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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)

**MAJOR TRANSACTION
CONNECTED TRANSACTION**

**ENTERING INTO EQUITY TRANSFER AGREEMENT AND
CONVERTIBLE LOAN INVESTMENT AGREEMENT**

*Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders*



SOMERLEY CAPITAL LIMITED

MAJOR AND CONNECTED TRANSACTION

The Board is pleased to announce that on 17 April 2020 (after trading hours), NewBornTown Network Technology, an entity accounted for as a subsidiary of the Company by virtue of the Contractual Arrangements, entered into the Equity Transfer Agreement with Phoenix Fortune, pursuant to which Phoenix Fortune has conditionally agreed to sell and NewBornTown Network Technology has conditionally agreed to acquire approximately 8.85% equity interest of Mico for the consideration of RMB100 million. Upon the completion of the Acquisition, NewBornTown Network Technology will hold approximately 25.62% equity interest of Mico.

On 17 April 2020 (after trading hours), NewBornTown Network Technology entered into the Convertible Loan Investment Agreement with Mr. Ye Chunjian and Mico, pursuant to which NewBornTown Network Technology has conditionally agreed to provide Mico with a convertible loan of RMB50 million.

As one of the conditions precedent of the Convertible Loan Investment Agreement, Mr. Ye Chunjian, the executive partner of Tianjin Tonghe Chuangyuan and Ningbo Tonghe Chuangyuan, will be removed, and NewBornTown Network Technology will be appointed as the new executive partner. Both of Tianjin Tonghe Chuangyuan and Ningbo Tonghe Chuangyuan serve as the platforms for the employee stock ownership plan of Mico and in aggregate own approximately 15.97% equity interest of Mico.

As one of the conditions precedent of, and undertakings of Mico and Mr. Ye Chunjian under of the Convertible Loan Investment Agreement, the shareholders and/or board of directors (as appropriate) will approve the Amended Mico Articles, under which, NewBornTown Network Technology will have majority seats of the board of directors of Mico in voting to determine the relevant activities which significantly affect the operating returns of Mico. After the completion of the Acquisition and the Convertible Loan Investment, NewBornTown Network Technology, being the single largest shareholder with approximately 25.62% equity interest owned by NewBornTown Network Technology and in aggregate approximately 15.97% equity interest owned by Tianjin Tonghe Chuangyuan and Ningbo Tonghe Chuangyuan (as the platforms for the employee stock ownership plan of Mico) controlled by NewBornTown Network Technology as the executive partner, will have control over Mico, and therefore, the Company will consolidate financial statements of Mico.

Listing Rules Implications

Phoenix Fortune is an associate of Mr. Du Li. Through Phoenix Wealth Investment (Holdings) Limited and Phoenix Auspicious FinTech Investment L.P., Mr. Du Li is interested in approximately 15.69% interest of the Company as at the date of this announcement. As such, Phoenix Fortune is a connected person of the Company and the Acquisition constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

Mico is an associate of Mr. Ye Chunjian, who was a director of NewBornTown Network Technology until 13 May 2019. As such, Mr. Ye Chunjian and Mico are connected persons of the Company and the Convertible Loan Investment constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of the Acquisition and the Convertible Loan Investment exceeding 25%, but all such percentage ratios are less than 100%, the Acquisition and the Convertible Loan Investment also constitute a major transaction of the Company under Chapter 14 of the Listing Rules. Therefore, the Company is subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Equity Transfer Agreement, the Convertible Loan Investment Agreement, the Conversion and the transactions contemplated thereunder. Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL

The General Meeting will be convened for the purposes of approving, amongst others, the Equity Transfer Agreement, the Convertible Loan Investment Agreement, the Conversion and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, save for Phoenix Wealth Investment (Holdings) Limited, Phoenix Auspicious FinTech Investment L.P., Pixel Perfect Tech Limited, Ningbo Meihua Shunshi Angel Capital Partnership Enterprise (Limited Partnership), Mr. Du Li, Mr. Wu Shichun and Mr. Ye Chunjian who will be abstain from voting, no Shareholders or any of their respective associates have any material interest in the Equity Transfer Agreement, the Convertible Loan Investment Agreement, the Conversion and the transactions contemplated thereunder.

A circular containing, among other things, further information relating to the Equity Transfer Agreement, the Convertible Loan Investment Agreement, the Conversion and the transactions contemplated thereunder, a letter from the Independent Board Committee and an opinion of Somerley will be despatched to the Shareholders within 15 business days after the publication of this announcement.

Shareholders and potential investors of the Company should be aware that the completion of the Acquisition and the Convertible Loan Investment is subject to satisfaction (or, if applicable, waiver) of certain conditions and consequently the Acquisition and the Convertible Loan Investment may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the Shares.

The Board is pleased to announce that on 17 April 2020 (after trading hours), NewBornTown Network Technology, an entity accounted for as a subsidiary of the Company by virtue of the Contractual Arrangements, entered into the Equity Transfer Agreement with Phoenix Fortune, pursuant to which Phoenix Fortune has conditionally agreed to sell and NewBornTown Network Technology has conditionally agreed to acquire approximately 8.85% equity interest of Mico for the consideration of RMB100 million. Upon the completion of the Acquisition, NewBornTown Network Technology will hold approximately 25.62% equity interest of Mico.

On 17 April 2020 (after trading hours), NewBornTown Network Technology entered into the Convertible Loan Investment Agreement with Mico, pursuant to which NewBornTown Network Technology has conditionally agreed to provide Mico with a convertible loan of RMB50 million.

MAJOR AND CONNECTED TRANSACTION

EQUITY TRANSFER AGREEMENT

Details of the Equity Transfer Agreement are set out below:

Date

17 April 2020 (after trading hours)

Parties

- (i) NewBornTown Network Technology;
- (ii) Phoenix Fortune; and
- (iii) Mico

Equity to be acquired

Pursuant to the Equity Transfer Agreement, Phoenix Fortune has conditionally agreed to sell and NewBornTown Network Technology has conditionally agreed to acquire approximately 8.85% equity interest of Mico.

Consideration and terms of payment

The consideration is RMB100 million which shall be settled in cash by NewBornTown Network Technology within 30 days of the satisfaction or waived by Phoenix Fortune of all conditions agreed in the Equity Transfer Agreement.

In March 2016, Phoenix Fortune subscribed for 20% equity interest of Mico for a consideration of RMB100 million. As disclosed in “Business – Our Strategic Investment” in the Prospectus, Beijing Duanji Network Technology Co., Ltd. was merged with Mico in May 2017 after which Phoenix Fortune held 10% equity interest of Mico. In March 2019, two shareholders of Mico subscribed for new equity interest in Mico. As a result, Phoenix Fortune held approximately 8.85% equity interest of Mico before the Acquisition.

The consideration will be funded by the internal resources of the Company. The Company will not use the proceeds of the global offering to fund the Acquisition.

Basis of determination of the consideration

The consideration was arrived at after arm's length negotiations between NewBornTown Network Technology and Phoenix Fortune and was determined after taking into account the valuation result of the 8.85% equity interest value of Mico as at 31 March 2020 of approximately RMB106,000,000 (Rounded), which was prepared by an independent professional valuer, Asia-Pacific Consulting and Appraisal Limited (the "Valuer"). The Valuer has performed an independent valuation using the market approach. The market value of Mico was developed by using the leading Price-to-Sales ratio.

Conditions Precedent

Pursuant to the terms the Equity Transfer Agreement, unless waived in written by NewBornTown Network Technology, NewBornTown Network Technology's obligation to pay for the equity transfer shall be subject to the following conditions precedent being fulfilled:

- (1) there are no any judgments, rulings, or injunctions of Chinese laws, courts, arbitration institutions, or relevant government authorities that restrict, prohibit, or cancel the Acquisition, nor have there been any pending or potential litigations, arbitrations, judgments, rulings or injunctions that have or will have a material adverse effect on the Acquisition;
- (2) all parties have obtained all third-parties' approval for entering into and performing the transaction documents and the Acquisition, and such entering into and performing shall not cause the party to breach any applicable Chinese laws;
- (3) from the execution date of the Equity Transfer Agreement to the date of the completion, the representations and warranties made by each party are completely true, complete and accurate, and they have fulfilled the undertakings to be performed on or before the date of the completion without any violation of the Equity Transfer Agreement;
- (4) upon confirmation by Mico, from the execution date of the Equity Transition Agreement to the date of the completion, there are no events, facts, conditions, changes or other situations that have occurred or have been reasonably foreseen that may have a material adverse effect on Mico's assets, financial structure, liabilities and normal operations, and such material adverse change will result in discontinuity of operation of Mico;
- (5) the Company has convened the meeting of the Board and the General Meeting to approve the Acquisition;
- (6) Mico has issued a confirmation letter to NewBornTown Network Technology and Phoenix Fortune confirming that the conditions precedent (1) to (4) relating to Mico have been fulfilled;
- (7) Phoenix Fortune has issued a confirmation letter to NewBornTown Network Technology and Mico confirming that the conditions precedent (1) to (3) relating to Phoenix Fortune have been fulfilled.

As at the date of this announcement, except for the meeting of the Board, no condition precedent has been fulfilled or waived.

Business operation before the completion

From the execution date of the Equity Transfer Agreement to the date of the completion, Mico shall operate its business in the normal course of business, and shall spare no efforts to maintain the integrity of the business organization, keep relations with third parties and retain existing management personnel and employees, and maintain Mico's ownership or the current status of all assets and assets used (except for normal operation use and loss).

Subsequent matters after the completion

Mico shall, and Phoenix Fortune shall procure Mico to, convene meetings of the board of directors and/or shareholders (as appropriate) as soon as possible after the completion of the Acquisition to elect a candidate nominated by NewBornTown Network Technology to become a director of Mico and approve the relevant amendments to the Mico Articles. The director to be nominated by NewBornTown Network Technology will replace the director nominated by Phoenix Fortune.

Mico shall complete the business registration or filing procedures related to the Acquisition within one (1) month after the completion.

The terms of the Equity Transfer Agreement were arrived at after arm's length negotiations between NewBornTown Network Technology and Phoenix Fortune.

CONVERTIBLE LOAN INVESTMENT AGREEMENT

Details of the Convertible Loan Investment Agreement are set out below:

Date

17 April 2020 (after trading hours)

Parties

- (i) NewBornTown Network Technology;
- (ii) Mr. Ye Chunjian; and
- (iii) Mico

Loan

The amount of the loan under the Convertible Loan Investment Agreement is RMB50 million; the term is two (2) years (subject to 365 days per year) and shall end on the day before the two-year term from the date of NewBornTown Network Technology's remittance (in case of non-business day, it shall be postponed to the next business day).

NewBornTown Network Technology shall remit the loan to the account designated by Mico within five (5) business days after the execution date of the Convertible Loan Investment Agreement and the conditions precedent of the completion are met. The Convertible Loan Investment will be funded by the internal resources of the Company. The Company will not use the proceeds of the global offering to fund the Convertible Loan Investment.

Mico shall return all principals in one lump sum according to the terms of the Convertible Loan Investment Agreement on the expiry of the loan term, and NewBornTown Network Technology shall not charge any interest.

Mico shall repay the loan in a timely manner. If Mico fails to repay the entire principal on the agreed repayment date and does not reach an agreement with NewBornTown Network Technology, it shall constitute a breach of contract. NewBornTown Network Technology has the right to charge overdue interest at the rate of 0.05% per day for overdue loans from the date of the expiry to the date of actual repayment.

The loan under the Convertible Loan Investment Agreement shall be solely used for the development of Mico's business. Without the prior written consent of NewBornTown Network Technology, Mico shall not use the loan for any other purposes (including but not limited to the repayment of Mico's other loans, etc.).

The right of conversion

NewBornTown Network Technology, within the loan term, has the right to convert all or part of the loan to the newly issued registered capital of Mico with reference to the valuation of equity interest value of Mico as at 31 March 2020 which serves as the basis of consideration of the Equity Transfer Agreement. If NewBornTown Network Technology converts all of the loan to the newly issued registered capital of Mico, NewBornTown Network Technology will hold approximately 28.60% equity interest of Mico after the issuance of the new registered capital due to such conversion.

Conditions precedent

Pursuant to the terms the Convertible Loan Investment Agreement, unless waived in written by NewBornTown Network Technology, NewBornTown Network Technology's obligation to remit the loan payment shall be subject to the following conditions precedent being fulfilled:

- (1) there are no any judgments, rulings, or injunctions of Chinese laws, courts, arbitration institutions, or relevant government authorities that restrict, prohibit, or cancel the Convertible Loan Investment, nor have there been any pending or potential litigations, arbitrations, judgments, rulings or injunctions that have or will have a material adverse effect on Convertible Loan Investment;
- (2) Mico has made resolutions of board of directors' meeting regarding the signing of transaction documents and approval of the Convertible Loan Investment; including but not limited to, Mico's board of directors' meeting has approved: (a) the Convertible Loan Investment; (b) entering into of all documents related to the Convertible Loan Investment;
- (3) Mico has convened board of directors' meeting regarding the approval of : (a) the Amended Mico Articles; (b) formation of a new board of directors in accordance with the Amended Mico Articles. New board of directors of Mico has been formed in accordance with the Amended Mico Articles, and directors nominated by NewBornTown Network Technology have been elected.

- (4) Mico's shareholders Tianjin Tonghe Chuangyuan and Ningbo Tonghe Chuangyuan respectively have held partner meetings and adopted resolutions: (1) accepting NewBornTown Network Technology as partners of Tianjin Tonghe Chuangyuan and Ningbo Tonghe Chuangyuan; (2) appointing NewBornTown Network Technology as general partners of Tianjin Tonghe Chuangyuan and Ningbo Tonghe Chuangyuan, and removing Mr. Ye Chunjian from the position of the general partners; Tianjin Tonghe Chuangyuan and Ningbo Tonghe Chuangyuan have entered into relevant transaction documents with NewBornTown Network Technology.
- (5) all parties have obtained all third-parties' approval for entering into and performing the transaction documents and the Convertible Loan Investments, and such entering into and performing shall not cause the party to breach any applicable Chinese laws;
- (6) from the execution date of the Convertible Loan Investment Agreement to the date of the completion, each party shall ensure that the statements and guarantees made in the Convertible Loan Investment Agreement are entirely true, complete and accurate, and shall perform the undertakings agreed to be performed on or before the date of the completion without any violation of the transaction documents;
- (7) from the execution date of the Convertible Loan Investment Agreement to the date of the completion, there are no events, facts, conditions, changes or other situations that have occurred or have been reasonably foreseen that may have a material adverse effect on Mico's assets, financial structure, liabilities and normal operations;
- (8) the Company has convened the meeting of the Board and the General Meeting to approve the Convertible Loan Investment;
- (9) the completion of the Equity Transfer Agreement;
- (10) Mico has issued a confirmation letter to NewBornTown Network Technology confirming that all the above conditions precedent have been fulfilled and a payment notification letter with its bank account information regarding the Convertible Loan Investment.

As at the date of this announcement, except for the meeting of the board of directors of Mico and the Board meeting, no condition precedent has been fulfilled or waived.

Undertakings of Mico and Mr. Ye Chunjian

Mico shall and Mr. Ye Chunjian shall procure Mico to, after the execution date of the Convertible Loan Investment Agreement, convene a shareholders' meeting to approve (a) the Convertible Loan Investment; (b) entering into of all documents related to the Convertible Loan Investment; (c) the Amended Mico Articles; and (d) formation of a new board of directors in accordance with the Amended Mico Articles.

Mico shall and Mr. Ye Chunjian shall procure Mico to, after the execution date of the Convertible Loan Investment Agreement, submit and complete filings of the Amended Mico Articles and new board of directors with the competent industrial and commercial registration authority and provide NewBornTown Network Technology with a copy of the completion of filings.

Mico shall grant NewBornTown Network Technology an unconditional and irrevocable right to exclusively use the intellectual property rights, core technology and commercial secret of Mico when NewBornTown Network Technology requires. The consideration and term of the authorisation will be determined by NewBornTown Network Technology and Mico according to market practice. NewBornTown Network Technology and Mico will enter into authorisation and licensing agreements separately.

Mico has undertaken to NewBornTown Network Technology, that before the total repayment of the principals and after the Conversion:

- (1) Mico and its wholly owed and controlled subsidiaries, representatives and offices shall comply with all the laws and regulations related to the Convertible Loan Investment Agreement and strictly comply with and perform the duties and obligations under the Convertible Loan Investment Agreement;
- (2) The activities of Mico and its wholly owned and controlled subsidiaries, representatives and offices should always comply with applicable laws and the requirements of relevant government departments in all major respects, and must not violate any applicable laws that would cause material adverse effects on Mico and its wholly owned and controlled subsidiaries, representatives and offices;
- (3) Mico and its wholly owned and controlled subsidiaries, representatives and offices should comply with applicable laws to obtain and maintain all necessary certificates for conducting business. Mico and its wholly owned and controlled subsidiaries, representatives and offices should ensure the timely filing, registration and renewal of relevant certificates with applicable government departments in accordance with relevant laws and regulations;
- (4) If any breach under the Convertible Loan Investment Agreement or any event may affect the ability of Mico and its wholly owed and controlled subsidiaries, representatives and offices to perform its obligations under the Convertible Loan Investment Agreement occurs, Mico shall inform NewbornTown Network Technology of relevant details in writing as soon as possible;
- (5) Without the prior consent of NewBornTown Network Technology, Mico shall not set any mortgage, pledge or other guarantees on the assets of Mico and its wholly owed and controlled subsidiaries, representatives and offices in any form, and shall not transfer or dispose of any major assets of Mico and its wholly owed and controlled subsidiaries, representatives and offices in any other ways;
- (6) Without the prior consent of NewBornTown Network Technology, Mico and its wholly owed and controlled subsidiaries, representatives and offices shall not provide loans to third parties in any forms, nor shall it obtain any forms of loans from third parties, or make other credit arrangements similar to the aforesaid;
- (7) Mico shall strive to maintain the normal operation of Mico and its wholly owed and controlled subsidiaries, representatives and offices, and inform NewBornTown Network Technology of any major events related to Mico and its wholly owed and controlled subsidiaries, representatives and offices in a timely manner;

- (8) Without prior consent of Mico, NewBornTown Network Technology can transfer all or part of the rights under the Convertible Loan Investment Agreement to its related parties. Mico shall sign reasonable and necessary documents and take reasonable and necessary actions for the purpose of transfer, and complete the corresponding statutory procedures. The condition precedent is that the related parties have the qualification and ability to legally exercise the rights of NewBornTown Network Technology under the Convertible Loan Investment Agreement and perform the corresponding obligations in accordance with applicable laws.

Amended Mico Articles

Pursuant to the Convertible Loan Investment Agreement, Mico has agreed to amend the Mico Articles. The articles relating to the control of Mico in the Amended Mico Articles are set out below:

Power of the shareholders' meeting of Mico

The shareholders' meeting of Mico consists of all the shareholders. It is the organ of power of Mico and exercises the following functions and powers:

- (1) to decide the business operation policies and investment plans of Mico;
- (2) to examine and approve reports of the board of directors of Mico;
- (3) to examine and approve annual financial budgets and final accounts of Mico;
- (4) to examine and approve the profit distribution plans and loss recovery plans of Mico;
- (5) to pass resolutions concerning the increase or reduction of the registered capital of Mico;
- (6) to pass resolutions on matters such as the merger, division, dissolution, liquidation or change in the organizational form of Mico;
- (7) to amend the Mico Articles;
- (8) to consider other matters that should be decided by the shareholders' meeting according to the laws, administrative regulations, department rules and the Mico Articles.

The shareholders shall exercise their voting rights according to their contribution proportion at the shareholders' meeting. Resolutions adopted at the shareholders' meeting to amend the Mico Articles, increase or decrease the registered capital of Mico, and resolutions on the merger, division, dissolution or change of the form of Mico must be passed by shareholders representing at least two thirds of the voting rights, including NewBornTown Network Technology.

In respect of the functions and powers of the shareholders' meeting of Mico as stipulated above, the shareholders' meeting of Mico authorizes the board of directors of Mico to exercise the following resolutions on its behalf:

- (1) to decide on the business operation policies and investment plan of Mico;
- (2) to examine and approve the annual financial budgets and final accounts of Mico;
- (3) to examine and approve the profit distribution plans and loss recovery plans of Mico.

The shareholders agree that the cancellation of the above authorization must be approved by shareholders representing more than half of the voting rights, including NewBornTown Network Technology.

Power of the board of directors of Mico

The board of directors of Mico shall have five members nominated by the shareholders and elected by the shareholders' meeting. NewBornTown Network Technology has the right to nominate three directors (including the director replacing the one director nominated by Phoenix Fortune), the management has the right to nominate one director, and Ms. Cao Wen, a shareholder of Mico, has the right to nominate one director. Members of the board of directors shall serve a term of three years and may be re-elected upon expiration.

The board of directors of Mico shall exercise the following functions and powers:

- (1) to develop and decide on annual financial budget and final accounts of Mico as authorized by the shareholders' meeting of Mico;
- (2) to develop and decide on the profit distribution plan and loss recovery plans of Mico as authorized by the shareholders' meeting of Mico;
- (3) to develop and decide on plans for Mico to increase or decrease its registered capital, issue bonds or other securities and go public;
- (4) to develop plans for the acquisition of Mico's shares or the merger, division, dissolution of Mico or change of the company form;
- (5) to appoint or dismiss the general manager of Mico; to appoint or dismiss senior management personnel such as deputy general manager, financial officer according to the nomination of the general manager; and to decide on matters of remuneration, rewards and punishments;
- (6) to decide on matters such as external investment, purchase and sale of assets, external guarantee and related transactions as authorized by the shareholders' meeting of Mico;
- (7) to determine the liabilities or capital expenditures for growth of a single transaction exceeding RMB5 million in a single fiscal year beyond the annual budget of Mico;
- (8) to decide to discharge or otherwise exempt any liability of RMB2 million or above or to waive any right of material value (including but not limited to any claim);
- (9) to determine whether Mico or any of its majority-controlled subsidiaries shall provide any external guarantee in excess of RMB10 million;
- (10) to determine whether Mico or any of its majority-controlled subsidiaries shall provide any guarantee for the affiliates;
- (11) to determine the employee equity incentive plans and programs;

- (12) to determine any provision of intellectual property or assignment or licensing of intellectual property by Mico to third parties;
- (13) to decide whether Mico should purchase assets irrelevant to the core business or enter the non-core business fields, or enter any speculative or arbitrage business fields.

Each director shall have one vote for the resolutions of the board of directors of Mico. More than one third of the directors may propose a board meeting. The matters discussed by the board of directors of Mico shall be valid only if they are voted and approved by more than half of the directors.

The terms of the Convertible Loan Investment Agreement were arrived at after arm's length negotiations among NewBornTown Network Technology, Mr. Ye Chunjian and Mico.

INFORMATION ON THE PARTIES TO THE EQUITY TRANSFER AGREEMENT AND THE CONVERTIBLE LOAN INVESTMENT AGREEMENT

The Company

The Company is a fast-growing global AI information distribution platform, developing mobile applications and providing mobile advertising platform services based on AI technology.

NewBornTown Network Technology

NewBornTown Network Technology is an entity accounted for as a subsidiary of the Company by virtue of the Contractual Arrangements, and is engaged in proprietary app traffic monetisation.

Phoenix Fortune

Phoenix Fortune is a limited partnership established under the laws of the PRC, the general partner of which is Beijing Phoenix Fortune Innovation Investment Co., Ltd., which is held as to 20% and 80% by Mr. Wu Shichun and Beijing Phoenix Fortune Holdings Group Co., Ltd., which in turn controlled by Mr. Du Li. Mr. Wu Shichun is a director of NewBornTown Mobile Technology, an entity accounted for as a subsidiary of the Company by virtue of the Contractual Arrangements, and therefore a connected person of the Company. Phoenix Fortune is principally engaged in business of investment management, focussing on long-term equity investment projects in the new economic sector, including investment upgrading, overseas mobile services and internet finance industries.

Mico

Mico operates a social networking platform with users from more than 150 countries and regions. Its core apps are MICO and Kitty Live, which feature strangers social networking, group video chat, live streaming and short videos. MICO and Kitty Live are leading social networking apps in regions such as Middle East, Southeast Asia and North America.

Mico was founded by Mr. Ye Chunjian and as at the date of announcement, Mr. Ye Chunjian holds an equity interest of approximately 23.27% in Mico and approximately 3.45% in the Company. Mr. Ye Chunjian was also a director of NewBornTown Network Technology until 13 May 2019. In addition, before the completion of the Convertible Loan Investment Agreement, Mr. Ye Chunjian is the executive partners of Tianjin Tonghe Chuangyuan and Ningbo Tonghe Chuangyuan.

Before the completion of the Acquisition and the Convertible Loan Investment, NewBornTown Network Technology held approximately 16.77% equity interest of Mico. The shareholding of all shareholders are set out below:

Shareholder	Percentage
Ye Chunjian	23.27%
Cao Wen	17.12%
NewBornTown Network Technology	16.77%
Phoenix Fortune	8.85%
Tianjin Tonghe Chuangyuan ^{Note 1}	8.01%
Ningbo Tonghe Chuangyuan ^{Note 1}	7.96%
Wang Xiaobin	3.10%
Wang Xinming	3.10%
Ningbo Meishan Bonded Port Beichen Xinshineng Equity Investment Partnership Enterprise (Limited Partnership)	2.65%
Wu Shichun	2.43%
Ningbo Meihua Mingshi Investment Partnership Enterprise (Limited Partnership)	2.21%
Zhang Qinglai	1.86%
Ye Kai	1.11%
Zhang Wenlong	1.11%
Jiaxing Zizhi No. 1 Equity Investment Partnership Enterprise (Limited Partnership)	0.44%
Total ^{Note 2}	100.00%

Note 1: Employee stock ownership plan platforms, both of which are controlled by Mr. Ye Chunjian through his capacity as the executive partner.

Note 2: Please note that the percentages may not add up to 100.00% due to rounding.

After the completion of the Acquisition and the Convertible Loan Investment, NewBornTown Network Technology will hold approximately 25.62% equity interest of Mico. The shareholding of all shareholders are set out below:

Shareholder	Percentage
NewBornTown Network Technology	25.62%
Ye Chunjian	23.27%
Cao Wen	17.12%
Tianjin Tonghe Chuangyuan <i>Note 1</i>	8.01%
Ningbo Tonghe Chuangyuan <i>Note 1</i>	7.96%
Wang Xiaobin	3.10%
Wang Xinming	3.10%
Ningbo Meishan Bonded Port Beichen Xinshineng Equity Investment Partnership Enterprise (Limited Partnership)	2.65%
Wu Shichun	2.43%
Ningbo Meihua Mingshi Investment Partnership Enterprise (Limited Partnership)	2.21%
Zhang Qinglai	1.86%
Ye Kai	1.11%
Zhang Wenlong	1.11%
Jiaxing Zizhi No. 1 Equity Investment Partnership Enterprise (Limited Partnership)	0.44%
Total <i>Note 2</i>	100.00%

Note 1: Employee stock ownership plan platforms, both of which will be controlled by NewBornTown Network Technology through its capacity as the executive partner.

Note 2: Please note that the percentages may not add up to 100.00% due to rounding.

If NewBornTown Network Technology converts all of the Convertible Loan to the newly issued registered capital of Mico, NewBornTown Network Technology will hold approximately 28.60% equity interest of Mico, after the issuance of the new registered capital due to the Conversion. The shareholding of all shareholders are set out below:

Shareholder	Percentage
NewBornTown Network Technology	28.60%
Ye Chunjian	22.34%
Cao Wen	16.44%
Tianjin Tonghe Chuangyuan ^{Note 1}	7.69%
Ningbo Tonghe Chuangyuan ^{Note 1}	7.65%
Wang Xiaobin	2.97%
Wang Xinming	2.97%
Ningbo Meishan Bonded Port Beichen Xinshineng Equity Investment Partnership Enterprise (Limited Partnership)	2.55%
Wu Shichun	2.34%
Ningbo Meihua Mingshi Investment Partnership Enterprise (Limited Partnership)	2.12%
Zhang Qinglai	1.78%
Ye Kai	1.06%
Zhang Wenlong	1.06%
Jiaying Zizhi No. 1 Equity Investment Partnership Enterprise (Limited Partnership)	0.42%
Total ^{Note 2}	100.00%

Note 1: Employee stock ownership plan platforms, both of which will be controlled by NewBornTown Network Technology through its capacity as the executive partner.

Note 2: Please note that the percentages may not add up to 100.00% due to rounding.

As one of the conditions precedent of the Convertible Loan Investment Agreement, Mr. Ye Chunjian, the executive partner of Tianjin Tonghe Chuangyuan and Ningbo Tonghe Chuangyuan, will be removed, and NewBornTown Network Technology will be appointed as the new executive partner. Both of Tianjin Tonghe Chuangyuan and Ningbo Tonghe Chuangyuan serve as the platforms for the employee stock ownership plan of Mico and in aggregate own approximately 15.97% equity interest of Mico.

As one of the conditions precedent of, and undertakings of Mico and Mr. Ye Chunjian under the Convertible Loan Investment Agreement, the shareholders and/or board of directors (as appropriate) will approve the Amended Mico Articles, under which, NewBornTown Network Technology will have majority seats of the board of directors of Mico in voting to determine the relevant activities which significantly affect the operating returns of Mico. After the completion of the Acquisition and the Convertible Loan Investment, NewBornTown Network Technology, being the single largest shareholder with approximately 25.62% equity interest owned by NewBornTown Network Technology and in aggregate approximately 15.97% equity interest owned by Tianjin Tonghe Chuangyuan and Ningbo Tonghe Chuangyuan (as the platforms for the employee stock ownership plan of Mico) controlled by NewBornTown Network Technology as the executive partner, will have control over Mico, and therefore, the Company will consolidate financial statements of Mico.

Upon the completion of the Acquisition and the Convertible Loan Investment, Mico will be held as to 25.62% by NewBornTown Network Technology and will be an entity accounted for as a subsidiary of the Company as explained in above and by virtue of the Contractual Arrangements. The Company is of the view that the Contractual Arrangements will continue to be narrowly tailored because Mico engaged in social networking business with apps offered in and outside the PRC and possess an ICP Licence (增值電信業務經營許可證) and an Internet Culture Business Licence (網絡文化經營許可證). As advised by Jingtian & Gongcheng, our PRC legal adviser, the social networking business with apps offered in the PRC, in particular that if the relevant company intends to generate revenue in PRC through the operation of such apps, falls into the value-added telecommunications services business as described in Part 7(ii) of the Special Management Measures (Negative List) for the Access of Foreign Investment (2019 version) (《外商投資准入特別管理措施(負面清單)(2019年版)》) with effect from 30 July 2019 (the “**Negative List**”), and the relevant company is requested to apply for a ICP license, which is subject to foreign investment restrictions as per the Negative List; and the Internet Culture Business License will not be granted to any foreign invested enterprise.

Based on the unaudited consolidated financial statements of Mico prepared based on IFRS, the unaudited consolidated net profit (before taxation) and the unaudited consolidated net profit (after taxation) of Mico for each of the financial years ended 31 December 2018 and 2019 are as follows:

	For the year ended 31 December 2018 (unaudited) RMB'000	For the year ended 31 December 2019 (unaudited) RMB'000
Net profit/(loss) before taxation	(14,341)	33,631
Net profit/(loss) after taxation	(16,121)	27,433

The unaudited total asset value and net asset value of Mico as at 31 December 2019 were approximately RMB278.5 million and RMB215.4 million, respectively.

REASONS AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT AND THE CONVERTIBLE LOAN INVESTMENT AGREEMENT

As disclosed in “Business – Our Strategic Investment” in the Prospectus, the Company started business cooperation with Mico in 2015. Through years of cooperation, the Company obtained a deeper understanding of Mico’s strengths in product development and operation, as well as its fast-growing business development, and the Company believe in Mico’s competitive strengths in technology, data and user acquisition. The Company believe that through the Acquisition and the Convertible Loan Investment and by controlling Mico, Mico’s popularity in its target regions such as the Middle East, Southeast Asia and North America will be further strengthened by utilizing the loan under the Convertible Loan Investment Agreement and leverage on the Company’s experiences and understanding in overseas markets and our listing platform for potential capital and financing resources. Also, the Company will create a closer partnership with Mico to create synergies across our own businesses in the following aspects:

- Mico can provide the Company with strategic value as a publisher in social networking not only by offering stable ad inventories for both our Solo X product matrix and our advertisers on Solo Math mobile advertising platform, but also by offering the Company connections to its broad base of social networking users, which further enhance and strengthen our Solo Math business and facilitate the Company’s global traffic ecology;
- by acquiring Mico, our Solo X products diversity was further increased, which helps the overall user acquisition, and Mico’s successful product localization experience can help the Company launch more overseas products in the future; and
- Mico’s popularity in regions such as the Middle East, Southeast Asia and North America is realized by its capabilities of globalisation and localisation, which is in line with the Company’s development strategies to expand the Company’s localised service and distribution network, thereby laying the groundwork for the Company to build and expand the Company’s networks and presence in such regions.

The Board (including the independent non-executive Directors) considers that the terms and conditions of the Equity Transfer Agreement, the Convertible Loan Investment Agreement and the Conversion are fair and reasonable and on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Phoenix Fortune is an associate of Mr. Du Li. Through Phoenix Wealth Investment (Holdings) Limited and Phoenix Auspicious FinTech Investment L.P., Mr. Du Li is interested in approximately 15.69% interest of the Company as at the date of this announcement. As such, Phoenix Fortune is a connected person of the Company and the Acquisition constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

Mico is an associate of Mr. Ye Chunjian, who was a director of NewBornTown Network Technology until 13 May 2019. As such, Mr. Ye Chunjian and Mico are connected persons of the Company and the Convertible Loan Investment constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of the Acquisition and the Convertible Loan Investment exceeding 25%, but all such percentage ratios are less than 100%, the Acquisition and the Convertible Loan Investment also constitute a major transaction of the Company under Chapter 14 of the Listing Rules. Therefore, the Company is subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Equity Transfer Agreement, the Convertible Loan Investment Agreement, the Conversion and the transactions contemplated thereunder. Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL

The General Meeting will be convened for the purposes of approving, amongst others, the Equity Transfer Agreement, the Convertible Loan Investment Agreement, the Conversion and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, save for Phoenix Wealth Investment (Holdings) Limited, Phoenix Auspicious FinTech Investment L.P., Pixel Perfect Tech Limited, Ningbo Meihua Shunshi Angel Capital Partnership Enterprise (Limited Partnership), Mr. Du Li, Mr. Wu Shichun and Mr. Ye Chunjian who will be abstain from voting, no Shareholders or any of their respective associates have any material interest in the Equity Transfer Agreement, the Convertible Loan Investment Agreement, the Conversion and the transactions contemplated thereunder.

A circular containing, among other things, further information relating to the Equity Transfer Agreement, the Convertible Loan Investment Agreement, the Conversion and the transactions contemplated thereunder, a letter from the Independent Board Committee and an opinion of Somerley will be despatched to the Shareholders within 15 business days after the publication of this announcement.

Shareholders and potential investors of the Company should be aware that the completion of the Acquisition and the Convertible Loan Investment is subject to satisfaction (or, if applicable, waiver) of certain conditions and consequently the Acquisition and the Convertible Loan Investment may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the Shares.

DEFINITIONS

“Acquisition”	the proposed acquisition of approximately 8.85% equity interest of Mico by NewBornTown Network Technology from Phoenix Fortune pursuant to the Equity Transfer Agreement
“Amended Mico Articles”	The amended Mico Articles as agreed pursuant to the Convertible Loan Investment Agreement, of which the details are mentioned under the paragraph “Amended Mico Articles” of this announcement
“Board”	the board of directors of the Company

“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
“Contractual Arrangements”	a series of contractual agreements reached to consolidate the interests NewBornTown Mobile Technology and NewBornTown Network Technology entered into among Shandong NewBornTown Network Technology Co., Ltd. (山東赤子城網絡技術有限公司), NewBornTown Mobile Technology and the shareholders of NewBornTown Mobile Technology
“Conversion”	the conversion of all or part of the Convertible Loan to the newly issued registered capital of Mico pursuant to the Convertible Loan Investment Agreement
“Convertible Loan”	the convertible loan of RMB50 million provided by NewBornTown Network Technology to Mico pursuant to the Convertible Loan Investment Agreement
“Convertible Loan Investment”	the proposed investment pursuant to the Convertible Loan Investment Agreement
“Convertible Loan Investment Agreement”	the convertible loan investment agreement entered into between NewBornTown Network Technology, Mr. Ye Chunjian and Mico on 17 April 2020
“Director(s)”	the directors of the Company
“Equity Transfer Agreement”	the equity transfer agreement in relation to Beijing Mico World Technology Co., Ltd. entered into between NewBornTown Network Technology and Phoenix Fortune on 17 April 2020
“General Meeting”	the general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, amongst others, the Equity Transfer Agreement, the Convertible Loan Investment Agreement, the Conversion and the transactions contemplated thereunder
“IFRS”	International Financial Reporting Standards as effective and modified from time to time
“Independent Board Committee”	the independent board committee of the Board, comprising Mr. PAN Xiya, Mr. CHI Shujin and Mr. LIU Rong, all being the independent non-executive Directors of the Company
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement, the Convertible Loan Investment Agreement, the Conversion and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders who are not required to abstain from voting in favour of the resolution for approving the proposed resolutions under the Listing Rules

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mico”	Beijing Mico World Technology Co., Ltd. (北京米可世界科技有限公司) (formerly known as Beijing Zhongluo Technology Co., Ltd. (北京眾絡科技有限公司)), a company incorporated under the laws of the PRC with limited liability
“Mico Articles”	the articles of association of Mico
“NewBornTown Mobile Technology”	NewBornTown Mobile Technology (Beijing) Holdings Co., Ltd. (赤子城移動科技(北京)股份有限公司), a company incorporated under the laws of the PRC with limited liability and by virtue of the Contractual Arrangements, accounted for as a subsidiary of the Company
“NewBornTown Network Technology”	NewBornTown Network Technology (Beijing) Co., Ltd. (赤子城網絡技術(北京)有限公司), a company incorporated under the laws of the PRC with limited liability and by virtue of the Contractual Arrangements, accounted for as a subsidiary of the Company. NewBornTown Network Technology is a direct wholly-owned subsidiary of NewBornTown Mobile Technology
Ningbo Tonghe Chuangyuan	Ningbo Meishan Bonded Port Tonghe Chuangyuan Enterprise Management Centre (Limited Partnership) (寧波梅山保稅港區通和創源企業管理中心(有限合夥)), a limited partnership established under the laws of the PRC
“Phoenix Fortune”	Beijing Phoenix Fortune Interconnection Investment Fund (Limited Partnership) (北京鳳凰祥瑞互聯投資基金(有限合夥)), a limited partnership established under the laws of the PRC
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus of the Company dated 17 December 2019
“RMB”	Renminbi, the lawful currency in the PRC
“Shares”	ordinary share(s) in the share capital of our Company with a par value of US\$0.0001 each
“Shareholder(s)”	the holder of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

Tianjin Tonghe Chuangyuan Tianjin Tonghe Chuangyuan Enterprise Management Consulting Centre (Limited Partnership) (天津通和創源企業管理諮詢中心(有限合夥)), a limited partnership established under the laws of the PRC

“%” per cent.

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

Beijing, 19 April 2020

As at the date of this announcement, the executive Directors of the Company are Mr. LIU Chunhe, Mr. LI Ping and Mr. WANG Kui; and the independent non-executive Directors of the Company are Mr. PAN Xiya, Mr. CHI Shujin and Mr. LIU Rong.