisational capability, and improve the capabilities of product innovation, ecological operation, marketing and growth in all aspects to ensure synchronised growth in organisational and business capabilities.

II. Increase investment in AI R&D, empower product innovation and improvement of business efficiency

The Company attaches great importance to technology-driven development, pays long-term attention to the development of artificial intelligence and other new technologies, and continuously deepens the integration of AI and business scenarios. With the growth of product matrix and the expansion of data scale, the Company will continue to upgrade the AI middle platform engine to achieve more accurate social matching and content recommendation, more efficient risk control audit and ecological operation for existing products, deeply exploring ways to the empowerment of product innovation and business efficiency improvement with AI technology.

Accompanied by the rapid breakthroughs in AI technology, the Company will further increase its investment in AI and actively deploy “AI + social entertainment” innovative products, in order to seek new scenarios where AI can empower social networking, entertainment and information interaction. Meanwhile, the Company will continue to tap the huge value of artificial intelligence as a productivity tool, and continuously improve the efficiency of research and development, promotion and operation.

In addition, the Company is exploring the planning and fitting up of AI laboratories to provide strong technological support for its business, and will make full use of the global corpus resources accumulated by the Company to synthesise multi-lingual and multi-modal social datasets, and continuously optimise the algorithmic model to facilitate the creation of new popular works and improve the efficiency of the single-product commercialisation.

III. Continue to solidify the cultivation of the secondary growth curve

In 2025, the Company will further develop its innovative business and solidify the cultivation of such secondary growth curve. Building on the business model of the niche games business, and adhering to the ideal of “curating quality products”, we are looking to roll out more “evergreen” games characterised by long life cycle and exceptional experience delivered to general users. While working towards uplifting its product appeal, the niche game business will also venture to expand into new markets, and actively utilise AI technology to improve the quality of material production and efficiency in advertisement placement.

In addition, the Company will also continue to explore the social value and market opportunities for its social e-commerce business, provide users with health solutions and promote health knowledge popularisation by expanding product categories, enriching its services, and building an ecosystem, so as to create a one-stop closed loop slate of “Internet healthcare” + “health management” service.

In the long run, embracing the vision of “enriching positive emotional value”, the Company will continue to move forward in the global social entertainment arena, explore user needs, deepen business barriers, and build a heartwarming and valuable product ecological matrix. At the same time, we will continue to heighten our focus on, and increase investment in AI technology, fully promote AI empowered products and organisations, deliver smarter experience to users, and generate more sustainable commercial value for our Shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

For the year ended 31 December 2024, our total revenue was approximately RMB5,091.5 million, representing an increase of approximately 53.9% as compared to approximately RMB3,307.8 million for the year ended 31 December 2023. The following table sets forth a breakdown of our revenue by segments for the years indicated:

	Year ended 31 December				YoY change
	2024	% of Total revenue	2023	% of Total revenue	
	<i>RMB'000</i>		<i>RMB'000</i>		
Social networking business	4,631,889	91.0	2,928,961	88.5	58.1%
Innovative business	459,638	9.0	378,838	11.5	21.3%
Total	<u>5,091,527</u>	<u>100.0</u>	<u>3,307,799</u>	<u>100.0</u>	<u>53.9%</u>

Revenue from our social networking business was approximately RMB4,631.9 million for the year ended 31 December 2024, representing an increase of approximately 58.1% as compared to approximately RMB2,929.0 million for the year ended 31 December 2023, which was primarily attributable to (i) the Group's pan-audience social networking business product matrix becoming more defined in scope through our continuous improvement of refined operation capabilities and product competitiveness, along with the improvement of user experience and user stickiness, which led to an increase in revenue; (ii) in August 2023, the Company conclusively completed the acquisition of Chizicheng Strategy Investment Limited and started to consolidate the revenue of BlueCity Holdings Limited and Land of Glory Ltd, which is conducive to the laying out of the diverse audience social networking business and further concentrating efforts on advantageous markets as well as proactively expanding global market; (iii) the Group leveraged AI technology to iterate matching algorithms and business strategies, effectively enhancing social networking efficiency and product monetisation efficiency, thereby driving continuous increase in revenue.

The revenue from our innovative business for the year ended 31 December 2024 was approximately RMB459.6 million, representing an increase of approximately 21.3% as compared to approximately RMB378.8 million for the year ended 31 December 2023, which was primarily attributable to the continued growth of the social e-commerce business that the Group has been actively investing in and developing, and the niche games developed by the Group began to contribute to revenue.

COST OF REVENUE

Our cost of revenue for the year ended 31 December 2024 was approximately RMB2,483.9 million, representing a increase of approximately 56.6%, as compared to approximately RMB1,585.7 million for the year ended 31 December 2023. The following table sets forth a breakdown of our cost of revenue by nature for the years indicated:

	Year ended 31 December				YoY change
	2024	% of Total revenue	2023	% of Total revenue	
	<i>RMB'000</i>		<i>RMB'000</i>		
Revenue sharing and commission fees	1,634,237	32.1	1,180,678	35.7	38.4%
Employee benefit expense	370,607	7.3	156,973	4.7	136.1%
Server capacity expense	114,399	2.2	72,581	2.2	57.6%
Share-based compensation expenses	106,014	2.1	28,295	0.9	274.7%
Cost of inventories	92,521	1.8	25,767	0.8	259.1%
Depreciation and amortisation	74,963	1.5	60,738	1.8	23.4%
Technical and other service fee	42,139	0.8	28,679	0.9	46.9%
Short rental related expenses	14,596	0.3	8,717	0.3	67.4%
Travel expense	10,179	0.2	6,785	0.2	50.0%
Others	24,205	0.5	16,503	0.4	46.7%
Total	<u>2,483,860</u>	<u>48.8</u>	<u>1,585,716</u>	<u>47.9</u>	<u>56.6%</u>

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

	Year ended 31 December				YoY change
	2024		2023		
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	
Social networking business	2,327,866	93.7	1,509,828	95.2	54.2%
Innovative business	155,994	6.3	75,888	4.8	105.6%
Total	<u>2,483,860</u>	<u>100.0</u>	<u>1,585,716</u>	<u>100.0</u>	<u>56.6%</u>

The cost of revenue for our social networking business was approximately RMB2,327.9 million for the year ended 31 December 2024, representing an increase by approximately 54.2% as compared to approximately RMB1,509.8 million for the year ended 31 December 2023, which was mainly attributable to the increased cost comprising of revenue sharing and commission fees, employee benefit expenses incurred by the social networking business, as well as the increase in share-based compensation expenses as a result of the Company's acquisition of a non-controlling interest in NBT Social Networking Inc.

The cost of revenue for our innovative business increased by 105.6% to RMB156.0 million for the year ended 31 December 2024 as compared to RMB75.9 million for the year ended 31 December 2023, which was mainly attributable to the increased cost of inventories as well as employee benefit expenses incurred by the social e-commerce business which the Group has been actively investing in and developing.

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						YoY change in gross profit
	2024			2023			
	<i>Gross profit</i>		<i>Gross profit margin</i>	<i>Gross profit</i>		<i>Gross profit margin</i>	
		<i>%</i>			<i>%</i>		
			<i>(RMB'000, except for percentages)</i>				
Social networking business	2,304,023	88.4	49.7%	1,419,133	82.4	48.5%	62.4%
Innovative business	303,644	11.6	66.1%	302,950	17.6	80.0%	0.2%
Total	2,607,667	100.0	51.2%	1,722,083	100.0	52.1%	51.4%

Our gross profit for the year ended 31 December 2024 was approximately RMB2,607.7 million, representing an increase of approximately 51.4% as compared to approximately RMB1,722.1 million for the year ended 31 December 2023. The gross profit of our social networking business increased to approximately RMB2,304.0 million for the year ended 31 December 2024 from approximately RMB1,419.1 million for the year ended 31 December 2023, which was mainly attributable to the continuous building of pan-audience social networking business product matrix and the positive development of diverse-audience social networking business, along with empowering global social business with AI technology, 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 RMB303.6 million for the year ended 31 December 2024 from approximately RMB303.0 million for the year ended 31 December 2023.

Our gross profit margin decreased to approximately 51.2% for the year ended 31 December 2024 from approximately 52.1% for the year ended 31 December 2023. The gross profit margin of our social networking business increased to approximately 49.7% for the year ended 31 December 2024 from approximately 48.5% for the year ended 31 December 2023, which was mainly attributable to the improved operation efficiency and commercial realisation of social networking products through continuous evolution of the Group's organisational capabilities and the effective application of new technologies. The gross profit margin of our innovative business decreased to approximately 66.1% for the year ended 31 December 2024 from approximately 80.0% for the year ended 31 December 2023, which was mainly due to the continuous expansion of the social e-commerce business, which has a relatively lower gross profit margin. Therefore, the proportion of gross profit contributed by this segment to the total gross profit of the innovative business has increased, leading to an overall decrease in the gross profit margin of the innovative business.

SELLING AND MARKETING EXPENSES

For the year ended 31 December 2024, our selling and marketing expenses were approximately RMB1,295.1 million, representing an increase of approximately 88.1% as compared to approximately RMB688.4 million for the year ended 31 December 2023, which was mainly attributable to intensified promotion efforts targeting our social networking products with second-mover advantages such as SUGO and TopTop.

RESEARCH AND DEVELOPMENT EXPENSES

For the year ended 31 December 2024, our research and development expenses were approximately RMB335.4 million, representing an increase of approximately 6.6% as compared to approximately RMB314.5 million for the year ended 31 December 2023, which was mainly attributable to the increase in our employee benefit expenses.

GENERAL AND ADMINISTRATIVE EXPENSES

For the year ended 31 December 2024, our general and administrative expenses were approximately RMB239.0 million, representing an increase of approximately 39.0% as compared to approximately RMB172.0 million for the year ended 31 December 2023, which was mainly attributable to the increase in employee benefit expenses, as well as share-based compensation expenses.

OPERATING PROFIT

For the year ended 31 December 2024, our operating profit was approximately RMB728.9 million, representing an increase of approximately 32.3% as compared to an operating profit of approximately RMB551.1 million for the year ended 31 December 2023, which was mainly attributable to (i) an increase of approximately RMB885.6 million in our gross profit; (ii) an increase of approximately RMB606.7 million in our selling and marketing expenses; (iii) an increase of approximately RMB67.0 million in our general and administrative expenses; and (iv) an increase of approximately RMB20.9 million in our research and development expenses.

FINANCE INCOME

For the year ended 31 December 2024, we recorded net finance income of approximately RMB57.7 million as compared to net finance income of approximately RMB15.5 million for the year ended 31 December 2023. Such change was mainly attributable to such increase in interest income from our bank deposits.

INCOME TAX

For the year ended 31 December 2024, we recorded income tax credits of approximately RMB2.9 million as compared to income tax expenses of approximately RMB12.1 million for the year ended 31 December 2023.

PROFIT FOR THE YEAR

As a result of the foregoing reasons, our profit for the year increased by approximately 3.6% to approximately RMB787.8 million for the year ended 31 December 2024 as compared to a profit for the year of approximately RMB760.6 million for the year ended 31 December 2023.

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	
	2024	2023
	RMB'000	RMB'000
Operating profit	728,916	551,113
Add:		
Share-based compensation expenses ⁽¹⁾⁽²⁾	138,423⁽²⁾	44,008 ⁽¹⁾
Depreciation and amortization	95,805	79,517
Adjusted EBITDA	963,144	674,638
Adjusted EBITDA growth	42.8%	80.0%

Notes:

- (1) 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 our management pursuant to the RSU Schemes. Share-based compensation expenses were recognised based on the respective vesting periods of grants under 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 benefit obtained by certain employees and management 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 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 2023 to assess the likelihood of such grantees meeting the performance targets. Share-based compensation expenses amounting to approximately RMB15,082,000 were recognized for the year ended 31 December 2023.

- (2) In March 2021, March 2023, March 2024 and May 2024, the Board approved the grants in batches of 957,333 RSUs, 2,441,170 RSUs, 4,778,877 RSUs and 659,668 RSUs, respectively to certain employees and our management pursuant to the RSU Schemes. Share-based compensation expenses were recognised based on the respective vesting periods of the grants under the RSU Schemes, and amounted to RMB8,306,000 for the year ended 31 December 2024, tantamount to the economic benefits which certain employees and management obtained from the Company. For further details, please refer to the announcements dated 24 March 2021, 24 March 2023, 22 March 2024 and 21 May 2024 of the Company. A subsidiary of the Company has recognised share-based compensation expenses amounting to RMB102,486,000 for the year ended 31 December 2024.

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. Share Options of each grantee are to be vested in four tranches subject to the fulfilment of certain performance targets that are tied to the Company's ability to deliver on certain key indicators. The performance targets and whether and to what extent achieved were determined by the Board. For the aforementioned grants, evaluations were made on 31 December 2024 to assess the likelihood of the performance targets being met. Share-based compensation expenses amounting to RMB27,631,000 were recognised for the year ended 31 December 2024.

CAPITAL STRUCTURE

We continued to maintain a healthy and sound financial position. Our total assets grew from approximately RMB2,790.9 million as at 31 December 2023 to approximately RMB3,583.0 million as at 31 December 2024, while our total liabilities increased from approximately RMB843.4 million as at 31 December 2023 to approximately RMB1,928.1 million as at 31 December 2024. This was mainly due to the significant increase in liabilities resulting from the completion of the acquisition of a non-controlling interest in NBT Social Networking Inc. by the Company in December 2024 in consideration of cash paid in four installments and the issuance of the Company's shares. Liabilities-to-assets ratio increased from approximately 30.2% as at 31 December 2023 to 53.8% as at 31 December 2024, 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 2024, our cash and cash equivalents were approximately RMB2,048.6 million, compared with approximately RMB1,386.3 million as at 31 December 2023.

Compared with approximately RMB738.8 million for the year ended 31 December 2023, the cash generated from operations in 2024 increased to approximately RMB1,015.5 million.

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

To preserve funds for future capital expenditure and new business opportunities, we continue to invest surplus cash in commercial bank wealth management products and funds issued by major and reputable financial institutions, which generate relatively low risk income for us. We 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 2024, the balance of such investments increased to approximately RMB239.3 million, compared with approximately RMB170.9 million as at 31 December 2023. Such increase was primarily attributable to the increase in financial products we purchased.

CAPITAL EXPENDITURE

For the year ended 31 December 2024, our capital expenditure primarily consisted of expenditures on property and equipment, and intangible assets, including purchases of computers, other office equipment and etc. Capital expenditure decreased from approximately RMB9.9 million for the year ended 31 December 2023 to approximately RMB9.4 million for the year ended 31 December 2024.

SIGNIFICANT INVESTMENT

Save as disclosed in this announcement, the Group did not hold any significant investments as of 31 December 2024.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 27 June 2024, the Company entered into the share purchase agreement with BGFG, JJQJ Partners Limited, JZZT Limited (collectively referred as the “**Sellers**”) and NBT Social Networking Inc. to acquire the equity interest in NBT Social Networking Inc. The total consideration was approximately HK\$1,983 million, including cash consideration of approximately HK\$994 million, and share consideration of approximately HK\$989 million. The cash consideration shall be paid in four equal installments in three years. The share consideration would be issuance of 219,748,391 ordinary shares of the Company to the Sellers at the issue price of HK\$4.50 per share. The above acquisition was completed on 23 December 2024. Upon Completion, the NBT Social Networking Inc. will become a wholly-owned subsidiary of the Company and the financial results will be fully attributable to the equity shareholders of the Company. For further details, please refer to the announcement dated 27 June 2024 and the announcement dated 22 November 2024, the circular dated 25 November 2024 and the announcement dated 23 December 2024 of the Company.

Saved as disclosed in this announcement, we did not have any other material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2024.

PLEDGE OF ASSETS

As at 31 December 2024, we did not pledge any of our assets.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

CONTINGENT LIABILITIES

As at 31 December 2024, we did not have any material contingent liabilities.

FOREIGN EXCHANGE RISK MANAGEMENT

We operate our business internationally and our major receipts and payments are denominated in the U.S. dollar. We are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. dollar and the Hong Kong dollar. Therefore, foreign exchange risk arises from future commercial transactions or recognised assets and liabilities that are not denominated in the respective functional currencies of our Group's entities. We managed foreign exchange risk by performing regular reviews of our foreign exchange exposures. We did not hedge against any fluctuations in foreign currency during the year ended 31 December 2024.

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 to develop, our profitability and prospects may be materially and adversely affected.
- Any failure to retain existing advertisers and media publishers or to 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 from our mobile apps and may suffer a loss of users and damage to our reputation.
- Misappropriation or misuse of privacy information and failure to comply with laws and regulations on data protection, including the General Data Protection Regulation, could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or declines in users and customers, or otherwise harm our business.
- If we fail to prevent security breaches, cyber-attacks or other unauthorised access to our systems or our users' data, we may be exposed to significant consequences, including legal and financial exposure and loss of users and our reputation.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2024, we had a total of 1,573 full-time employees, mainly based in Beijing, Shenzhen, Chengdu, Hainan and Jinan. Among all employees, 795 of them are in R&D department, representing 50.54% of the total number of full-time employees. The number of employees employed by the Group varies from time to time depending on needs, and employees are remunerated with reference to market conditions and individual employees' performance, qualification and experience.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has adopted the Corporate Governance Code as set out in Appendix C1 to the Listing Rules (the **"Corporate Governance Code"**). The Corporate Governance Code has been applicable to the Company with effect from the Listing Date.

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

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

COMPLIANCE WITH MODEL CODE OF THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the **"Model Code"**) as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code during the Reporting Period.

EVENT OCCURRING AFTER THE REPORTING PERIOD

As of the date of this announcement, there has been no material event occurring after the reporting period of the Group.

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

Saved as disclosed in this announcement, for the twelve months ended 31 December 2024, and as at the date of this announcement, neither the Company nor any member of the Group has purchased, sold or redeemed any of the Company's listed securities (including sales of treasury shares). As at 31 December 2024, the Company did not hold any treasury shares.

SHARE PURCHASE 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: 46,148,000

Percentage of the Shares purchased to the existing total number of Shares in issue: Approximately 3.27%

Average consideration per Share: Approximately HK\$3.38

Total consideration of Shares purchased: Approximately HK\$155,756,675.40

For further details, please refer to the announcements of the Company dated 18 January 2024, 17 July 2024, 19 July 2024, 24 July 2024, 26 July 2024, 4 October 2024, 18 October 2024, 25 October 2024, 8 November 2024, 15 November 2024, 22 November 2024, 29 November 2024, 6 December 2024, 13 December 2024, 20 December 2024, 27 December 2024 and 3 January 2025.

ANNUAL GENERAL MEETING

The forthcoming Annual General Meeting ("AGM") will be held on 21 May 2025. A notice convening the AGM and all other relevant documents will be published and despatched to the Shareholders.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend the vote at the AGM to be held on 21 May 2025, the registers of members of the Company will be closed from 14 May to 21 May 2025, 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 2025.

PUBLIC FLOAT

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Company has established the Audit Committee with written terms of reference in compliance with the Corporate Governance Code. As at the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely Mr. CHI Shujin, Mr. GAO Ming and Ms. CHEN Sichao. Mr. CHI Shujin is the chairman of the Audit Committee. The annual results of the Group for the year ended 31 December 2024 have been reviewed by the Audit Committee of the Company.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended December 31, 2024 as set out in this announcement have been agreed by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on this announcement.

FINAL DIVIDEND

No final dividend would be recommended by the Board for the year ended 31 December 2024.

PUBLICATION OF 2024 ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.newborntown.com. The annual report of the Group for the year ended 31 December 2024 containing all applicable information required by the Listing Rules will be despatched to the Shareholders of the Company and published on the above websites in April 2025.

GROUP RESULTS

The Company is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2024.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2024

(Expressed in Renminbi (“RMB”))

		Year ended 31 December	
		2024	2023
	<i>Note</i>	RMB’000	RMB’000
Revenue from contracts with customers	4	5,091,527	3,307,799
Cost of revenue	5	(2,483,860)	(1,585,716)
Gross profit		2,607,667	1,722,083
Selling and marketing expenses	5	(1,295,137)	(688,447)
Research and development expenses	5	(335,423)	(314,524)
General and administrative expenses	5	(239,013)	(171,987)
Net impairment losses on financial assets		(14,103)	(2,578)
Other income		4,877	3,373
Other gain – net		48	3,193
Operating profit		728,916	551,113
Finance income		63,201	21,461
Finance cost		(5,551)	(5,949)
Finance income – net		57,650	15,512
Share of (losses)/profits of associates and joint ventures accounted for using the equity method		(1,725)	47,310
Gain on revaluation of equity method investee		–	158,823
Profit before income tax		784,841	772,758
Income tax expenses	6	2,932	(12,146)
Profit for the year		787,773	760,612
Profit attributable to:			
Equity shareholders of the Company		480,310	512,845
Non-controlling interests		307,463	247,767

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – CONTINUED

for the year ended 31 December 2024

(Expressed in RMB)

		Year ended 31 December	
		2024	2023
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other comprehensive income/(loss), net of tax			
Items that will not be reclassified to profit or loss			
Currency translation differences		(5,268)	(1,597)
Items that maybe subsequently reclassified to profit or loss			
Currency translation differences		8,173	(14,430)
Share of other comprehensive income of investments accounted for using the equity method		—	(10,034)
Total comprehensive income for the year		<u>790,678</u>	<u>734,551</u>
Total comprehensive income attributable to:			
Equity shareholders of the Company		477,133	489,536
Non-controlling interests		313,545	245,015
Earnings per share for profit attributable to equity shareholders of the Company (expressed in RMB per share)			
Basic earnings per share	7a	<u>0.42</u>	<u>0.45</u>
Diluted earnings per share	7b	<u>0.42</u>	<u>0.45</u>

CONSOLIDATED BALANCE SHEET

as at 31 December 2024

(Expressed in RMB)

		As at 31 December	
		2024	2023
	<i>Note</i>	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property and equipment		91,964	124,875
Intangible assets		211,634	260,467
Goodwill		385,511	385,511
Deferred tax assets		447	22
Investments accounted for using the equity method		26,648	24,300
Financial assets measured at fair value through profit or loss		39,884	36,634
Other receivable		11,809	16,865
Other non-current assets		–	50
Total non-current assets		767,897	848,724
Current assets			
Inventories		18,179	19,301
Other current assets		30,854	17,537
Accounts receivable	9	341,899	243,161
Other receivables		134,898	103,523
Financial assets measured at fair value through profit or loss		239,293	170,945
Cash and cash equivalents		2,048,631	1,386,363
Restricted bank deposits		1,337	1,302
Total current assets		2,815,091	1,942,132
Total assets		3,582,988	2,790,856

CONSOLIDATED BALANCE SHEET – CONTINUED

as at 31 December 2024

(Expressed in RMB)

		As at 31 December	
		2024	2023
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES			
Current liabilities			
Accounts payable	10	382,557	292,997
Contract liabilities		88,191	74,821
Income tax payable		6,781	17,580
Bank overdraft		46	37
Lease liabilities		38,840	32,788
Other payable		981,732	278,187
Total current liabilities		1,498,147	696,410
Net current assets		1,316,944	1,245,722
Non-current liabilities			
Deferred tax liabilities		63,121	70,409
Lease liabilities		44,431	75,442
Other non-current liabilities		322,404	1,100
Total non-current liabilities		429,956	146,951
Total liabilities		1,928,103	843,361
EQUITY			
Equity attributable to the equity shareholders of the Company			
Share capital		976	818
Shares held for employee share scheme		(266,281)	(40,404)
Share premium		1,451,706	669,523
Other reserves		(598,458)	10,956
Retained earnings		953,180	480,050
		1,541,123	1,120,943
Non-controlling interests		113,762	826,552
Total equity		1,654,885	1,947,495
Total liabilities and equity		3,582,988	2,790,856

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2024

(Expressed in RMB)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – CONTINUED

for the year ended 31 December 2024

(Expressed in RMB)

	Attributable to equity shareholders of the Company							Total equity RMB'000
	Share capital RMB'000	Shares held for employee share scheme RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	
Balance at 1 January 2024	<u>818</u>	<u>(40,404)</u>	<u>669,523</u>	<u>10,956</u>	<u>480,050</u>	<u>1,120,943</u>	<u>826,552</u>	<u>1,947,495</u>
Profit for the year	-	-	-	-	480,310	480,310	307,463	787,773
Other comprehensive income	-	-	-	(3,177)	-	(3,177)	6,082	2,905
Total comprehensive income	-	-	-	(3,177)	480,310	477,133	313,545	790,678
Transaction with owners:								
Purchase of own shares	-	(143,275)	-	-	-	(143,275)	-	(143,275)
Appropriation to statutory reserves	-	-	-	7,180	(7,180)	-	-	-
Share-based compensation expenses	-	-	-	102,157	-	102,157	36,266	138,423
Modification of share incentive plan	17	(82,604)	82,587	(14,324)	-	(14,324)	(5,474)	(19,798)
Restricted share units vesting	-	2	-	(2)	-	-	-	-
Transaction with non-controlling interests	141	-	699,596	(701,248)	-	(1,511)	(854,364)	(855,875)
Dividend to non-controlling equity owners of the subsidiary	-	-	-	-	-	-	(202,763)	(202,763)
Balance at 31 December 2024	<u>976</u>	<u>(266,281)</u>	<u>1,451,706</u>	<u>(598,458)</u>	<u>953,180</u>	<u>1,541,123</u>	<u>113,762</u>	<u>1,654,885</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2024

(Expressed in RMB)

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	1,015,548	738,805
Interest received	63,201	21,461
Payment of income tax	(15,580)	(6,763)
Net cash inflow from operating activities	1,063,169	753,503
Cash flows from investing activities		
Purchase of Wealth Management Products measured at fair value through profit or loss	(677,294)	(220,375)
Maturity of Wealth Management Products measured at fair value through profit or loss	612,680	200,443
Investments accounted for using the equity method	(10,000)	(27,893)
Disposal of investments accounted for using the equity method	–	33,000
Purchase of property and equipment	(8,845)	(9,386)
Purchase of intangible assets	(548)	(558)
Disposal of property and equipment and intangible assets	237	324
Loan to other parties	(3,000)	(10,035)
Proceeds of loans repayments from other parties	–	34,001
Net cash obtained from a business combination	–	215,059
Net cash (outflow)/inflow from investing activities	(86,770)	214,580
Cash flows from financing activities		
Capital element of lease rentals paid	(30,510)	(28,707)
Interest element of lease rentals paid	(5,406)	(5,949)
Purchase of own shares	(143,275)	(27,685)
Dividend payment to non-controlling interests	(34,403)	–
Transactions with non-controlling interests	(105,000)	(99,999)
Net cash outflow from financing activities	(318,594)	(162,340)
Net increase in cash and cash equivalents	657,805	805,743
Cash and cash equivalents at beginning of year	1,386,326	596,662
Effects of exchange rate changes on cash and cash equivalents	4,454	(16,079)
Cash and cash equivalents at end of year	2,048,585	1,386,326
Including:		
Cash and cash equivalents	2,048,631	1,386,363
Bank overdraft	(46)	(37)

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 as the “Group”) are principally engaged in providing social networking business (mainly through social networking Apps such as MICO, Sugo, Blued and Toptop) and innovative business (mainly through advertising service and merchandise sales).

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

On 2 August 2023, the Group completed the acquisition of the business operated by BlueCity Holdings Limited (“BlueCity”). The acquisition is accounted for as a business combination in accordance with IFRS 10.

In December 2024, the Company completed the acquisition of non-controlling interests of 38.92% in NBT Social Networking Inc. After the completion of the acquisition, NBT Social Networking Inc. became a wholly owned subsidiary of the Company. Among the sellers, JJQJ Partners Limited is the incentive platform under the share incentive plan adopted by NBT Social Networking Inc. (“Mico RSU Scheme”), and the unvested shares under Mico RSU Scheme held by JJQJ Partners Limited as at 23 December 2024 were exchanged for RSU scheme of the Company.

The total contractual consideration amount, pursuant to the share purchase agreement on 27 June 2024 is HKD1,983 million, comprising cash consideration of HKD994 million and 219,748,391 shares consideration at price of HKD4.5/share, representing HKD989 million. Among this, the cash consideration of HKD137 million and share consideration of HKD100 million for acquiring the unvested incentive shares under Mico RSU Scheme were not considered as the consideration for acquiring non-controlling interests for accounting purpose.

The cash consideration shall be paid to the sellers in four equal instalments in three years and the share consideration have been issued to the sellers on 23 December 2024.

2 BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2024 comprise the company and its subsidiaries (together referred to as the “Group”) and The Group’s interest in associates.

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.

The IASB has issued the following amendments to IFRS that are first effective for the current accounting period of the group. Of these, the following developments are relevant to the Group’s financial statements:

- Amendments to IAS 1, Presentation of financial statements: Classification of liabilities as current or non-current and non-current liabilities with covenants
- Amendments to IFRS 16, Leases: Lease liability in a sale and leaseback
- Amendments to IAS 7, Statement of cash flows and IFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements

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

3 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 2024 and 2023 are as follows:

	Social networking business RMB'000	Innovative business RMB'000	Total RMB'000
For the year ended 31 December 2024			
Revenue	4,631,889	459,638	5,091,527
Cost of revenue	(2,327,866)	(155,994)	(2,483,860)
Gross profit	2,304,023	303,644	2,607,667
For the year ended 31 December 2023			
Revenue	2,928,961	378,838	3,307,799
Cost of revenue	(1,509,828)	(75,888)	(1,585,716)
Gross profit	1,419,133	302,950	1,722,083

4 REVENUE FROM CONTRACTS WITH CUSTOMERS

An analysis of the Group's revenue by category for the years ended 31 December 2024 and 2023 was as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
<i>Recognised at a point in time</i>		
Social networking business	4,371,323	2,811,512
Innovative business	459,638	378,838
<i>Recognised over time</i>		
Social networking business	260,566	117,449
Total	5,091,527	3,307,799

5 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	
	2024	2023
	RMB'000	RMB'000
Revenue sharing and commission fees	1,634,237	1,180,678
Promotion and marketing expenses	1,198,739	616,687
Employee benefit expenses	1,049,383	656,652
Server capacity expenses	114,399	72,581
Depreciation and amortisation	95,805	79,517
Cost of inventories	92,521	25,767
Technical and other service fee	51,302	57,806
Short rental related expenses	21,377	10,568
Travel expense	18,915	13,396
Consultancy and professional service fee	16,090	11,154
Auditor's remuneration		
– Audit and audit related services	8,560	4,510
– Non-audit services	848	183
Others	51,257	31,175
Total	4,353,433	2,760,674

6 INCOME TAX EXPENSES

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Current tax		
Provisions for the year	9,118	17,581
Over-provision in respect of prior years	(4,337)	—
Deferred income tax		
Changes in deferred tax assets/liabilities	(7,713)	(5,435)
Income tax expenses	(2,932)	12,146

7 EARNINGS PER SHARE

7a Basic

Basic earnings per share for the years ended 31 December 2024 and 31 December 2023 were calculated by dividing the profit attributable to equity shareholders of the Company of RMB480,310,000 and RMB512,845,000 by the weighted average number of ordinary shares of 1,136,949,000 and 1,147,908,000 in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	Year ended 31 December	
	2024	2023
	'000	'000
Issued ordinary shares at 1 January	1,191,216	1,191,216
Effect of ordinary shares held by trusts for employee share incentives	(46,451)	(35,920)
Effect of ordinary shares issued	4,329	—
Effect of shares repurchased	(12,983)	(11,152)
Effect of restricted share units(RSU) vested	838	3,764
Weighted average number of ordinary shares at 31 December	1,136,949	1,147,908

7b Diluted

For the year ended 31 December 2024, dilutive earnings per share were calculated by dividing the profit attributable to equity shareholders of the Company of RMB473,616,000 (2023: RMB511,275,000) by the weighted average number of ordinary shares of 1,139,716,000 (2023: 1,148,767,000), calculated as follows:

(i) Profit attributable to equity shareholders of the company (diluted)

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Profit attributable to equity shareholders	480,310	512,845
Effect of share incentive for non-wholly owned subsidiary	(6,694)	(1,570)
Profit attributable to equity shareholders (diluted)	473,616	511,275

(ii) Weighted average number of ordinary shares (diluted)

	Year ended 31 December	
	2024 '000	2023 '000
Weighted average number of ordinary shares at 31 December	1,136,949	1,147,908
Effect of deemed issue of shares under the Company's share incentive scheme	<u>2,767</u>	<u>859</u>
Weighted average number of ordinary shares (diluted) at 31 December	<u>1,139,716</u>	<u>1,148,767</u>

8 DIVIDENDS

No dividends have been paid or declared by the Company for the years ended 31 December 2024 and 2023.

9 ACCOUNTS RECEIVABLE

An aging analysis of the gross accounts receivable as at 31 December 2024 and 2023, based on date of recognition, is as follows:

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Up to 6 months	341,833	241,795
6 months to 1 year	1,179	3,344
1 year to 2 years	10,393	7,203
2 years to 3 years	3,823	3,309
Over 3 years	<u>34,041</u>	<u>32,088</u>
Gross carrying amount	<u>391,269</u>	<u>287,739</u>
Less: loss allowance	<u>(49,370)</u>	<u>(44,578)</u>
Total accounts receivable	<u>341,899</u>	<u>243,161</u>

10 ACCOUNTS PAYABLE

Aging analysis of the accounts payable as at 31 December 2024 and 2023 based on the date of recognition are as follows:

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 1 year	373,081	267,808
1 year to 2 years	741	19,618
More than 2 years	8,735	5,571
	<hr/>	<hr/>
	382,557	292,997
	<hr/> <hr/>	<hr/> <hr/>

Accounts payable are usually paid within 1 year of recognition.

DEFINITION

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

“AI”	Artificial Intelligence
“App(s)” or “app(s)”	application(s)
“Audit Committee”	the audit committee of the Company
“BlueCity”	BlueCity Holdings Limited
“Board”	the board of Directors
“BGFG”	BGFG Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
“China” or “PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Chizicheng Strategy Investment”	Chizicheng Strategy Investment Limited, an exempted company with limited liability incorporated in the Cayman Islands on 11 January 2022 and was wholly owned by the Company as of the date of this announcement
“Company”, “our Company” or “the Company”	Newborn Town Inc. (赤子城科技有限公司), a company with limited liability incorporated in the Cayman Islands whose shares are listed on the Stock Exchange
“Directors”	the directors of the Company
“EBITDA”	Earnings before interest and other finance costs, taxation, depreciation and amortisation
“Fund”	Metaclass Management ELP, an exempted limited partnership to be established under the laws of the Cayman Islands
“General Partner”	Chizicheng Strategy Investment
“Group,” “our Group,” or “the Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“IFRS”	IFRS Accounting Standards as issued from time to time by the International Accounting Standards Board
“JJQJ”	JJQJ Partners Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
“JZZT”	JZZT Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
“Land of Glory”	Land of Glory Ltd., an exempted company with limited liability incorporated in the Cayman Islands
“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)
“Prospectus”	the prospectus of the Company dated 17 December 2019
“R&D”	research and development
“Reporting Period”	the year ended 31 December 2024
“RMB”	Renminbi, the lawful currency of China
“RSU”	a restricted share unit award granted to a participant under the RSU Schemes
“RSU Schemes”	the employee RSU scheme and the management RSU scheme adopted by the Board on 11 December 2019
“Recharge Amount”	in relation to the social networking business and the innovative business and their respective products, the amount of recharge by users
“Share Option(s)”	a right granted to subscribe for the Shares pursuant to the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company at the annual general meeting held on 31 May 2021, and terminated by the Board on 22 November 2024 in accordance with its terms
“Shares”	ordinary share(s) in the share capital of the Company with a par value of US\$0.0001 each
“Shareholder(s)”	the holder(s) of the Share(s)
“social networking efficiency”	efficiency of social networking products as evidenced by the accuracy of matches generated from social recommendation algorithms

“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
“Target Company” or “NBT Social Networking”	NBT Social Networking Inc., a company incorporated under the laws of the Cayman Islands with limited liability
“US\$”	United States dollars, the lawful currency of the United States
“We”, “us” or “our”	our Company or our Group, as the context may require
“%”	per cent

APPRECIATION

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

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

Beijing, 20 March 2025

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

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