

赤子城

newborntown

Newborn Town Inc.

赤子城科技有限公司

Stock Code: 9911

(Incorporated in the Cayman Islands with limited liability)

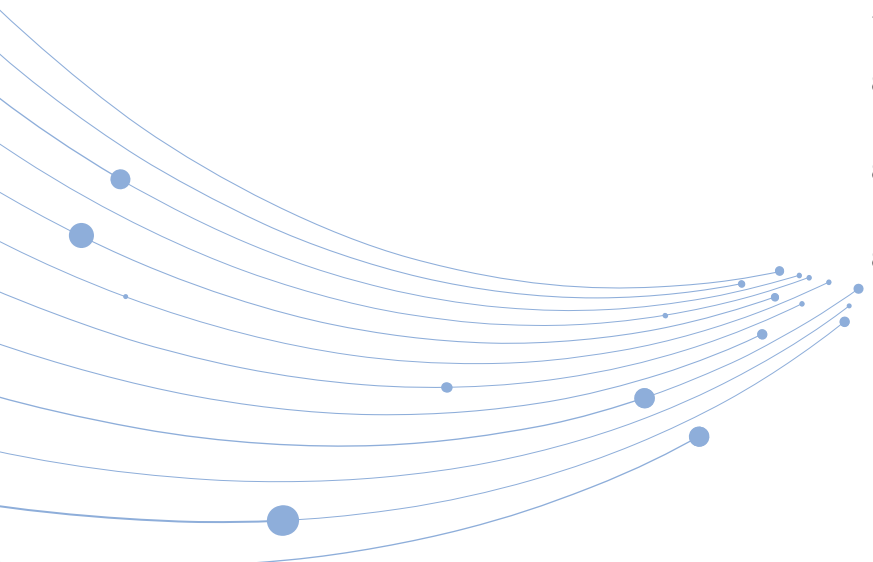
2022 ANNUAL
REPORT





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CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

JOINT COMPANY SECRETARIES

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

AUTHORISED REPRESENTATIVES

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F Prince's Building
Central
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REGISTERED OFFICE

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Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

PRINCIPAL BANKERS

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Central
Hong Kong

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

CORPORATE INFORMATION

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As to Cayman Islands law:

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26th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shop 1712-1716
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183 Queen's Road East
Wanchai
Hong Kong

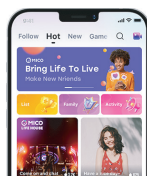
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COMPANY'S WEBSITE

www.newborntown.com

BUSINESS HIGHLIGHT



MICO
Open social
networking platform



YoHo
Audio social
networking platform



Yumy
Heartbeat social
networking platform



TopTop
Game-oriented
social platform

Unit: RMB

SOLID REVENUE GROWTH

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

SIGNIFICANT INCREASE IN PROFIT

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

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


STABLE GROWTH OF SOCIAL NETWORKING BUSINESS

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

INCREASED COMMERCIAL VALUE OF SOCIAL PRODUCTS

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

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

 **Yumy**
Increasing gross profit margin

INCREASED INVESTMENT IN RESEARCH AND DEVELOPMENT

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

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

PRELIMINARY RESULTS OF EXPLORING THE INTEGRATION OF SOCIAL AND GAMES

 **TopTop**
Multiplayer game-oriented social platform

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

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Revenue from contracts with customers	2,799,698	2,359,816	1,181,593	389,685	276,686
Gross profit	1,057,907	1,003,320	752,489	261,512	141,420
Profit/(loss) before income tax	287,379	(393,881)	130,180	78,386	68,610
Profit/(loss) for the year	287,335	(387,125)	114,343	68,415	59,737
Non-IFRS measures ⁽¹⁾					
Adjusted EBITDA ⁽²⁾	374,688	357,067	198,285	126,626	73,665

Notes:

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

	As at 31 December				
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
ASSETS					
Non-current assets	743,600	496,434	505,469	203,315	89,072
Current assets	976,617	1,125,994	762,695	574,245	525,157
Total assets	1,720,217	1,622,428	1,268,164	777,560	614,229
LIABILITIES					
Current liabilities	349,074	727,297	409,487	131,027	101,712
Non-current liabilities	133,133	55,037	71,669	11,988	4,171
Total liabilities	482,207	782,334	481,156	143,015	105,883
EQUITY					
Total equity	1,238,010	840,094	787,008	634,545	508,346
Total liabilities and equity	1,720,217	1,622,428	1,268,164	777,560	614,229

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

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

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

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

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

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

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

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

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

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

BUSINESS REVIEW

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

Enriching diverse social networking matrix to build high sticky social ecology

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

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

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

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

CHAIRMAN'S STATEMENT

Deepening localization and penetration of the global market

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

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

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

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

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

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

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

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

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

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

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

III. Arranging the investment in pink economy

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

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

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

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

STRATEGIES AND OUTLOOK

I. Enhancing investment in the Middle East and South Africa regions to maximize profit

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

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

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

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

CHAIRMAN'S STATEMENT

II. Keep enriching product ecology and entering the trillion-dollar market

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

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

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

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

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

III. Resolutely advancing innovative business and seeking for diverse overseas development opportunity

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

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

	Year ended 31 December				
	2022		2021		YoY Change
	<i>RMB'000</i>	<i>% of Total revenue</i>	<i>RMB'000</i>	<i>% of Total revenue</i>	
Social networking business	2,557,371	91.3	2,095,522	88.8	
Innovative business	242,327	8.7	264,294	11.2	-8.3%
Total	2,799,698	100.0	2,359,816	100.0	18.6%

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

COST OF REVENUE

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

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

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

	Year ended 31 December				
	2022		2021		YoY Change
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	
Social networking business	1,700,755	97.6	1,319,165	97.2	
Innovative business	41,036	2.4	37,331	2.8	9.9%
Total	1,741,791	100.0	1,356,496	100.0	28.4%

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

GROSS PROFIT AND GROSS PROFIT MARGIN

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

SELLING AND MARKETING EXPENSES

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

RESEARCH AND DEVELOPMENT EXPENSES

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

GENERAL AND ADMINISTRATIVE EXPENSES

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

OPERATING PROFIT/(LOSS)

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

FINANCE COST, NET

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

INCOME TAX

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

PROFIT/(LOSS) FOR THE YEAR

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

NON-IFRS MEASURES

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Notes:

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

CAPITAL STRUCTURE

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

FINANCIAL RESOURCES AND OPERATING CASH FLOW

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

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

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

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

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

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURE

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

SIGNIFICANT INVESTMENT

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

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

PLEDGE OF ASSETS

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

CONTINGENT LIABILITIES

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

GEARING RATIO

As at 31 December 2022, the gearing ratio of the Company was 28.03%, which is calculated as total liabilities divided by total assets.

FOREIGN EXCHANGE RISK MANAGEMENT

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

OTHER PRINCIPAL RISKS AND UNCERTAINTIES

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

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

EMPLOYEE AND REMUNERATION POLICIES

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

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

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

DIRECTORS

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

The following table sets out information of the Directors.

Name	Age	Position	Date of Appointment as Director
Mr. LIU Chunhe	37	Executive Director and Chairman	12 September 2018
Mr. LI Ping	33	Executive Director	22 June 2019
Mr. YE Chunjian	31	Executive Director	1 April 2021
Mr. SU Jian	48	Executive Director	1 April 2021
Mr. GAO Ming	37	Independent Non-executive Director	26 August 2021
Mr. CHI Shujin	38	Independent Non-executive Director	11 December 2019
Mr. HUANG Sichen	35	Independent Non-executive Director	1 April 2021

EXECUTIVE DIRECTORS

Mr. LIU Chunhe (劉春河), former name Liu Zhonghua (劉中華), aged 37, is the founder of the Group. He currently serves as the Chairman of the Board and executive Director of our Company. He also holds directorships in various subsidiaries of the Company, including NewBornTown Mobile Technology, Beijing Mico World Technology Co., Ltd., Solo X Technology Limited and Newborn Town International Enterprise Limited. Mr. Liu has been the Chairman and Manager of Beijing Newborn Town Group Ltd. (北京赤子城集團有限公司) since July 2020. He is responsible for the overall management, strategies planning and decision-making of our Company. Mr. Liu Chunhe acts in concert with Mr. Li Ping.

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

Mr. LI Ping (李平), aged 33, is a co-founder, an executive Director and the chief executive officer, of our Company. He joined the Group in July 2011 and is responsible for overall operation and management of our business. Mr. Li Ping also holds directorships in NewBornTown Mobile Technology, NewBornTown Network Technology, Shandong NewBornTown and Beijing Mico World Technology Co., Ltd.. Mr. Li has been a director of Beijing Fantasy Dream Technology Co., Ltd.(北京奇幻夢想科技有限公司) since December 2020, an executive director and general manager of Hainan NewBornTown Network Technology Co., Ltd. (海南赤子城網絡技術有限公司) since January 2021, a director of Beijing Newborn Town Group Ltd. (北京赤子城集團有限公司) since January 2021 and a director of Beijing AFun Team Technology Ltd (北京阿凡提互娛科技有限公司) since August 2021. Mr. Li Ping acts in concert with Mr. Liu Chunhe.

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

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. YE Chunjian (葉椿建), aged 31, is an executive Director and the Chief Technology Officer of our Company. He joined our Group in June 2014 and is responsible for the research and development of the social networking business. He has been serving as a founding partner of Beijing Mico World Technology Co., Ltd. since February 2017, and its director and manager since June 2018, an executive director and general manager of Hainan Jidu Kongjian Internet Technology Co., Ltd. (海南幾度空間網絡科技有限責任公司) since January 2019 and a director of Beijing Newborn Town Group Ltd. (北京赤子城集團有限公司) since January 2021.

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

Mr. Su Jian (蘇鑒), aged 48, is an executive director of the Company. He joined the Group in May 2014 and is responsible for the overall management, strategies planning and decision-making of Beijing Mico World Technology Co., Ltd.. He has been serving as the chairman of the board and general manager of Shenzhen Yike Technology Co., Ltd. (深圳一刻科技有限公司) since June 2016, an executive director and general manager of Shenzhen Leyuyou Internet Technology Co., Ltd. (深圳樂娛游網絡科技有限公司) since April 2018, a director of Beijing Mico World Technology Co., Ltd. since June 2018, a director of Beijing Newborn Town Group Ltd. since January 2021, and an executive director and manager of Xiaoshitou Online (Beijing) Technology Co., Ltd. (小石頭在綫(北京)科技有限公司) since June 2021.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. GAO Ming (高明), aged 37, was appointed as an independent non-executive Director of our Company in August 2021. He is responsible for providing independent advice and judgement to our Board.

Mr. GAO Ming served as a postdoctoral researcher at Guanghua School of Management, Peking University from July 2014 to August 2016. From July 2015 to July 2016, Mr. GAO was a visiting scholar at Princeton University. From August 2016 to August 2019, Mr. GAO served as an assistant professor at the School of Economics, Peking University. Since June 2017, Mr. GAO has been serving as a supervisor of candidates of master's degree at the School of Economics, Peking University. Since December 2018, Mr. GAO has been serving as a doctoral supervisor at the School of Economics, Peking University. Since September 2019, Mr. GAO has been serving as an associate professor at the School of Economics, Peking University.

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

Mr. CHI Shujin (池書進), aged 38, was appointed as an independent non-executive Director of our Company in December 2019. He is responsible for providing independent advice and judgement to our Board. Mr. Chi Shujin is a director and the CFO of Beijing Siwei Zaowu Information Technology Holdings Co., Ltd. (北京思維造物信息科技股份有限公司) since September 2017.

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

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. HUANG Sichen (黃斯沉), aged 35, was appointed as an independent non-executive Director of our Company in April 2021. He is responsible for providing independent advice and judgment to our Board. Mr. HUANG has been serving as a director of Beijing Zhenghe Island Information Technology Co., Ltd. (北京正和島信息科技有限有限公司) since July 2011, a managing partner of Beijing Prestige Angel Investment Management Co., Ltd. (北京貴格天使投資管理有限有限公司) since November 2014, the chairman of the board and general manager of Beijing Beetle Sports International & Investment Co., Ltd. since March 2015, a director of Shangkequan (Beijing) Cultural Communication Co., Ltd. (尚客圈(北京)文化傳播有限有限公司) since September 2015, a director of Beijing Youluqianxing Technology Development Co., Ltd. (北京有路前行科技發展有限有限公司) since May 2017, and a founding partner of Fenrir Partners Group Limited since March 2021.

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

SENIOR MANAGEMENT AND OTHERS

Mr. SONG Pengliang (宋朋亮), aged 34, is responsible for the Group's overall strategic and capital planning. Mr. SONG joined the Group in March 2018 as the senior investment manager. From April 2021 to March 2023, he served as the acting chief financial officer of the Group. He has been serving as the Senior Vice President of the Group since April 2023.

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

Ms. LYU Xiaonan (呂曉楠), aged 41, is responsible for the Group's financial operations. Ms. LYU joined the Group in February 2018 as the finance director of the Group. She has been serving as the Senior Vice President of the Group since April 2023.

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

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

Mr. SUN Junchen (孫俊辰), aged 35, has been the vice president of investment development of our Group since April 2023, and being primarily responsible for the Group's innovative business.

Mr. SUN Junchen was accredited as a Certified Public Accountant by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in April 2015.

Mr. SUN Junchen obtained his bachelor's degree in management from Tianjin University of Finance and Economics (天津財經大學) in June 2011 and later received his master's degree in business administration from Peking University (北京大學) in July 2018.

Prior to joining the Group, from October 2011 to May 2015, Mr. SUN worked at PricewaterhouseCoopers; from June 2015 to October 2015, Mr. SUN worked at Shenwan Hongyuan Securities Co., Ltd.; from November 2015 to January 2017, Mr. SUN served as the finance director of MicroMedia Holdings Limited. Since February 2017, Mr. SUN has worked at BlueCity and has been serving as the chief financial officer of BlueCity since May 19, 2022.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Ms. CHEN Keying (陳可盈), aged 29, has been the investor relations director of our Group since August 2020. Although she is not part of our senior management team, we consider Ms. CHEN's role being significant to the Group as she is primarily responsible for the Group's investor relations.

Ms. CHEN Keying obtained her bachelor's degree in management from Shanghai International Studies University (上海外國語大學) and later received her master's degree in cultural intelligence and innovation from Université Paris Cité (originally Université de Paris) (巴黎西岱大學(原巴黎大學)).

Prior to joining the Group, Ms. CHEN served as the Senior Manager of International Relations of Centre Georges-Pompidou in France from February 2018 to August 2019. From September 2019 to July 2020, she served as the Senior Manager of Corporate Development Department of Riley Cillian.

JOINT COMPANY SECRETARIES

Mr. SONG Pengliang (宋朋亮), aged 35, was appointed as our joint company secretary on 27 May 2019.

Mr. AU-YEUNG Wai Ki, Joseph (歐陽偉基), aged 59, was appointed as our joint company secretary on 27 May 2019.

DIRECTORS' REPORT

The Board is pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company is a global social networking entertainment company providing services to users in over 150 countries and regions. At present, being in deep development of the open-end social networking sector in the global market through its launching of various global audio and video social products such as Yummy, MICO and YoHo, the Company actively explores innovative business in the direction of social networking entertainment, creating high-quality games such as “Mergeland-Alice’s Adventure”.

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

The activities and particulars of the Company’s subsidiaries are shown under note 19 to the consolidated financial statements. An analysis of the Group’s revenue and operating profit for the year by principal activities is set out in the section headed “Management Discussion and Analysis” on pages 11 to 14 in this annual report.

RESULTS OF OPERATIONS

The financial results of the Group for the year ended 31 December 2022 are set out on pages 11 to 18 in this annual report.

FINANCIAL SUMMARY

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

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2022.

BUSINESS REVIEW

A review of the Group’s business for the year ended 31 December 2022, which includes a discussion of the principal risks and uncertainties faced by the Group, an analysis of the Group’s performance using financial key performance indicators, particulars of important events affecting the Group since the end of the financial year ended 31 December 2022, and an indication of likely future developments in the Group’s business can be found in the sections headed “Chairman’s Statement” on pages 6 to 10, “Management Discussion and Analysis” on pages 11 to 19 and “Corporate Governance Report” on pages 57 to 70 in this annual report. In addition, a discussion on relationships with its key stakeholders is included in the section headed “Management Discussion and Analysis”.

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

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2022, as far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material aspects.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

For details of the Company's environmental policies and performance, and the important relationship between the Company and its employees, customers and suppliers, please refer to the environmental, social and governance report of the Company for the year ended 31 December 2022, published on the website of the Stock Exchange and the website of the Company according to the Listing Rules.

USE OF PROCEEDS

Use of Proceeds from the Global Offering

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

The Group has gradually utilised the net proceeds in accordance with the intended purposes and expected timeline as disclosed in the Prospectus and the announcement dated 31 March 2022 of the Company. The breakdown of the intended use and amount utilised as at 31 December 2022 were as follows:

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

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

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

DIRECTORS' REPORT

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

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

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

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

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

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2022, the Group's five largest customers in aggregate accounted for approximately 10.05% of the Group's total revenue. The Group's largest customer accounted for 6.38% of the Group's total revenue.

During the year ended 31 December 2022, the Group's five largest suppliers in aggregate accounted for approximately 47.16% of the Group's total purchase. The Group's largest supplier accounted for 14.75% of the Group's total purchase.

During the year ended 31 December 2022, to the best of the knowledge of the Directors, none of the Directors, their associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the Group's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2022 are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2022 are set out in note 28 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year ended 31 December 2022 are set out in notes 35b & 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's distributable reserves were approximately RMB2,546.1 million.

BANK BORROWING

As at 31 December 2022, the Group did not have any short-term or long-term bank borrowings and had no outstanding, utilised or unutilised banking facilities.

LOAN AND GUARANTEE

During the year ended 31 December 2022, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, chief executives of the Company, the controlling Shareholders (as defined under the Listing Rules) or their respective connected persons.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

During the year ended 31 December 2022, at no time during the year under review was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities including debentures of, the Company or any other body corporate.

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors:

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

Independent Non-executive Directors:

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

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out in this annual report in the section headed "Profile of Directors and Senior Management" on pages 20 to 23.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENTS

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

Mr. LI Ping entered into a service contract with the Company on 22 June 2019. The service contract was for an initial fixed term of three years (subject to re-nomination and re-election by the Company in annual general meeting), until termination.

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

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

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

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

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

EMOLUMENT OF DIRECTORS AND SENIOR MANAGEMENT

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

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

For the year ended 31 December 2022, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments for the year ended 31 December 2022.

Except as disclosed above, no other payments have been made or are payable, for the year ended 31 December 2022, by our Group to or on behalf of any of the Directors.

MANAGEMENT CONTRACTS

Other than the Directors' service contracts and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of, or at any time during the year ended 31 December 2022.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no transactions, arrangements or contracts of significance subsisted in which a Director or an entity connected with a Director was materially interested, whether directly or indirectly, during or at the end of 31 December 2022.

PERMITTED INDEMNITY PROVISIONS

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

DIRECTORS' REPORT

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

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

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

Notes:

- (1) All interests stated are long positions.
- (2) The calculation is based on the total number of 1,191,216,000 Shares in issue as of the Latest Practicable Date.
- (3) The Shares are registered under the name of Spriver Tech Limited, the issued share capital of which is owned as to 100% by Mr. Liu Chunhe. Accordingly, Mr. Liu Chunhe is deemed to be interested in all the Shares held by Spriver Tech Limited for the purpose of Part XV of the SFO.
- (4) The Shares are registered under the name of Parallel World Limited, the issued share capital of which is owned as to 100% by Mr. Li Ping. Accordingly, Mr. Li Ping is deemed to be interested in all the Shares held by Parallel World Limited for the purpose of Part XV of the SFO.
- (5) Mr. Liu Chunhe and Mr. Li Ping are parties acting in concert (having the meaning ascribed thereto in the Takeovers Code). Accordingly, Mr. Liu Chunhe, Spriver Tech Limited, Mr. Li Ping, Parallel World Limited are each deemed to be interested in the Shares held by them under the SFO.
- (6) On 30 August 2021, Mr. Liu Chunhe and Mr. Li Ping were granted 24,000,000 and 6,000,000 share option respectively by the Company under the share option scheme adopted by the Company on 31 May 2021 (the "Share Option Scheme"). The grant of 24,000,000 share options to Mr. Liu Chunhe and 6,000,000 share options to Mr. Li Ping was approved by the independent Shareholders at an extraordinary general meeting on 31 March 2022.
- (7) On 30 August 2021, Mr. Su Jian was granted 9,000,000 share options by the Company under the Share Option Scheme.
- (8) On 30 August 2021, Mr. Ye Chunjian was granted 6,000,000 share options by the Company under the Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

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

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

Notes:

- (1) All interests stated are long positions.
- (2) The calculation is based on the total number of 1,191,216,000 Shares in issue as of the Latest Practicable Date.
- (3) BGFG is directly and wholly owned by Mr. Wang Xinming. Mr. Wang Xinming is therefore deemed to be interested in all the Shares held by BGFG under the SFO.
- (4) Phoenix Auspicious FinTech Investment L.P. is an exempted limited partnership established under the laws of Cayman Islands, the general partner of which is Phoenix Wealth (Cayman) Asset Management Limited, an exempted company incorporated under the laws of Cayman Islands. Phoenix Wealth (Cayman) Asset Management Limited is wholly owned by Phoenix Wealth (Hong Kong) Asset Management Limited, a limited company incorporated under the laws of Hong Kong, which is in turn wholly owned by Mr. Du Li. Mr. Du Li is therefore deemed to be interested in all the Shares held by Phoenix Auspicious FinTech Investment L.P. under the SFO.

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

DIRECTORS' REPORT

CONTRACT WITH CONTROLLING SHAREHOLDERS

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

NON-COMPETITION UNDERTAKINGS

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

Each of Mr. Liu Chunhe and Mr. Li Ping has confirmed in writing to the Company of his compliance with the Deed of Non-competition for disclosure in this annual report during the financial year of 2022. No new business opportunity has been notified by them as at 31 December 2022. The independent non-executive Directors have reviewed the implementation of the Deed of Non-competition and are of the view that the non-competition undertakings thereunder have been complied with by each of Mr. Liu Chunhe and Mr. Li Ping for the year ended 31 December 2022.

RETIREMENT BENEFITS SCHEME

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

RSU SCHEMES

Employee RSU Scheme

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

Participants in the Employee RSU Scheme

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

Maximum entitlement of each participant

There is no limit on the maximum entitlement of each participant under the Employee RSU Scheme.

Term of the Employee RSU Scheme

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

Maximum number of Shares under the Employee RSU Scheme

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

Vesting of RSUs

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

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

Total number of Shares available for issue under the Employee RSU Scheme and % of issued share capital as of the date of this annual report

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

Exercise of the RSUs

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

Amounts to be paid on acceptance of RSUs

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

Basis of determining the purchase price

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

DIRECTORS' REPORT

Details of the RSUs granted under the Employee RSU Scheme

As of 31 December 2022, details of the RSUs granted under the Employee RSU Scheme were as follows:

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

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

Since the adoption of the Employee RSU Scheme and as of 31 December 2022, no grant under the Employee RSU Scheme has been made to any of (i) the directors, chief executive or substantial shareholders of the Company, or their respective associates; (ii) any related entity participant or service provider with RSUs granted in any 12-month period exceeding 0.1% of the relevant class of shares in issue of the Company; and (iii) any other participant with RSUs granted in excess of the 1% individual limit (with the aforementioned terms having the same meanings as given to such terms in the Listing Rules).

As of 1 January 2022, the aggregate number of Shares underlying the granted RSUs under the Employee RSU Scheme was 30,451,573, representing approximately 2.77% of the issued share capital of the Company as at 1 January 2022. No RSUs were granted, cancelled and lapsed during the year ended 31 December 2022, pursuant to the Employee RSU Scheme. As of 31 December 2022, the aggregate number of Shares underlying the granted RSUs under the Employee RSU Scheme was 30,451,573, representing approximately 2.56% of the issued share capital of the Company as at 31 December 2022. As of the respective dates of 1 January 2022 and 31 December 2022, the aggregate number of Shares underlying the unvested RSUs were 13,967,572 and 6,640,905. As of 31 December 2022, the aggregate number of shares involved in RSUs vested under the Employee RSU Scheme was 21,210,000. Up to the Latest Practicable Date, under the Employee RSU Scheme 2,600,668 RSUs previously granted to a grantee were forfeited at the date of his resignation.

As of the respective dates of 1 January 2022 and 31 December 2022, the total number of Shares available for grant under the RSU Employee Scheme were 2,088,783 and 2,088,783 Shares, representing approximately 0.19% and 0.17% of the then issued share capital of the Company and approximately 0.17% and 0.17% of the issued share capital of the Company as of the date of this annual report, respectively.

The number of Shares under the Employee RSU Scheme outstanding as at 1 January 2022, granted during the year, vested during the year, cancelled or lapsed during the year, and outstanding as at 31 December 2022 for the five highest paid individuals in 2022 in aggregate were 7,022,908, 0, 3,514,000, 0 and 3,508,908, respectively. The average weighted average closing price of the Shares immediately before the date on which such RSUs were vested in 2022, being 20 July 2022, was HK\$ 2.55.

The number of RSUs under the Employee RSU Scheme outstanding as at 1 January 2022, granted during the year, vested during the year, cancelled or lapsed during the year, and outstanding as at 31 December 2022 for other grantees (other than the Directors and the five highest paid individuals) in aggregate were 6,531,997, 0, 3,400,000, 0 and 3,131,997, respectively. The average weighted average closing price of the Shares immediately before the date on which such RSUs were vested in 2022, being 20 July 2022, was HK\$ 2.55.

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

Management RSU Scheme

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

Participants in the Management RSU Scheme

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

Maximum entitlement of each participant

There is no limit on the maximum entitlement of each participants under the Management RSU Scheme.

Term of the Management RSU Scheme

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

DIRECTORS' REPORT

Maximum number of Shares under the Management RSU Scheme

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

Vesting of RSUs

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

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

Total number of Shares available for issue under the Management RSU Scheme and % of issued share capital as of the date of this annual report

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

Exercise of the RSUs

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

Amounts to be paid on acceptance of RSUs

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

Basis of determining the purchase price

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

Details of the RSUs granted under the Management RSU Scheme

As of 31 December 2022, details of the RSUs granted under the Management RSU Scheme were as follows:

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

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

DIRECTORS' REPORT

Since the adoption of the Management RSU Scheme and as of 31 December 2022, no grant under the Management RSU Scheme has been made to any of (i) the directors, chief executive or substantial shareholders of the Company, or their respective associates; (ii) any related entity participant or service provider with RSUs granted in any 12-month period exceeding 0.1% of the relevant class of shares in issue of the Company, and (iii) any other participant with RSUs granted in excess of the 1% individual limit (with the aforementioned terms having the same meanings as given to such terms in the Listing Rules).

As at 1 January 2022, the aggregate number of Shares underlying the granted RSUs under the Management RSU Scheme was 25,733,333, representing approximately 2.34% of the issued share capital of the Company as at 1 January 2022. No RSUs were granted, cancelled and lapsed during the year ended 31 December 2022, pursuant to the Management RSU Scheme. As at 31 December 2022, the aggregate number of Shares underlying the granted RSUs under the Management RSU Scheme was 25,733,333, representing approximately 2.16% of the issued share capital of the Company as at 31 December 2022, and none of the granted RSUs under the Management RSU Scheme has been forfeited. As of the respective dates of 1 January 2022 and 31 December 2022, the aggregate number of Shares underlying the unvested RSUs were 12,857,333 and 6,419,333. As of 31 December 2022, the aggregate number of shares involved in RSUs vested under the Management RSU Scheme was 19,314,000.

As of the respective dates of 1 January 2022 and 31 December 2022, the total number of Shares available for grant under the RSU Management Scheme were 2,061,877 and 2,061,877 Shares, representing approximately 0.19% and 0.17% of the then issued share capital of the Company and approximately 0.17% and 0.17% of the issued share capital of the Company as at the date of this annual report, respectively.

The number of Shares under the Management RSU Scheme outstanding as at 1 January 2022, granted during the year, vested during the year, cancelled or lapsed during the year, and outstanding as at 31 December 2022 for the five highest paid individuals in 2022 in aggregate were 7,665,333, 0, 3,834,000, 0 and 3,831,333, respectively. The average weighted average closing price of the shares immediately before the date on which such RSUs were vested in 2022, being 20 July 2022, was HK\$2.55.

The number of RSUs under the Management RSU Scheme outstanding as at 1 January 2022, granted during the year, vested during the year, cancelled or lapsed during the year, and outstanding as at 31 December 2022 for other grantees (other than the Directors and the five highest paid individuals) in aggregate were 5,192,000, 0, 2,604,000, 0 and 2,588,000, respectively. The average weighted average closing price of the shares immediately before the date on which such RSUs were vested in 2022, being 20 July 2022, was HK\$2.55.

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

SHARE OPTION SCHEME

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

(1) Purpose

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

(2) Participants

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

(3) Total number of shares which may be issued

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

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

As at the date of the annual report, the total number of shares which may be issued under the Share Option Scheme is 99,885,500 shares, accounting for approximately 8.39% of the issued shares (i.e. 1,191,216,000 shares) as at the date of the annual report.

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

(4) Maximum entitlement to each participant

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

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

(5) Time of acceptance and exercise of options

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

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

(6) Amounts to be paid on acceptance of Options

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

(7) Basis for determination the Exercise Price

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

- (i) the closing price of the Shares as stated in the daily quotation sheet issued by the Stock Exchange on the Offer Date;
- (ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Business Days immediately preceding the Offer Date; and
- (iii) the nominal value of a Share on the Offer Date.

(8) The remaining life of the Share Option Scheme

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

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

As of 31 December 2022, details of the Options granted under the Share Option Scheme were as follows:

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

DIRECTORS' REPORT

The details of Options previously granted to under the Share Option Scheme for 31 December 2022 are as follows:

Grantee and position	Held on 1 January 2022	Granted during the year	Expired during the year	Vested during the year ⁽⁵⁾	Exercised during the year	Lapsed during the year	Held on 31 December 2022	Exercise Price (HK\$) ⁽²⁾	The closing price immediately before the Date of Grant (HK\$)	Date of Grant	Exercisable from	Exercisable until
Directors												
Mr. LIU Chunhe	24,000,000 ⁽¹⁾	-	-	7,200,000	-	-	24,000,000	4.81	4.73	30 August 2021	31 March 2022	29 August 2031
Mr. LI Ping	6,000,000 ⁽¹⁾	-	-	1,800,000	-	-	6,000,000	4.81	4.73	30 August 2021	31 March 2022	29 August 2031
Mr. SU Jian	9,000,000	-	-	2,700,000	-	-	9,000,000	4.81	4.73	30 August 2021	30 August 2021	29 August 2031
Mr. YE Chunjian	6,000,000	-	-	1,800,000	-	-	6,000,000	4.81	4.73	30 August 2021	30 August 2021	29 August 2031
Sub-total	45,000,000	-	-	13,500,000	-	-	45,000,000					
Other employees												
Employee	35,000,000	-	-	9,900,000	-	(770,000)	34,230,000	4.81	4.73	30 August 2021	30 August 2021	29 August 2031
Total	80,000,000	-	-	23,400,000	-	(770,000)	79,230,000					

Notes:

- The total number of Shares issued and to be issued upon exercise of the Options granted to each of Mr. Liu Chunhe and Mr. Li Ping exceeded in a 12-month period 1% of the Shares in issue and such grant in a 12-month period represented over 0.1% of the Shares in issue, and have an aggregate value, based on the closing price of HK\$4.67 per Share on the date of grant, in excess of HK\$5 million. The Options granted to Mr. Liu Chunhe and Mr. Li Ping were approved by independent Shareholders at the extraordinary general meeting of the Company on 31 March 2022.
- The Exercise Price shall be at least the highest of (i) the closing price of HK \$4.67 per share as stated in the daily quotation sheet issued by the Stock Exchange on the Grant Date; (ii) the average closing price of HK \$4.81 per share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately before the Date of Grant; and (iii) the nominal value of US\$0.0001 each.
- The number of Shares under the Share Option Scheme outstanding as of 1 January 2022, granted during the year, exercised during the year, cancelled or lapsed during the year, and outstanding as at 31 December 2022 for the five highest paid individuals in 2022 in aggregate are 41,000,000, 0, 0, 0, and 41,000,000, respectively.
- The number of Shares under the Share Option Scheme outstanding as of 1 January 2022, granted during the year, exercised during the year, cancelled or lapsed during the year, and outstanding as at 31 December 2022 for the other employees (excluding the Directors and the five highest paid individuals) in aggregate are 33,000,000, 0, 0, 770,000, and 32,230,000, respectively.

5. 80,000,000 share options granted by the Company will be vested in four phases after several performance targets related to the Company are achieved. A total of 45,000,000 options granted to Mr. Liu Chunhe, Mr. Li Ping, Mr. Su Jian and Mr. Ye Chunjian will be vested in four phases according to the proportion of 30%, 25%, 25% and 20% of the Options granted, that is, the 30% granted will be vested when the audited income of the Group in the financial year exceeds RMB2.3 billion or the average market value of the Company in three months exceeds HK\$12 billion, 25% will be attributed when the audited income of the Group in the financial year exceeds RMB3.5 billion or the three-month average market value of the Company exceeds HK\$20 billion, and the other 25% will be attributed when the audited income of the Group in the financial year exceeds RMB5 billion or the three-month average market value of the Company exceeds HK\$30 billion, The remaining 20% will be vested when the audited revenue of the Group in the financial year exceeds RMB6.5 billion or the three-month average market value of the company exceeds HK\$40 billion. For other employees, the Board has set the performance targets above or performance targets that require grantees to meet certain revenue objectives of the Company's products.

As of the respective dates of 1 January 2022 and 31 December 2022, the total number of Options available for grant under the Share Option Scheme were 19,885,000 Shares and 19,885,000 Shares, respectively, representing approximately 1.8% and 1.7% of the then issued share capital of the Company and approximately 1.7% and 1.7% of the issued share capital of the Company as of the date of this annual report, respectively.

The number of Options under the Share Option Scheme outstanding as at 1 January 2022, granted during the year, exercised during the year, cancelled or lapsed during the year, and outstanding as at 31 December 2022 in aggregate were 80,000,000, 0, 0, 770,000 and 8,265,574, respectively.

Save as disclosed in this annual report, no Option has been granted to the following persons under the Share Option Scheme since the adoption thereof and up to the date of this report: (i) each of the directors, chief executive or substantial shareholders of the Company, or their respective associates; (ii) each participant with options to be granted in excess of the 1% individual limit; (iii) each related entity participant or service provider with options to be granted in any 12-month period exceeding 0.1% of the relevant class of shares in issue of the Company; (iv) the five highest paid individuals during the financial year; and (v) other employee participants, related entity participants and service providers. During the year ended 31 December 2022, no Option has been cancelled.

Details of the Share Option Scheme and movements in share options during the year are disclosed in note 31b to the consolidated financial statements.

RSU AWARD SCHEME

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

RSU Award Scheme Participants

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

DIRECTORS' REPORT

Maximum entitlement of each participant

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

Term of RSU Award Scheme

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

Maximum number of shares granted under the RSU Award Scheme

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

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

Total number of Shares available for issue under the RSU Award Scheme and % of issued share capital as of the date of this annual report

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

Grant and Acceptance

(1) Making an offer

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

(2) Acceptance of an offer

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

Vesting of the RSUs

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

(1) Lock-up of the RSUs

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

(2) Unlock of the RSUs

(a) Unlock time schedule

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

(b) Requirements for unlock

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

DIRECTORS' REPORT

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

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

Amounts to be paid on acceptance of RSUs

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

Basis of determining the purchase price

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

Since the adoption of the RSU Award Scheme and as of 31 December 2022, the total number of Shares that are available for grant were 35,736,480 and 35,736,480, respectively. The RSU Trustee has purchased a total of 5,154,000 shares pursuant to RSU Award Scheme as of 31 December 2022, accounting for 0.43% of the existing total number of Shares in issue of the Company.

Since the adoption of the RSU Award Scheme and as of 31 December 2022, no RSUs have been granted, cancelled and lapsed under the RSU Award Scheme. Since the adoption of the RSU Award Scheme and as of 31 December 2022, no grant has been made to the following persons: (i) each of the directors, chief executive or substantial shareholders of the Company, or their respective associates; (ii) each participant with options to be granted in excess of the 1% individual limit; (iii) each related entity participant or service provider with options to be granted in any 12-month period exceeding 0.1% of the relevant class of shares in issue of the Company; (iv) the five highest paid individuals during the financial year; and (v) other employee participants, related entity participants and service providers.

EQUITY-LINKED AGREEMENT

Save as the Equity Transfer Agreement and the Share Option Scheme set out in the annual report, no equity-linked agreement that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares, were entered into by the Company during the year ended 31 December 2022 or subsisted as of the end of 2022.

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

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

SHARE REPURCHASE PURSUANT TO RSU AWARD SCHEME

The details of Shares purchased by Three D Partners Limited pursuant to RSU Award Scheme as at 31 December 2022 are as follows:

Total number of Shares purchased: 5,154,000

Percentage of the Shares purchased to the existing total number of Shares in issue: Approximately 0.43%

Average consideration per Share: Approximately HK\$2.88

Total consideration of Shares purchased: Approximately HK\$14,856,780

For further details, please refer to the announcements dated 9 June 2022, 16 June 2022 and 30 June 2022 of the Company.

PRE-EMPTIVE RIGHTS

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

CONNECTED TRANSACTIONS

Non-exempted Connected Transaction

Proposed Establishment of the Fund

On 13 January 2022, the Board has approved entering into the Partnership Agreement in relation to the Fund to be established. Such agreement is expected to be entered into among the Company, Spriver Tech Limited ("**Spriver**") and a wholly-owned subsidiary of Spriver before 31 March 2022, pursuant to which, the total fund-raising target of the Fund to be established shall be in the amount of US\$100 million, of which, the wholly-owned subsidiary of Spriver (as the General Partner) shall make cash contribution in the amount of US\$0.1 million, Spriver (as the Limited Partner) shall make cash contribution in the amount of US\$49.9 million, and the Company (as the Limited Partner) shall make cash contribution in the amount of US\$50 million.

The Fund shall operate from a global perspective, and the purposes of the Fund include, among others, (a) to participate in the going-private transaction of BlueCity Holdings Limited (NASDAQ: BLCT) by making equity investment in the buyer consortium which will be formed for the purpose of acquiring all of the outstanding ordinary shares of BlueCity Holdings Limited that are not beneficially owned by the buyer consortium; and (b) to focus on achieving capital growth primarily through privately negotiated equity and equity-related investments including without limitation by way of participating in privatisation transactions similar to (a), whether directly or indirectly, in companies that operate in a variety of sectors, primarily in companies driven by TMT (Telecommunication, Media, Technology), Metaverse, social media and electronic game demand of the global market, in accordance with and subject to the other provisions of the Partnership Agreement.

As at the date of the announcement dated January 13, 2022, Spriver was one of the controlling shareholders of the company. Each of Spriver and its wholly-owned subsidiary constitutes a connected person of the Company under Rule 14A.07 of the Listing Rules. Therefore, the formation of the Fund under the Partnership Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company dated January 13, 2022 and the circular dated March 16, 2022.

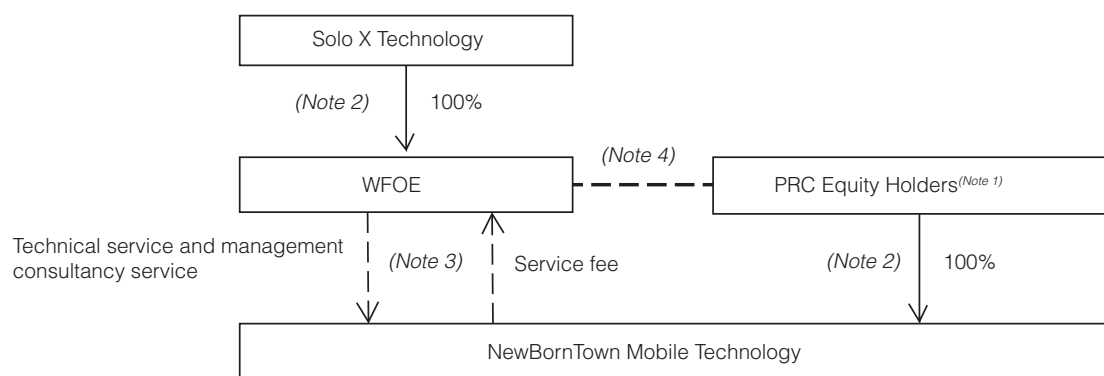
Non-exempted Continuing Connected Transactions

Contractual Arrangements

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

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

The following simplified diagram illustrates the flow of economic benefits from the Group's Consolidated Affiliated Entities to the Group stipulated under the Contractual Arrangements:



Notes:

- (1) PRC Equity Holders refer to the registered shareholders of NewBornTown Mobile Technology, namely: Mr. Liu Chunhe, Mr. Huang Mingming, Mr. Ye Chunjian, Mr. Du Li, Mr. Li Ping, Beijing Phoenix Fortune Interconnection Investment Fund (Limited Partnership), and Beijing Hande Houcheng Enterprise Management Centre (Limited Partnership) ("Hande Houcheng"). Because Shanghai Longwin Xinhua Investment Partnership Enterprise (Limited Partnership), Ningbo Meihua Shunshi Angel Capital Partnership Enterprise (Limited Partnership), Haitong Kaiyuan Investment Co., Ltd., Shanghai Haitong Xinxi Investment Center (Limited Partnership), Beijing Amphora Guotai Venture Capital Investment Co., Ltd. and Jiaying Fuqiang Ruiyi Equity Investment Limited Partnership Enterprise (Limited Partnership) have completed the sale of all the Shares in the Company held by them, on 1 February 2023, Hande Houcheng acquired the equity interests in NewBornTown Mobile Technology held by such entities for nominal consideration and pledged such equity interests to WFOE.
- (2) "—>" denotes direct legal and beneficial ownership in the equity interest (except in the case of Huang Mingming, which the beneficial ownership in the equity interest of NewBornTown Mobile Technology is held by Huang Mingming on behalf of Future Capital Discovery Fund I, L.P.).
- (3) "——>" denotes contractual relationship, please refer to "Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements" for details.
- (4) "——" denotes the control by WFOE over the PRC Equity Holders and NewBornTown Mobile Technology through (i) powers of attorney to exercise all shareholders' rights in NewBornTown Mobile Technology, (ii) exclusive equity call options to acquire all or part of the equity interests in NewBornTown Mobile Technology, (iii) exclusive asset call options to acquire all or part of the intellectual property and all other assets of NewBornTown Mobile Technology, and (iv) equity pledges over the equity interests in NewBornTown Mobile Technology.

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

Exclusive Business Cooperation Agreement

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

- (a) the use of any relevant software legally owned by the WFOE;
- (b) development, maintenance and updating of software in respect of the NewBornTown Mobile Technology's business;
- (c) design, installation, daily management, maintenance and updating of network systems, hardware and database design;
- (d) providing technical support and staff training services to relevant employees of NewBornTown Mobile Technology;
- (e) providing assistance in consultancy, collection and research of technology and market information (excluding market research business that wholly foreign-owned enterprises are prohibited from conducting under the laws of mainland China);
- (f) providing business management consultation;
- (g) providing marketing and promotional services;
- (h) providing customer order management and customer services;
- (i) transfer, leasing and disposal of equipment or properties; and
- (j) other relevant services requested by NewBornTown Mobile Technology from time to time to the extent permitted under the laws of China.

DIRECTORS' REPORT

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

Exclusive Option Agreements

(a) Exclusive Equity Call Option Agreement

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

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

(b) Exclusive Assets Call Option Agreement

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

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

Equity Pledge Agreement

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

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

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

Powers of attorney

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

- (a) to convene and attend shareholders' meetings of NewBornTown Mobile Technology;
- (b) to exercise all shareholder's rights and shareholder's voting rights in accordance with law and the constitutional documents of NewBornTown Mobile Technology, including but not limited to the sale, transfer, pledge or disposal of any or all of the equity interests in NewBornTown Mobile Technology;
- (c) to execute any written resolutions; and
- (d) to nominate or appoint the legal representatives, directors, supervisors, chief executive officers and other senior management of NewBornTown Mobile Technology.

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

DIRECTORS' REPORT

Save as disclosed above, there were no other new contractual arrangements entered into, renewed and/or re-entered into between WFOE, the PRC Equity Holders and other related parties during the year ended 31 December 2022.

There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the year ended 31 December 2022. For the year ended 31 December 2022, none of the Contractual Arrangements had been unwound on the basis that none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. As of 31 December 2022, the Group had not encountered interference or encumbrance from any PRC governing bodies in operating the businesses through the Consolidated Affiliated Entities under the Contractual Arrangements.

The revenue and profit for the year of the Consolidated Affiliated Entities subject to the Contractual Arrangements amounted to approximately RMB752.0 million and RMB372.3 million for the year ended 31 December 2022, respectively. The total assets and total liabilities of the Consolidated Affiliated Entities subject to the Contractual Arrangements amounted to approximately RMB1,813.2 million and RMB417.4 million as at 31 December 2022, respectively.

Qualification requirements

Updates in Relation to the Qualification Requirements

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

Efforts and Actions Undertaken to Comply with the Qualification Requirements

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

- (a) had applied for the registration of 22 trademarks in Hong Kong;
- (b) operated proprietary app traffic monetisation business in Hong Kong; and
- (c) monetised several apps which are offered in both Google Play and Apple App store through mobile advertising, and received payments from ad agency.

Reasons for Adopting the Contractual Arrangements

Due to regulatory restrictions on foreign ownership in the PRC, we conduct a portion of our business through the Consolidated Affiliated Entities in mainland China.

We do not hold any equity interests in the Consolidated Affiliated Entities. Rather, through the Contractual Arrangements, we effectively control these Consolidated Affiliated Entities and are able to derive substantially all of their economic benefits, and expect to continue to do so. The Contractual Arrangements among us, the WFOE, the Consolidated Affiliated Entities and the PRC Equity Holders enable us to (i) receive substantially all of the economic benefits from the Consolidated Affiliated Entities in consideration for the services provided by the WFOE; (ii) exercise effective control over the Consolidated Affiliated Entities; and (iii) hold an exclusive option to purchase all or part of the equity interests and assets in the Consolidated Affiliated Entities when and to the extent permitted by PRC laws.

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

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

Risks Relating to the Contractual Arrangements

There are certain risks that are associated with the Contractual Arrangements, including:

- If the PRC government determines that our Contractual Arrangements do not comply with applicable laws or regulations, or if these laws, regulations or their interpretations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.
- Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of the 2015 draft PRC foreign investment law and how it may impact the viability of our current corporate structure, corporate governance and business operations.
- Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.
- Our Contractual Arrangements may not be as effective in providing operational control as direct ownership and the NewBornTown Mobile Technology or the PRC Equity Holders may fail to perform their obligations under our Contractual Arrangements.

DIRECTORS' REPORT

- We may lose the ability to use and enjoy assets and licences held by NewBornTown Mobile Technology and its subsidiaries that are important to the operation of our business if NewBornTown Mobile Technology or any its subsidiaries declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.
- Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and additional taxes may be imposed. A finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.
- The PRC Equity Holders may potentially have a conflict of interest with us, and they may breach their contracts with us or cause such contracts to be amended in a manner contrary to our interests.
- We conduct mobile apps development business in the PRC through NewBornTown Mobile Technology and its subsidiaries by way of the Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under PRC laws.
- If we exercise the option to acquire equity ownership of NewBornTown Mobile Technology and its subsidiaries, the ownership transfer may subject us to certain limitations and substantial costs.

Further details of these risks are set out in the section headed “Risk Factors – Risks Relating to Our Contractual Arrangements” of the Prospectus.

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

- (a) the powers of attorney are granted to the WFOE, and the related matters are decided by designated persons of the WFOE, including for instance Directors and their successors, and the power of attorney will not be exercised by officers or directors of the Company who are also the PRC Equity Holders to prevent any potential conflict of interest;
- (b) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;
- (c) the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (d) the Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports; and
- (e) the Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of WFOE and the Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

Waivers from the Stock Exchange

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

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

For the year ended 31 December 2022, the independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that:

- (a) the transactions carried out during the year ended 31 December 2022 had been entered into in accordance with the relevant provisions of the Contractual Arrangements;
- (b) no dividends or other distributions had been made by the Consolidated Affiliated Entities to the holders of its equity interests which were not otherwise subsequently assigned or transferred to the Group;
- (c) any new contracts entered into, renewed and/or re-entered into between the Group and the Consolidated Affiliated Entities during the year ended 31 December 2022 are fair and reasonable, or advantageous to the Shareholders, so far as the Group is concerned and in the interests of the Company and the Shareholders as a whole; and
- (d) the Contractual Arrangements had been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interest of our Group and our Shareholders as a whole.

The Company's auditor has confirmed in a letter in accordance with the Hong Kong Standard on Assurance Engagement 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA, under the requirements of Rule 14A.56 of the Listing Rules, to the Board that the transactions carried out pursuant to the Contractual Arrangements during the year ended 31 December 2022, nothing has come to their attention that causes the auditor to believe that the Contractual Arrangements have not been approved by the Board; nothing has come to their attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the Contractual Arrangements, and that no dividends or other distributions had been made by the Consolidated Affiliated Entities to the holders of their equity interests which were not otherwise subsequently assigned or transferred to the Group.

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

Save as disclosed under the section headed "Connected Transactions" in this annual report, the Directors consider that none of the related party transactions disclosed in note 33 to the consolidated financial statements falls under the definition of "connected transactions" under Chapter 14A of the Listing Rules which is required to comply with the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules during the year under review. Further details on related party transactions for the year ended 31 December 2022 are set out in note 33 to the consolidated financial statements.

DIRECTORS' REPORT

DONATIONS

For the year ended 31 December 2022, the charitable and other donations made by the Group amounted to RMB1.0 million.

MATERIAL LEGAL PROCEEDINGS

For the year ended 31 December 2022, there is no legal proceeding individually or jointly by the Group, which would have a material adverse impact on our business, financial position or business performance and has not yet been adjudicated or poses a threat to us or any of our Directors.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

CLOSURE OF REGISTER OF MEMBERS

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

SUBSEQUENT EVENTS

As of the Latest Practicable Date, details for subsequent events are set out in note 34 to the consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PUBLIC FLOAT

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

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2022 have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the AGM.

By order of the Board
LIU Chunhe
Chairman

Beijing, 23 March 2023

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

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

The Company has developed and implemented sound corporate governance policies and measures, and the Board is responsible for performing such corporate governance duties. The Board will continue to review and monitor the corporate governance of the Company, as well as various internal policies and procedures, including but not limited to those applicable to employees and Directors, with reference to the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules (the "Corporate Governance Code") and other applicable legal and regulatory requirements so as to maintain a high standard of corporate governance of the Company.

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

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.

BOARD

Responsibilities

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

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

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

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION

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

Executive Directors:

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

Independent Non-executive Directors:

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

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

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

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

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

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

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

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

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

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

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

The Directors as at 31 December 2022 confirmed that they had complied with such requirements for the period under review.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

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

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

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

The Company has fully complied with the requirement under the code provision A.1.1 of the Corporate Governance Code of convening Board meetings at least four times a year at approximately quarterly intervals for the twelve months ended 31 December 2022.

During the year ended 31 December 2022, the Board held five meetings to discuss and approve (among others) the overall strategies and policies of the Company and to review and approve the establishment of the Fund, placing of existing shares and subscription of new shares under general mandate and repurchase of shares, the Annual Report 2021, the Annual Results Announcement for the year 2021, the Interim Report 2022 and the Announcement of Interim Results for the year 2022 of the Company, etc.

The table below sets forth the attendance details of each director to the Board meetings for the year ended 31 December 2022.

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

In 2022, the Company convened and held two general meetings, i.e. the extraordinary general meeting 2022 held on 31 March 2022 and the annual general meeting 2021 held on 23 May 2022. The table below sets forth the attendance details of each director to the general meetings for the year ended 31 December 2022.

CORPORATE GOVERNANCE REPORT

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

DELEGATION BY THE BOARD

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

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

CORPORATE GOVERNANCE FUNCTION

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

- (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and
- (e) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

The Company has complied with the relevant Corporate Governance Code provisions from the Listing Date to 31 December 2022.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

Audit Committee

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

The principal duties of the Audit Committee include the following:

- (a) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policies on engaging an external auditor to supply non-audit services. For this purpose, an "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (d) to monitor the integrity of the Company's financial statements, annual reports, accounts, interim reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee shall focus particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from the audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

CORPORATE GOVERNANCE REPORT

- (e) regarding paragraph (d) above:
 - (i) members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and
 - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in report and accounts, and should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;
- (f) to review the Company's financial controls, risk management and internal control systems;
- (g) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion shall include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;
- (h) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (i) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (j) to review the financial and accounting policies and practices of the Company and its subsidiaries;
- (k) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to report to the Board on the matters within the scope of duties;
- (n) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (o) to act as the key representative body for overseeing the Company's relation with the external auditor;
- (p) to review continuing connected transactions of the Company and ensure compliance with terms approved by shareholders of the Company;
- (q) to assess the risks in relation to the Company's major investment projects; and
- (r) to consider such other matters as the Board may from time to time determine.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2022, the Audit Committee held two meetings to review (among others) the Annual Report 2021, the Annual Results Announcement for the year 2021, the Interim Report 2022, the Announcement of Interim Results for the year 2022, etc. The Audit Committee has also examined the risk management and internal control system of the Company and assessed the effectiveness of the Group's internal audit function.

The table below sets forth the attendance details of each member of the Audit Committee to meetings for the year ended 31 December 2022.

Directors	Number of Board meetings to attend	Number of Board meetings attended
Mr. CHI Shujin	2	2
Mr. HUANG Sichen	2	2
Mr. GAO Ming	2	2

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

Nomination Committee

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

The principal duties of the Nomination Committee include the following:

- (a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- (b) to develop the criteria and procedures for identifying and assessing the qualifications of and evaluating candidates for directors, the general manager and other senior management members;
- (c) to identify individuals who are suitably qualified to become directors, the general manager and other senior management members and to select or make recommendations to the Board on the selection of individuals nominated therefor;
- (d) to assess the independence of independent non-executive directors;
- (e) to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular, the Chairman and the chief executive of the Company; and
- (f) to develop a policy concerning diversity of Board members, disclose the policy or a summary of the policy in the corporate governance report, and review the policy from time to time, to ensure the continued effect and ensure the diversity of the Board members.

Nomination Policy

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

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

Board Diversity Policy

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

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

Measureable objectives of achieving diversity of the Board include (i) at least one third of the Board shall be independent non-executive Directors; (ii) at least one Director is female and (iii) at least one Director shall have obtained accounting or other professional qualifications. For the year ended 31 December 2022, items (i) and (iii) have been fulfilled. The Board expects item (ii) will be fulfilled in the recent future no later than 31 December 2024. Whereas the current Board of the Group comprises of all male members, viewing from the Group's perspective, as at 31 December 2022, the senior management of the Group had 4 members in total comprising 1 females and 2 males with a female to male ratio of 1:2 and the Group had 846 employees in total comprising of approximately 350 females and 496 males with a female-to-male ratio of 5:7, reflecting a gender diversity principle generally adhered by the Group. The Board is mindful of the objectives for the factors as set out in the paragraph headed "Nomination Committee" below for assessing the candidacy of the Board members, and will ensure that any successors to the Board shall follow the gender diversity policy. Similar considerations shall also be in place to assess the candidacy of the senior management team from time to time. The Group is determined to maintain gender diversity in terms of the whole workforce, and to procure the board to appoint at least one female director to achieve gender diversity no later than 31 December 2024. The Company expects the above is achievable with suitable effort in promoting the gender diversity culture, which the Group has been advocating for so.

During the year ended 31 December 2022, the Nomination Committee held one meeting to review the structure of the Board, the board diversity policy, the independence of Independent Non-executive Directors, and to review and advise the Board on the approval for re-election of the retired directors.

CORPORATE GOVERNANCE REPORT

The table below sets forth the attendance details of each member of the Nomination Committee to meetings for the year ended 31 December 2022.

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

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

Remuneration Committee

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

The principal duties of the Remuneration Committee include the following:

- (a) to review and make recommendations to the Board on the Company's policy and structure for the remuneration of all the Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (b) to review and approve the management's remuneration proposals with reference to the corporate goals and objectives resolved by the Board from time to time, and to supervise the implementation of the relevant proposals;
- (c) to make recommendations to the Board on the remuneration packages of executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- (d) to make recommendations to the Board on the remuneration of non-executive Directors;
- (e) to consider factors such as the level of remuneration paid by comparable companies, the time commitment and responsibilities of directors and senior management, and the employment conditions of the Company and its subsidiaries and consolidated affiliated entities;
- (f) to consider the level of remuneration required to attract and retain directors to manage the Company successfully;
- (g) to ensure that no Director or any of his or her associates is involved in deciding his or her own remuneration. For the avoidance of doubt, members of the Remuneration Committee must not be involved in deciding his or her own remuneration;
- (h) to review and approve compensation payments and arrangements to Directors and senior management of the Company for loss or termination of their office or appointment, or dismissal or removal for misconduct and to assess whether the proposed payments or arrangements are fair, not excessive, reasonable, consistent with the relevant contractual terms, or otherwise appropriate; and
- (i) to advise shareholders of the Company on how to vote in respect of any service contracts of directors that require shareholders' approval in accordance with the Listing Rules.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2022, the Remuneration Committee held one meeting to review the remuneration of directors and the senior management, as well as the remuneration policy and framework of directors and the senior management, assess performance of executive Directors, approve the terms of executive Directors' service contracts, and review the RSU Schemes, the Share Option Scheme and the RSU Award Scheme.

The table below sets forth the attendance details of each member of the Remuneration Committee to meetings for the year ended 31 December 2022.

Directors	Number of Board meetings to attend	Number of Board meetings attended
Mr. HUANG Sichen	1	1
Mr. Su Jian	1	1
Mr. GAO Ming	1	1

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

Remuneration Policy

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

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

REMUNERATION OF DIRECTORS

Please refer to note 12a to the consolidated financial statements for details of the remuneration of members of the Board for the year ended 31 December 2022.

Pursuant to code provision E.1.5 of the Corporate Governance Code, the annual remuneration of the members of senior management, including those members of senior management who are also the executive Directors, by band for the year ended 31 December 2022 is set out below:

Annual Remuneration (HK\$)	Number of individuals
Nil – 2,500,000	1
2,500,001 – 5,000,000	5
5,000,001 – 10,000,000	–
10,000,001 – 30,000,000	1
30,000,001 – 350,000,000	–

Further details of the remuneration for the year ended 31 December 2022 are set out in note 8 to the consolidated financial statements contained in this annual report.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2022 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code for the year ended 31 December 2022.

RISK MANAGEMENT AND INTERNAL CONTROL

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

RISK MANAGEMENT

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

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

During the year ended 31 December 2022, the Company adopted dynamic risk management processes including risk identification, risk analysis, risk assessment, risk response, risk monitoring, and risk reporting in response to identifying significant risks of the Company. Regular meetings were held between the executive Directors and senior management to review and monitor the business and financial performance against the targets, the progress of certification and contract receipts from customers, the efficiency in the use of the Group's resources in comparison to the budgets, and operational matters to ensure the Group has complied with the regulations that have material impact on the Group's business. The aim is to enhance the communication and accountability of the Directors and management so that significant strategic, financial, operational and compliance risks or potential deviations are identified and dealt with in proper and timely manner and that, significant issues are reported back to the Board for their attention.

During the year ended 31 December 2022, the Board has reviewed the effectiveness of the internal control and risk management systems of the Group to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards. The review covered all material controls, including financial, operational and compliance controls and risk management functions. The review was conducted through discussions with the management of the Company, its external and internal auditors and the assessment performed by the Audit Committee. The Board believes that the existing risk management and internal control systems are adequate and effective, in particular, for financial reporting and Listing Rules compliance as well as for resolving internal control defects (if any).

DIVIDEND POLICY

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

EXTERNAL AUDITORS

PricewaterhouseCoopers ("PwC") is appointed as the external auditors of the Company upon the recommendation of the Audit Committee.

An analysis of the remuneration paid to the external auditors of the Company, PwC, in respect of audit services and non-audit services for the year ended 31 December 2022 is set out below:

Service Category	Fee Paid/Payable
	<i>RMB'000</i>
Audit Services	3,800
Non-audit Services	519
Total	4,319

JOINT COMPANY SECRETARIES

Since 27 May 2019, Mr. SONG Pengliang (宋朋亮) and Mr. AU-YEUNG Wai Ki, Joseph (歐陽偉基) were appointed as the joint company secretaries of the Company. These individuals are responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed.

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

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONSHIP

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which enables Shareholders and investors to make the informed investment decisions.

The annual general meeting of the Company provides an opportunity for the Shareholders to communicate directly with the Directors.

The Company reviewed the implementation and effectiveness of the shareholders' communication policy by reviewing the Company's shareholders engagement and communication activities conducted in 2022 and considered it to be effective for the year ended 31 December 2022.

SHAREHOLDERS' RIGHTS

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

PUTTING FORWARD ENQUIRIES TO THE BOARD

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

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

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

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

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Articles of Association of the company has been amended after consideration and approval at the annual general meeting convened on 23 May 2022. For details, please refer to the announcement of the Company dated 31 March 2022 and the circular dated 26 April 2022. Save as disclosed above, there were no material changes in the Articles of Association of the Company for the year ended 31 December 2022. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.



羅兵咸永道

To the Shareholders of Newborn Town Inc.

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Newborn Town Inc. (the “Company”) and its subsidiaries (the “Group”), which are set out on pages 76 to 171, comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

PricewaterhouseCoopers, 22/F, Prince’s Building, Central, Hong Kong
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INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

The key audit matter identified in our audit is related to revenue recognition of social networking business.

Key Audit Matter

Revenue recognition of social networking business

Refer to note 2.20, note 4.1 and note 6 to the consolidated financial statements.

Revenue of social networking business for the year ended 31 December 2022 amounted to RMB2,557.4 million which represented 91.3% of the total revenue of the Group, mainly deriving from live streaming platforms.

Such revenue mainly derives from sales of virtual currencies which can be used to purchase virtual items or services on the platform. The revenue is generally recognised when the consumable virtual items or services are consumed. If the virtual currencies are used to purchase virtual services over an extended period of time, the revenue is recognised ratably over the beneficial period.

We focused on this area as significant efforts were spent on auditing the accuracy of revenue recognised from live streaming platforms due to the magnitude of the revenue amount and the significant volume of revenue transactions generated from the information technology systems.

How our audit addressed the Key Audit Matter

Our procedures in relation to the revenue recognition of social networking business included:

- We tested the general control environment of the information technology systems in which the virtual currencies were sold and consumed;
- We understood and evaluated the design effectiveness of internal controls in relation to revenue recognition from social networking business;
- We tested the operating effectiveness of the system automated controls, including checking the top-up of virtual currencies, as well as checking the consumption of virtual currencies;
- We compared the total amount of cash collections recorded in the general ledger against the cash collection amounts as recorded in the application systems for the amounts of top-up received from customers. We also tested, on a sample basis, the amount and the timing of cash collections recorded in the general ledger by checking to the cash receipts; and
- By using computer-assisted audit techniques, we tested the mathematical accuracy and the completeness of the system generated reports that summarize the key inputs (including quantities of virtual currencies additions and consumptions) for the calculation of revenue. We also recalculated the revenue based on the inputs provided by the above reports to test the accuracy of revenue recognised;

Based on the procedures performed, we found the recorded revenue could be supported by the evidence we obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yuen Kwok Sun.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022

(Expressed in Renminbi (“RMB”))

	Note	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Revenue from contracts with customers	6	2,799,698	2,359,816
Cost of revenue	7	(1,741,791)	(1,356,496)
Gross profit		1,057,907	1,003,320
Selling and marketing expenses	7	(484,068)	(504,918)
Research and development expenses	7	(212,072)	(130,858)
General and administrative expenses	7	(111,813)	(730,089)
Net impairment losses on financial assets	9	(1,593)	(15,339)
Other income	10	1,605	6,082
Other gain/(loss) – net	10	19,295	(18,259)
Operating profit/(loss)		269,261	(390,061)
Finance income	11	982	2,214
Finance cost	11	(1,512)	(5,829)
Finance cost – net		(530)	(3,615)
Share of net gain/(loss) of associates and joint ventures accounted for using the equity method	19c	18,648	(205)
Profit/(loss) before income tax		287,379	(393,881)
Income tax (expenses)/credits	13	(44)	6,756
Profit/(loss) for the year		287,335	(387,125)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022
(Expressed in Renminbi ("RMB"))

	Note	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Profit/(loss) attributable to:			
Owners of the Company		130,135	(286,284)
Non-controlling interests		157,200	(100,841)
Other comprehensive income/(loss), net of tax			
Items that will not be reclassified to profit or loss			
Currency translation differences		6,627	(3,545)
Items that maybe subsequently reclassified to profit or loss			
Currency translation differences		24,920	(7,445)
Share of other comprehensive income of investments accounted for using the equity method		10,034	–
Total comprehensive income/(loss) for the year		328,916	(398,115)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		169,462	(292,453)
Non-controlling interests		159,454	(105,662)
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company (expressed in RMB per share)			
Basic earnings/(loss) per share	14	0.11	(0.29)
Diluted earnings/(loss) per share	14	0.11	(0.29)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

as at 31 December 2022

(Expressed in RMB)

	Note	As at 31 December	
		2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property and equipment	16	122,155	16,107
Intangible assets	17	185,635	226,412
Goodwill	18	197,287	197,287
Deferred tax assets	27	224	248
Investments accounted for using the equity method	19c	176,051	2,789
Financial assets measured at fair value through profit or loss	20	38,226	26,756
Other receivable	22	22,812	21,835
Other non-current assets		1,210	5,000
Total non-current assets		743,600	496,434
Current assets			
Other current assets		7,445	5,283
Accounts receivable	21	164,877	146,810
Other receivable	22	56,893	82,031
Financial assets measured at fair value through profit or loss	20	149,401	166,119
Cash and cash equivalents	24	596,729	724,588
Restricted bank deposits	23	1,272	1,163
Total current assets		976,617	1,125,994
Total assets		1,720,217	1,622,428

CONSOLIDATED BALANCE SHEET

as at 31 December 2022

(Expressed in RMB)

	Note	As at 31 December	
		2022 RMB'000	2021 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	16b	86,244	3,229
Deferred tax liabilities	27	46,889	51,808
Total non-current liabilities		133,133	55,037
Current liabilities			
Accounts payable	25	189,739	226,120
Contract liabilities	6a	18,089	14,882
Tax payable		4,934	–
Bank overdraft		67	32
Lease liabilities	16b	25,879	7,504
Other payable	26	110,366	478,759
Total current liabilities		349,074	727,297
Total liabilities		482,207	782,334
EQUITY			
Equity attributable to the owners of the Company			
Share capital	28	818	759
Share premium	28	669,523	387,156
Treasury shares	28	(12,719)	–
Other reserves	29	80,636	248,046
Accumulated losses		(30,436)	(159,158)
		707,822	476,803
Non-controlling interests		530,188	363,291
Total equity		1,238,010	840,094
Total liabilities and equity		1,720,217	1,622,428

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on page 76 to 171 were approved by the Board of Directors on 23 March 2023 and were signed on its behalf:

Liu Chun he
Director

Li Ping
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

(Expressed in RMB)

	Attributable to owners of the Company							
	Note	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Retained earnings/ (accumulated losses) <i>RMB'000</i>	Sub-total <i>RMB'000</i>	Non-controlling Interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
Balance at 1 January 2021		695	93,701	314,950	127,126	536,472	250,536	787,008
Loss for the year		-	-	-	(286,284)	(286,284)	(100,841)	(387,125)
Other comprehensive loss	29	-	-	(6,169)	-	(6,169)	(4,821)	(10,990)
Total comprehensive loss		-	-	(6,169)	(286,284)	(292,453)	(105,662)	(398,115)
Transaction with owners:								
Issuance of ordinary shares as consideration for a transaction with non-controlling interests	19b & 28 & 29	64	293,455	(2,254)	-	291,265	-	291,265
Transaction with non-controlling interests	19b	-	-	(418,264)	-	(418,264)	(105,474)	(523,738)
Shares-based compensation expenses	31	-	-	359,783	-	359,783	323,891	683,674
Balance at 31 December 2021		759	387,156	248,046	(159,158)	476,803	363,291	840,094

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

(Expressed in RMB)

	Note	Attributable to owners of the Company					Non-controlling Interests	Total equity	
		Share capital	Treasury shares	Share premium	Other reserves	Accumulated losses			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2022		759	-	387,156	248,046	(159,158)	476,803	363,291	840,094
Profit for the year		-	-	-	-	130,135	130,135	157,200	287,335
Other comprehensive income	29	-	-	-	39,327	-	39,327	2,254	41,581
Total comprehensive income		-	-	-	39,327	130,135	169,462	159,454	328,916
Transaction with owners:									
Issuance of shares upon placement	28	59	-	282,367	-	-	282,426	-	282,426
Purchase of own shares	28	-	(12,719)	-	-	-	(12,719)	-	(12,719)
Appropriation to statutory reserves	29	-	-	-	1,413	(1,413)	-	-	-
Changes in the share of other reserves of investments accounted for using equity method	19c	-	-	-	(239,660)	-	(239,660)	-	(239,660)
Shares-based compensation expenses	31	-	-	-	31,510	-	31,510	7,443	38,953
Balance at 31 December 2022		818	(12,719)	669,523	80,636	(30,436)	707,822	530,188	1,238,010

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2022

(Expressed in RMB)

	Note	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash generated from operations	30a	311,667	391,649
Interest received	11	982	2,214
Payment of income tax		(4)	(13)
Net cash inflow from operating activities		312,645	393,850
Cash flows from investing activities			
Purchase of Wealth Management Products measured at fair value through profit or loss		(238,526)	(266,595)
Maturity of Wealth Management Products measured at fair value through profit or loss		265,105	278,462
Additional investment in equity interest of a private company measured at fair value through profit or loss		(13,000)	(13,000)
Investments accounted for using the equity method		(374,424)	–
Purchase of property and equipment		(10,904)	(4,000)
Disposal of property and equipment		28	–
Loan to other parties		(29,091)	(44,964)
Proceeds of loans repayments from other parties		44,254	–
Prepayment for acquisition of a target company		–	(5,000)
Net cash outflow from investing activities		(356,558)	(55,097)
Cash flows from financing activities			
Issuance of shares upon placement	28	285,567	–
Transaction costs relating to issuance of shares upon placement	28	(3,141)	–
Repayment of lease liabilities (including interest paid)	30b	(14,085)	(8,680)
Purchase of own shares	28	(12,719)	–
Transactions with non-controlling interests		(395,217)	(21,153)
Net cash outflow from financing activities		(139,595)	(29,833)
Net (decrease)/increase in cash and cash equivalents		(183,508)	308,920
Cash and cash equivalents at beginning of year		724,556	430,998
Effects of exchange rate changes on cash and cash equivalents		55,614	(15,362)
Cash and cash equivalents at end of year		596,662	724,556
Including:			
Cash and cash equivalents	24	596,729	724,588
Bank overdraft		(67)	(32)

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 GENERAL INFORMATION AND SIGNIFICANT EVENTS

1.1 General information

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

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

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

1.2 Significant events in the current and previous reporting periods

1.2a Investment in Metaclass Management ELP in the current reporting period

For the year ended 31 December 2022, the Company, as a limited partner, established Metaclass Management ELP (the “Fund”, an exempted limited partnership formed under the laws of the Cayman Islands) with Chizicheng Strategy Investment Limited (“Chizicheng Strategy Investment”) as the general partner and Spriver Tech Limited (“Spriver”) as a limited partner. Both Chizicheng Strategy Investment and Spriver are controlled by Mu. Liu Chunhe. The Company made a total cash contribution of USD50 million (equivalent to approximately RMB338 million) to the Fund. More details of this transaction is set out in Note 19c.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 GENERAL INFORMATION AND SIGNIFICANT EVENTS (CONTINUED)

1.2 Significant events in the current and previous reporting periods (continued)

1.2b Acquisition of and related transactions involving Beijing Mico in prior reporting periods

The Group completed the acquisition of Beijing Mico World Technology Co., Ltd. (“Beijing Mico”) in 2020. During the year ended 31 December 2021, Beijing Mico underwent a reorganization, upon completion of which, NBT Social Networking Inc. (“NBT Social Networking”), a direct subsidiary of the Company, has become the foreign corresponding entity holding the business of Beijing Mico. This reorganization was accounted for as a business combination under common control since immediately prior and after the reorganization, the business was carried out through different entities which are all under the control of the Company, and the control is not transitory.

On 9 October 2021, the Company entered into an Equity Transfer Agreement with BGFG Limited (“BGFG”), pursuant to which BGFG has conditionally agreed to sell, and the Company has conditionally agreed to acquire approximately 11.50% equity interest of NBT Social Networking for a total consideration of HK\$727,580,000, which shall be settled in cash of HK\$281,580,000, and in the issuance of 100,000,000 ordinary shares of the Company to BGFG. This transaction was approved by the shareholders on 17 December 2021. And the Company issued 100,000,000 ordinary shares to BGFG on 30 December 2021 accordingly. Upon completion of the acquisition of the non-controlling interests on 30 December 2021, the Company held approximately 60.39% equity interest of NBT Social Networking. This transaction was accounted for as a transaction with non-controlling interests of a subsidiary as disclosed in Note 19b.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied throughout all years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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 areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

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

2.2 Changes in accounting policies

New and amended standards adopted by the Group

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

Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before intended use

Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

Amendments to IFRS 3 – Reference to the Conceptual Framework

Annual Improvements to IFRS Standards 2018-2020

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

New standards and amendments not yet adopted

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

	Effective for accounting periods beginning on or after
IFRS 17 – Insurance contracts	1 January 2023
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 – Definition of Accounting Estimates	1 January 2023
Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture	To be determined

None of them is expected to have a significant effect on the consolidated financial statements of the Group in the current or future reporting periods and on foreseeable future transactions.

2.3 Principles of consolidation and equity accounting

2.3a Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group other than the business combination under common control (refer to Note 2.4).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting (continued)

2.3a Subsidiaries (continued)

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

Subsidiaries controlled through Contractual Arrangements

Current PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership of companies that engage in value-added telecommunications services, internet culture services and other related businesses, including mobile apps development business. The mobile apps development business in the PRC was carried out through NewBornTown Mobile Technology (Shandong) Holdings Co., Ltd. (“NewBornTown Mobile Technology”) and its subsidiary. To comply with the relevant PRC laws and regulations, the wholly-owned subsidiary of the Company, Shandong NewBornTown Network Technology Co., Ltd. (“Shandong NewBornTown”), has entered into a series of contractual arrangements (the “Contractual Agreements”) including the Exclusive Equity Call Option Agreement, Exclusive Business Cooperation Agreement, Equity Pledge Agreement, Exclusive Assets Call Option Agreement, and Powers of Attorney, with NewBornTown Mobile Technology and its respective equity holders, which enable the Group to:

- irrevocably exercise equity holders’ voting rights of NewBornTown Mobile Technology;
- exercise effective financial and operational control over of NewBornTown Mobile Technology;
- receive substantially all of the economic interest returns generated by NewBornTown Mobile Technology by way of technical and consulting services provided by Shandong NewBornTown;
- obtain an irrevocable and exclusive right to purchase all or part of the equity interests in NewBornTown Mobile Technology from the respective equity holders at a minimum purchase price permitted under the PRC laws and regulations; and
- obtain a pledge over the entire equity interests of NewBornTown Mobile Technology from its respective equity holders to secure performance of NewBornTown Mobile Technology’s obligation under the Contractual Agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting (continued)

2.3a Subsidiaries (continued)

Subsidiaries controlled through Contractual Arrangements (continued)

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

2.3b Associate

An associate is an entity in which the Group has significant influence but not control or joint control, over its management, including participation in the financial and operating policy decisions. Investments in associates are accounted for using the equity method of accounting (see Note 2.3c below), after initially being recognised at cost.

2.3c Joint arrangements

Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Interests in joint ventures are accounted for using the equity method (see 2.3d below), after initially being recognised at cost in the consolidated balance sheet.

2.3d Equity method

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting (continued)

2.3d *Equity method (continued)*

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.10.

2.3e *Changes in ownership interests*

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Business combinations

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

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

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

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Business combinations (continued)

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

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

2.5 Separate financial statements

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

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

2.6 Segment reporting

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

2.7 Foreign currency translation

2.7a Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company is United States dollar ("USD"). The presentation currency of the Group is RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Foreign currency translation (continued)

2.7b Transactions and balances

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

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

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

2.7c Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in OCI.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Foreign currency translation (continued)

2.7c Group companies (continued)

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

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

2.8 Property and equipment

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property and equipment (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

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

2.9 Intangible assets

2.9a Initial recognition

(i) Goodwill

Goodwill is measured as described in Note 2.4. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

(ii) Software

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

- it is technically feasible to complete the software so that it will be available for use,
- management intends to complete the software and use or sell it,
- there is an ability to use or sell the software,
- it can be demonstrated how the software will generate probable future economic benefits,
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Intangible assets (continued)

2.9a Initial recognition (continued)

(ii) Software (continued)

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

(iii) Research and development

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

2.9b Amortisation methods and periods

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

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

2.10 Impairment of non-financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investments and other financial assets

2.11a Classification

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

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

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

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

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

2.11b Recognition and derecognition

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

2.11c Measurement

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investments and other financial assets (continued)

2.11c Measurement (continued)

Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gain – net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gain – net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gain – net and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gain – net in the period in which it arises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investments and other financial assets (continued)

2.11c Measurement (continued)

Equity instruments

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

Changes in the fair value of financial assets at FVPL are recognised in other gain – net in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.11d Impairment

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

- accounts receivable and
- other financial assets at amortised cost.

Measurement of expected credit losses

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investments and other financial assets (continued)

2.11d Impairment (continued)

Significant increases in credit risk

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

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating, if available;
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

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

Write-off policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Accounts receivable

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

Accounts receivable are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the accounts receivable with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 2.11d for a description of the Group's impairment policies.

2.13 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are presented in current liabilities in the consolidated balance sheets.

2.14 Share capital

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

2.15 Accounts and other payables

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

2.16 Current and deferred income tax

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Current and deferred income tax (continued)

(i) **Current income tax**

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

(ii) **Deferred income tax**

Inside basis differences

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

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

Outside basis differences

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Current and deferred income tax (continued)

(ii) *Deferred income tax (continued)*

Outside basis differences (continued)

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

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

2.17 Employee benefits

(i) *Short-term obligations*

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

(ii) *Bonus plans*

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

(iii) *Pension obligations*

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Share-based payment

(i) *Equity-settled share-based payment transactions*

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Provisions

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

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

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

2.20 Revenue recognition

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

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

(i) *Social networking business*

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue recognition (continued)

(i) *Social networking business (continued)*

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

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

(ii) *Innovative business*

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

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

2.21 Leases

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Leases (continued)

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

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

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

2.22 Interest income

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

2.23 Government grants

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Related parties

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

- has control or joint control of the Group;
- has significant influence over the Group; or
- is a member of the key management personnel of the Group or the Group's parent.

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

- The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- Both entities are joint ventures of the same third party;
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- The entity is controlled or jointly controlled by a person identified in Note 2.24(i); or
- A person identified in Note 2.24(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3 FINANCIAL RISK MANAGEMENT

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

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

3.1 Financial risk factors

3.1a Market risk

(i) Foreign exchange risk

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

As at 31 December 2022, the Company's cash and cash equivalents were mainly denominated in HKD and USD. If HKD and USD had strengthened/weakened by 5% against RMB with all other variables held constant, the total equity would have been approximately RMB1,312,000 (31 December 2021: RMB1,107,000) lower/higher.

For the Group's subsidiaries whose functional currencies are USD or HKD, if USD or HKD had strengthened/weakened by 5% against relevant currencies with all other variables held constant, the total equity would have been approximately RMB2,683,000 (31 December 2021: RMB7,463,000) higher/lower.

(ii) Interest rate risk

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

3.1b Credit risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1b Credit risk (continued)

(i) *Risk management*

Credit risk is managed on a group basis.

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group performed credit evaluation which focus on the customer's past history of making payments and current ability to pay. The Group does not obtain collateral from customers. As at 31 December 2022 and 2021, approximately 53% and 47% of the Group's accounts receivable were due from the largest five payment channels and advertising agencies. Given the strong business relationship established, the regular payment made according to contract and the financial capability of these customers, the management does not expect that there will be any significant credit risk from non-performance of these customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1b Credit risk (continued)

(ii) Impairment of financial assets

Accounts receivable

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

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

- For accounts receivable due from customers with regular payment schedule, the Group calculates the expected credit loss by referring to the historical credit loss experience, combining with the current situation and the forecast of future economic conditions and measuring the accounts receivable aging and expected credit loss rate during the lifetime.
- For accounts receivable due from customers with different credit risks, such as the customers that the Group has renegotiated with specific payment schedule, the Group applies the individual identification method based on the characteristics of credit risk of each individual balance.

The expected loss rates are based on the historical payment profiles and the corresponding historical credit losses experiences within this period. The Group has also considered the expected changes in macroeconomic factors, such as Consumer Price Index (“CPI”) and Gross Domestic Product (“GDP”), and accordingly adjusted the historical loss rates based on expected changes in these factors to reflect current and forward-looking information affecting the ability of the customers to settle the receivables.

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3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1b Credit risk (continued)

(ii) Impairment of financial assets (continued)

Accounts receivable (continued)

The balance of each category of accounts receivable as at 31 December 2022 and 2021 was as follows:

	Accounts receivable RMB'000	Loss allowance RMB'000	Net value RMB'000
31 December 2022			
Accounts receivable			
From customers with regular payment schedule	182,547	(17,670)	164,877
From customers with different credit risks	21,270	(21,270)	–
	203,817	(38,940)	164,877

	Accounts receivable RMB'000	Loss allowance RMB'000	Net value RMB'000
31 December 2021			
Accounts receivable			
From customers with regular payment schedule	160,091	(13,281)	146,810
From customers with different credit risks	20,443	(20,443)	–
	180,534	(33,724)	146,810

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1b Credit risk (continued)

(ii) Impairment of financial assets (continued)

Accounts receivable (continued)

The loss allowance as at 31 December 2022 and 2021 was determined as follows for accounts receivable from innovative business customers with regular payment schedule.

	Up to 6 months RMB'000	6 months to 1 year RMB'000	1 year to 2 years RMB'000	Over 2 years RMB'000	Total RMB'000
31 December 2022					
Expected loss rate	0.03%	6.91%	-	100.00%	
Accounts receivable	28,350	4,305	-	8,561	41,216
Less: loss allowance	(9)	(298)	-	(8,561)	(8,868)
	28,341	4,007	-	-	32,348

	Up to 6 months RMB'000	6 months to 1 year RMB'000	1 year to 2 years RMB'000	Over 2 years RMB'000	Total RMB'000
31 December 2021					
Expected loss rate	0.07%	9.09%	15.33%	100.00%	
Accounts receivable	13,761	11	1,239	7,323	22,334
Less: loss allowance	(10)	(1)	(190)	(7,323)	(7,524)
	13,751	10	1,049	-	14,810

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1b Credit risk (continued)

(ii) Impairment of financial assets (continued)

Accounts receivable (continued)

The loss allowance as at 31 December 2022 was determined as follows for accounts receivable from social networking business customers with regular payment schedule:

	Up to 3 months RMB'000	3 months to 6 months RMB'000	6 months to 1 year RMB'000	over 1 year RMB'000	Total RMB'000
31 December 2022					
Expected loss rate	0.62%	28.91%	63.28%	100.00%	
Accounts receivable	129,165	4,339	2,942	4,885	141,331
Less: loss allowance	(801)	(1,254)	(1,862)	(4,885)	(8,802)
	128,364	3,085	1,080	-	132,529

	Up to 3 months RMB'000	3 months to 6 months RMB'000	6 months to 1 year RMB'000	over 1 year RMB'000	Total RMB'000
31 December 2021					
Expected loss rate	0.26%	14.58%	23.66%	100.00%	
Accounts receivable	131,918	48	503	5,288	137,757
Less: loss allowance	(343)	(7)	(119)	(5,288)	(5,757)
	131,575	41	384	-	132,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1b Credit risk (continued)

(ii) Impairment of financial assets (continued)

Accounts receivable (continued)

Throughout all years presented, the management kept monitoring the recoverability of accounts receivable.

Accounts receivable is written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a bankrupt of a debtor.

Impairment losses on accounts receivable are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets at amortised cost

Other financial assets at amortised cost mainly include loan to other parties and employee. The Group measures credit risk using expected credit loss under IFRS 9.

In view of the history of cooperation with the debtors and collection from them, other receivables of approximately RMB80,291,000 (31 December 2021: RMB103,883,000) are classified in Stage 1 as at 31 December 2022 and the credit risk inherent in these other receivables is not significant. The average loss rate of 0.73% (31 December 2021: 0.02%) was applied as at the 31 December 2022.

For the remaining deposits and other receivables of approximately RMB3,053,000 (31 December 2021: RMB3,154,000) as at 31 December 2022, it was classified in Stage 3 and the loss allowance associated with other receivables was approximately RMB3,053,000 (31 December 2021: RMB3,154,000) as at 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1c Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each year to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	As at 31 December 2022			
	Up to 1 year RMB'000	1 year to 2 years RMB'000	2 years to 5 years RMB'000	Total RMB'000
Accounts and other payable (excluding non-financial liabilities)	203,591	–	–	203,591
Lease liabilities	30,842	24,585	69,918	125,345
Bank overdraft	67	–	–	67
	234,500	24,585	69,918	329,003

	As at 31 December 2021			
	Up to 1 year RMB'000	1 year to 2 years RMB'000	2 years to 5 years RMB'000	Total RMB'000
Accounts and other payable (excluding non-financial liabilities)	582,921	–	–	582,921
Lease liabilities	7,809	3,267	–	11,076
Bank overdraft	32	–	–	32
	590,762	3,267	–	594,029

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities divided by total assets. The Group aims to maintain its gearing ratio below 50%. The gearing ratios as at 31 December 2022 and 2021 were as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Total liabilities	482,207	782,334
Total assets	1,720,217	1,622,428
Gearing ratio	28.03%	48.22%

3.3 Fair values

(i) Fair value hierarchy

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the year.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the year. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the financial instruments (such as unlisted equity securities and WMPs) are included in level 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair values (continued)

(i) Fair value hierarchy (continued)

The following table presents the Group's asset that are measured at fair value.

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2022				
Assets				
Financial assets measured at FVPL				
– WMPs	–	–	149,401	149,401
– Equity interests of certain private companies	–	–	38,226	38,226
<hr/>				
Financial assets measured at FVPL	–	–	187,627	187,627

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2021				
Assets				
Financial assets measured at FVPL				
– WMPs	–	–	166,119	166,119
– Equity interests of certain private companies	–	–	26,756	26,756
<hr/>				
Financial assets measured at FVPL	–	–	192,875	192,875

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair values (continued)

(i) Fair value hierarchy (continued)

There were no transfers between levels for recurring fair value measurements during all years presented.

The following table presents the changes in level 3 instruments of investment in WMPs measured at fair value through profit or loss for the years ended 31 December 2022 and 2021:

	Years ended 31 December	
	2022 RMB'000	2021 RMB'000
At the beginning of the year	166,119	177,244
Additions	238,526	266,595
Disposals	(265,105)	(278,462)
Change in fair value	1,903	2,551
Exchange gains/(losses)	7,958	(1,809)
At the end of the year	149,401	166,119
Net unrealized gains for the period	763	1,103

The following table presents the changes in level 3 instruments of investments in equity interests of certain private companies measured at fair value through profit or loss for the years ended 31 December 2022 and 2021:

		Years ended 31 December	
		2022 RMB'000	2021 RMB'000
At the beginning of the year		26,756	6,495
Additions	(i)	13,000	13,000
Change in fair value		(1,530)	7,261
At the end of the year		38,226	26,756
Net unrealized (losses)/gains for the period		(1,530)	7,261

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair values (continued)

(i) Fair value hierarchy (continued)

Note:

- (i) On 10 June 2022, NewBornTown Network Technology entered into an investment agreement and an equity transfer agreement with Shenzhen Shimi Network Technology Limited ("Shenzhen Shimi") and Shenzhen Shimi's then shareholders to acquire an aggregate of 4.0% equity interest in Shenzhen Shimi at a total consideration of RMB13,000,000. NewBornTown Network Technology paid RMB13,000,000 upon the fulfilment of all the conditions laid out in the agreement during 2022.

(ii) Valuation process and valuation techniques used to determine level 3 fair value

The Group has a team that manages the valuation exercise of level 3 instruments for financial reporting purpose. The team manages the valuation exercise of level 3 instrument on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

(iii) Fair value measurements using significant unobservable inputs

The valuation of level 3 instruments mainly included investment in WMPs issued by banks and financial institutions and equity investments in private companies. As these instruments are not traded in an active market, their fair values have been determined using various applicable valuation techniques.

All the WMPs will mature within one year with variable return rates indexed to the performance of underlying assets. The fair values were determined based on cash flow discounted assuming the expected return will be obtained upon maturity.

Market approach or income approach were adopted to determine the fair value of the equity interest in certain private companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair values (continued)

(iii) Fair value measurements using significant unobservable inputs (continued)

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

	Significant unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair values
		As at 31 December 2022	2021	
Investment in WMP	Expected return rate	1.22%- 3.00%	1.45%- 3.46%	The higher the expected return rate, the higher the fair value
Investment in equity interests of certain private companies	Expected volatility	47.67%- 65.27%	47%- 65%	The higher the expected volatility, the lower the fair value
	Discount for lack of marketability ("DLOM")	22%- 25%	20%- 25%	The higher the DLOM, the lower the fair value
	Risk-free rate	2.44%- 2.70%	3.3%	The higher the risk-free rate, the higher the fair value
	Discount rate	22%- 25%	21%	The higher the discount rate, the lower the fair value
	Revenue growth rate	5%- 35%	3%- 5%	The higher the revenue growth rate, the higher the fair value
	Perpetual growth rate	2%	2.5%	The higher the perpetual growth rate, the higher the fair value

For investment in WMP, the fair value was RMB149,401,000 as at 31 December 2022 (2021: RMB166,119,000). The estimated carrying amount as at 31 December 2022 would have been RMB1,494,000 (2021: RMB1,661,000) higher/lower should the expected return rate used in discounted cash flow analysis be higher/lower by 1% from management's estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair values (continued)

(iii) Fair value measurements using significant unobservable inputs (continued)

For investment in equity interests of certain private companies valued using income approach, the fair value was RMB25,982,000 as at 31 December 2022 (2021: RMB13,350,000). The estimated carrying amount as at 31 December 2022 would have been RMB960,000 (2021: RMB526,000) lower/higher should the discount rate used in discounted cash flow analysis be higher/lower by 1% from management's estimates. The estimated carrying amount as at 31 December 2022 would have been RMB3,120,000 (2021: RMB486,000) higher/lower should the revenue growth rate used in discounted cash flow analysis be higher/lower by 5% from management's estimates.

For investment in equity interests of certain private companies valued using market approach, the fair value was RMB12,244,000 as at 31 December 2022 (2021: RMB13,406,000). The estimated carrying amount as at 31 December 2022 would have been RMB420,000 (2021: RMB99,000) lower/higher should the expected volatility be higher/lower by 5% from management's estimates.

4 CRITICAL ESTIMATES AND JUDGMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Group's accounting policies.

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4.1 Revenue recognition

As disclosed in Note 2.20, the Group provides social networking business and innovative business services to its customers, which involve the assessment of revenue recognition on a gross or net basis, i.e., principal versus agent assessment in different business models. The Group follows the accounting guidance for principal-agent considerations to assess whether the Group controls the specified service before it is transferred to the customer, the indicators of which including but not limited to (a) whether the entity is primarily responsible for fulfilling the promise to provide the specified service; (b) whether the entity has inventory risk before the specified service has been transferred to a customer; and (c) whether the entity has discretion in establishing the prices for the specified goods or service. The management considers the above factors in totality, as none of the factors individually are considered presumptive or determinative, and applies judgment when assessing the indicators depending on each different circumstance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

4 CRITICAL ESTIMATES AND JUDGMENTS (CONTINUED)

4.2 Impairment of accounts receivable and other financial assets

The Group follows the guidance of IFRS 9 when assessing the expected credit losses of accounts receivable and other financial assets. This determination requires significant judgment and estimation. In making this judgment and estimation, the Group evaluates, among other factors, the duration of accounts receivable and the financial health collection history of debtors and expected future change of credit risks, including the consideration of factors such as general economy measure, changes in macroeconomic indicators etc. Further details are included in Note 3.1b to the consolidated financial statements.

4.3 Current and deferred income tax

The Group is subject to income taxes in different areas. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

4.4 Useful lives and amortization of intangible assets

The Group's management determines the estimated useful lives and related amortization for the Group's intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the amortization charges where useful lives are different from that of previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortization expense in future periods.

4.5 Fair value of financial instruments

Fair value of financial assets, in the absence of an active market, is estimated by using appropriate valuation techniques. Such valuations were based on certain assumptions associated with the instruments, which are subject to uncertainty and might materially differ from the actual results. Further details are included in Note 3.3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

4 CRITICAL ESTIMATES AND JUDGMENTS (CONTINUED)

4.6 Impairment of goodwill

The Group performs the impairment test for goodwill on an annual basis, by comparing the recoverable amount to the carrying amount. The recoverable amount is determined based on the value-in-use calculations by using the discounted cash flow method, which requires significant estimates and judgments relating to the growth rate, the gross margin and the discount rate. Additional information for the impairment assessment of goodwill is disclosed in Note 18.

4.7 Accounting treatment in investment in the Fund

As disclosed in Note 1.2a and Note 19c, the Company established the Fund with Chizicheng Strategy Investment and Spriver in 2022. Significant accounting judgement is required to determine whether the Company controls, joint controls or has significant influence over the Fund, with consideration of the shareholding structure of the Fund, the relevant activities of the Fund, each respective partners' power over the Fund, their exposure or rights to variable returns from their involvement with the Fund and the ability to use their power over the Fund to affect the amount of each partner's returns.

5 SEGMENT INFORMATION

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

The CODM assesses the performance of the operating segments based on the gross profit/loss. The reconciliation of gross profit to profit before income tax is shown in the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

5 SEGMENT INFORMATION (CONTINUED)

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

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

As at 31 December 2022 and 2021, substantially all of the non-current assets of the Group were located in the PRC.

For the year ended 31 December 2022, no single external customer accounted for 10% or more of the Group's total revenue (for the year ended 31 December 2021:nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

6 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

The Group generally enters into service contracts with customers for a contract term less than one year. Therefore, the Group has applied the practical expedient permitted under IFRS 15 not to disclose the transaction price allocated to the unsatisfied performance obligations.

6a Details of contract liabilities

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Contract liabilities	18,089	14,882

Contract liabilities represent advance payments received from customers for services that have not yet been transferred to the customers. As at 31 December 2022, the contract liabilities mainly included with the advances for the purchase of virtual items and memberships. All of the balance of contract liabilities as at 1 January 2022 and 2021 were recognised as revenue to the customers within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

7 EXPENSES BY NATURE

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

	Year ended 31 December	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue sharing to streamers	1,175,258	892,521
Promotion expenses	473,364	498,576
Employee benefit expense (Note 8)	392,741	260,365
Payment handling costs	260,496	224,470
Server capacity expense	64,514	43,866
Depreciation and amortisation	59,582	51,023
Share-based compensation expenses (Note 31)	45,845	696,105
Technical and other service fee	26,492	15,955
Consultancy and professional service fee	13,124	11,134
Travel expense	6,554	4,546
Rent expense	5,793	4,922
Auditor's remuneration		
– Audit and audit related services	3,800	3,600
– Non-audit services	519	330
Others	21,662	14,948
Total	2,549,744	2,722,361

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

8 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Wages, salaries and other employee benefits	381,221	249,552
Pension costs-defined contribution plans	9,110	6,876
Dismissal compensation	2,410	3,937
Total employee benefit expense	392,741	260,365

As at 31 December 2022, defined contribution plans payables were RMB840,000 (31 December 2021: RMB599,000). During the year ended 31 December 2022, no forfeited contributions may be used by the Group to reduce the existing level of contributions (2021: nil).

8a Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 3 Directors whose emoluments are reflected in the analysis shown in Note 12a for the year ended 31 December 2022 (2021: 1). The emoluments payable to the remaining 2 individuals (2021: 4) for the year ended 31 December 2022 are as follows:

	Year ended 31 December	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Wages, salaries and bonus	875	2,196
Discretionary bonuses	–	–
Pension costs – defined contribution plans	71	158
Other social security costs, housing benefits and other employee benefits	104	274
Share-based compensation expenses	5,964	305,165
Total	7,014	307,793

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

8 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

8a Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Year ended 31 December	
	2022	2021
Emolument bands (in HKD)		
3,500,001-4,000,000	1	–
4,000,001-4,500,000	1	–
33,500,001-34,000,000	–	1
46,500,001-47,000,000	–	1
110,000,001-110,500,000	–	1
180,000,001-180,500,000	–	1

9 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Year ended 31 December	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Impairment loss provided for the year related to accounts receivable	1,307	15,174
Impairment loss provided for the year related to other receivable	286	165
	1,593	15,339

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

10 OTHER INCOME AND OTHER GAIN/(LOSS), NET

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Other income		
Government grants	1,004	5,373
Others	601	709
Total	1,605	6,082
Other gain/(loss) – net		
Exchange gain/(loss)	20,014	(25,240)
Fair value change of financial assets measured at FVPL	373	9,812
Donation	(955)	(227)
Others	(137)	(2,604)
Total	19,295	(18,259)

11 FINANCE COST – NET

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Finance income		
Interest income from deposits	982	2,214
Finance cost		
Interest expense on lease liabilities	(1,512)	(483)
Interest expense on deferred consideration (Note 26)	–	(5,346)
Net finance cost	(530)	(3,615)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

12 BENEFITS AND INTERESTS OF DIRECTORS

12a Executive directors' and independent non-executive directors' emoluments

For the year ended 31 December 2022:

	Fees	Wages, salaries and bonus	Discretionary bonuses	Pension costs – defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Share-based compensation expenses	Other social security costs, housing benefits and other employee benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors								
Liu Chunhe*	-	558	-	58	-	9,415	83	10,114
Li Ping**	-	574	-	58	-	2,354	82	3,068
Ye Chunjian**	-	574	-	58	-	1,582	81	2,295
Su Jian**	-	664	-	45	-	2,372	83	3,164
Independent non-executive directors								
Gao Ming***	86	-	-	-	-	-	-	86
Huang Sichen***	86	-	-	-	-	-	-	86
Chi Shujin	86	-	-	-	-	-	-	86
	258	2,370	-	219	-	15,723	329	18,899

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

12 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

12a Executive directors' and independent non-executive directors' emoluments (continued)

For the year ended 31 December 2021:

	Fees	Wages, salaries and bonus	Discretionary bonuses	Pension costs – defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Share-based compensation expenses	Other social security costs, housing benefits and other employee benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors								
Liu Chunhe*	–	426	82	53	–	17,644	77	18,282
Li Ping**	–	426	118	53	–	4,411	75	5,083
Wang Kui**	–	183	–	13	–	–	20	216
Ye Chunjian**	–	368	–	39	–	7,709	55	8,171
Su Jian**	–	315	–	30	–	266,473	54	266,872
Independent non-executive directors								
Pan Xiya***	56	–	–	–	–	–	–	56
Gao Ming***	27	–	–	–	–	–	–	27
Huang Sichen***	62	–	–	–	–	–	–	62
Chi Shujin	83	–	–	–	–	–	–	83
Liu Rong***	21	–	–	–	–	–	–	21
	249	1,718	200	188	–	296,237	281	298,873

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

12 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

12a Executive directors' and independent non-executive directors' emoluments (continued)

- * Mr. Liu Chunhe resigned as the chief executive officer of the Company on 26 August 2021. The amounts presented above represent the fees, salaries and discretionary bonus, allowances and benefits in kind, pension costs – defined contribution plans, other emoluments paid during 2022 and 2021.
- ** Mr. Li Ping was appointed as the chief executive officer of the Company on 26 August 2021. Mr. Ye Chunjian and Mr. Su Jian were appointed as directors of the Company on 1 April 2021. Mr. Wang Kui resigned as an executive director of the Company on 1 April 2021. The amounts presented above represent the fees, salaries and discretionary bonus, allowances and benefits in kind, pension costs – defined contribution plans, other emoluments paid during 2022 and 2021.
- *** Mr. Huang Sichen was appointed as an independent non-executive director on 1 April 2021 and Mr. Gao Ming was appointed as an independent non-executive director on 26 August 2021. Mr. Liu Rong resigned an independent non-executive director on 1 April 2021 and Mr. Pan Xiya resigned as an independent non-executive director on 26 August 2021. The amounts presented above represent the fees, salaries and discretionary bonus, allowances and benefits in kind, pension costs – defined contribution plans, other emoluments paid during 2022 and 2021.

12b Director's retirement and termination benefits

No retirement or termination benefits have been paid to the Company's directors during 2022 and 2021.

12c Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available Directors' services subsisted at the end of the year or at any time during 2022 and 2021.

12d Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors.

No loans, quasi-loans or other dealings are entered into by the Company in favor of directors, controlled bodies corporate by and connected entities with such directors during 2022 and 2021.

12e Directors' material interests in transactions, arrangements or contract

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

13 INCOME TAX EXPENSES/(CREDITS)

13a Cayman Islands Income Tax

The Company is incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands and is not subject to Cayman Islands income tax.

13b Hong Kong Income Tax

Hong Kong profits tax rate is 16.5% up to 1 April 2018 when the two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits in the first HKD2 million and 16.5% for any assessable profits in excess.

13c PRC Enterprise Income Tax (“EIT”)

The income tax provision of the Group in respect of its operations in the PRC was subject to statutory tax rate of 25% on the assessable profits for the years ended 31 December 2022 and 2021, based on the exiting legislation, interpretations and practices in respect therefore.

NewBornTown Network Technology has been qualified as “High and New Technology Enterprises” under the relevant PRC laws and regulations since 2020. Accordingly, NewBornTown Network Technology was entitled to a preferential income tax rate of 15% on its assessable profits for the years from 2020 to 2022.

On 29 May 2021, Beijing Mico was accredited as a software enterprise under the relevant PRC laws and regulations since 2020. Accordingly, Beijing Mico is exempt from EIT for the years ended 31 December 2021 and 2020, followed by a 50% reduction in the statutory income tax rate of 25% for the next three years from 2022 to 2024.

On 28 May 2021, Shenzhen Leyuyou Internet Technology Co., Ltd. was accredited as a software enterprise under the relevant PRC laws and regulations since 2021. Accordingly, this subsidiary is exempt from EIT for the years ended 31 December 2022 and 2021, followed by a 50% reduction in the statutory income tax rate of 25% for the next three years from 2023 to 2025.

Shandong NewBornTown was accredited as a software enterprise under the relevant PRC laws and regulations since 2018. Accordingly, Shandong NewBornTown is exempt from EIT for two consecutive years which ended on 31 December 2019, followed by a 50% reduction in the statutory income tax rate of 25% for the next three years from 2020 to 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

13 INCOME TAX EXPENSES/(CREDITS) (CONTINUED)

13c PRC Enterprise Income Tax (“EIT”) (continued)

According to the relevant laws and regulations promulgated by the State Council of the People’s Republic of China, enterprises engaging in research and development activities were entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (“Super Deduction”). The State Taxation Administration of the People’s Republic of China announced in September 2018 that enterprises engaging in research and development activities would entitle to claim 175% of their research and development expenses as Super Deduction from 1 January 2018 to 31 December 2022. The State Taxation Administration of the People’s Republic of China announced in September 2022, that enterprises engaging in research and development activities would entitle to claim 200% of their research and development expense as Super Deduction from 1 October 2022 to 31 December 2022. The Group has made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits during the year.

	Year ended 31 December	
	2022 RMB’000	2021 RMB’000
Current tax		
Current tax on profits for the year	4,939	14
Deferred income tax		
Changes in deferred tax assets/liabilities (Note 27)	(4,895)	(6,770)
Income tax expenses/(credits)	44	(6,756)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

13 INCOME TAX EXPENSES/(CREDITS) (CONTINUED)

13d Reconciliation of income tax expenses/(credits)

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Profit/(loss) before income tax	287,379	(393,881)
Tax at the PRC statutory tax rate of 25%	71,845	(98,470)
Effect of different tax rates in other jurisdictions	(5,906)	(1,449)
Effect of preferential tax rates	(86,985)	(68,707)
Effect of expenses not deductible for income tax purposes	17,385	145,213
Effect of tax losses for which no deferred income tax assets were recognised	21,303	21,600
Impact on share of results of investments accounted for using equity method	44	31
Effect of super deduction of research and development expenses	(17,642)	(4,974)
Income tax expenses/(credits)	44	(6,756)

14 EARNINGS/(LOSS) PER SHARE

14a Basic

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

14 EARNINGS/(LOSS) PER SHARE (CONTINUED)

14b Diluted

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

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

15 DIVIDENDS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

16 PROPERTY AND EQUIPMENT

16a Property and equipment

	Electronic equipment <i>RMB'000</i>	Furniture and fixtures <i>RMB'000</i>	Motor Vehicles <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Right-of- use asset <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2021						
Opening net book amount	1,878	482	491	743	3,292	6,886
Additions	2,284	366	–	1,350	15,397	19,397
Currency translation differences	–	–	–	–	111	111
Depreciation charge	(1,073)	(184)	(101)	(1,161)	(7,727)	(10,246)
Disposal	(41)	–	–	–	–	(41)
Closing net book amount	3,048	664	390	932	11,073	16,107
As at 31 December 2021						
Cost	6,430	983	533	3,252	22,749	33,947
Accumulated depreciation	(3,382)	(319)	(143)	(2,320)	(11,676)	(17,840)
Net book amount	3,048	664	390	932	11,073	16,107
Year ended 31 December 2022						
Opening net book amount	3,048	664	390	932	11,073	16,107
Additions	5,689	371	–	4,844	114,206	125,110
Currency translation differences	–	–	–	–	5	5
Depreciation charge	(2,157)	(194)	(101)	(997)	(15,356)	(18,805)
Disposal	(28)	–	–	–	(234)	(262)
Closing net book amount	6,552	841	289	4,779	109,694	122,155
As at 31 December 2022						
Cost	12,091	1,354	533	8,096	136,726	158,800
Accumulated depreciation	(5,539)	(513)	(244)	(3,317)	(27,032)	(36,645)
Net book amount	6,552	841	289	4,779	109,694	122,155

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

16 PROPERTY AND EQUIPMENT (CONTINUED)

16a Property and equipment (continued)

Depreciation charges were expensed off (Note 7) in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Cost of revenue	10,626	5,076
General and administrative expenses	3,330	4,134
Research and development expenses	4,593	780
Selling and marketing expenses	256	256
	18,805	10,246

For the years ended 31 December 2022 and 2021, the Group obtains right to control the use of properties through entering respective lease arrangements. The leased assets cannot be used as security for borrowing purposes.

16b Leases

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Right-of-use assets		
Buildings	109,694	11,073
Lease liabilities		
Current	25,879	7,504
Non-current	86,244	3,229
	112,123	10,733

On 11 July 2022, the Group, as the lessee, entered into lease agreements with Beijing Wanhai Xingchen Enterprise Management Co., Ltd., as the lessor, in relation to the lease of certain floors of a building. The Group recognised additions as right-of-use asset amount to approximately RMB112 million in aggregate for the proposed lease term of 64 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

16 PROPERTY AND EQUIPMENT (CONTINUED)

16b Leases (continued)

(ii) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	Note	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets	16a	15,356	7,727
Interest expense (included in finance cost)	11	1,512	483
Expense relating to short-term leases		5,670	4,836
Expense relating to leases of low-value assets that are not shown above as short-term leases		123	86

The total cash outflow for leases for the year ended 31 December 2022 was RMB20,488,000 (2021: RMB10,813,000).

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(Expressed in RMB unless otherwise indicated)

17 INTANGIBLE ASSETS

	Software RMB'000	Brand name RMB'000	User base RMB'000	Technology RMB'000	Total RMB'000
Year ended 31 December 2021					
Opening net book amount	3,172	219,450	39,167	5,400	267,189
Amortisation charge	(810)	(23,100)	(15,667)	(1,200)	(40,777)
Closing net book amount	2,362	196,350	23,500	4,200	226,412
As at 31 December 2021					
Cost	8,048	231,000	47,000	6,000	292,048
Accumulated amortisation	(5,686)	(34,650)	(23,500)	(1,800)	(65,636)
Net book amount	2,362	196,350	23,500	4,200	226,412
Year ended 31 December 2022					
Opening net book amount	2,362	196,350	23,500	4,200	226,412
Amortisation charge	(810)	(23,100)	(15,667)	(1,200)	(40,777)
Closing net book amount	1,552	173,250	7,833	3,000	185,635
As at 31 December 2022					
Cost	8,048	231,000	47,000	6,000	292,048
Accumulated amortisation	(6,496)	(57,750)	(39,167)	(3,000)	(106,413)
Net book amount	1,552	173,250	7,833	3,000	185,635

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

17 INTANGIBLE ASSETS (CONTINUED)

Amortisation charges were expensed off (Note 7) in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Cost of revenue	40,766	40,766
General and administrative expenses	5	5
Selling and marketing expenses	6	6
	40,777	40,777

18 GOODWILL

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Cost and carrying amount:		
At the beginning and the end of the year	197,287	197,287

Impairment tests for goodwill

As at 31 December 2022 and 2021, the goodwill of the Group was generated from acquisition of Beijing Mico in 2020. The impairment assessment as at 31 December 2022 was conducted by the management leveraging their extensive experiences in the industry without using of an independent professional valuer. The Group carries out annual impairment test on goodwill by comparing the recoverable amount to the carrying amount. The recoverable amount of the cash-generating unit is determined based on the value-in-use calculations by using the discounted cash flow method. The calculation used pre-tax cash flow projections based on financial budgets approved by management covering a five-year period with a terminal value related to the future cash flows extrapolated using the estimated growth rates stated below beyond the five-year period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

18 GOODWILL (CONTINUED)

Impairment tests for goodwill (continued)

For the impairment test performed for the goodwill relating to the acquisition of Beijing Mico at 31 December 2022, the key assumptions used in impairment test including growth rates which are estimated 10% (2021: 10%), while for the years beyond the five-year period for the goodwill related to the social networking business, the estimated continued growth rate to perpetuity is 3% (2021: 3%). The gross margins are estimated around 30% (2021: 33%) with reference to the historical average gross margin of the Group's social networking business. The present value of cash flows is calculated by discounting the cash flow using pre-tax discount rate of 25% (2021: 25%) which was estimated by using the Weighted Average Cost of Capital ("WACC") method. The WACC was calculated by referring to public market data including risk-free rate, market return, beta of comparable public companies, and the specific risk of the Group's social networking business. A reasonably possible change in key assumptions used in the impairment test of goodwill would not likely cause the carrying amount to exceed its recoverable amounts as at 31 December 2022.

Based on the result of the goodwill impairment testing, the recoverable amount of Beijing Mico amounted to RMB1.95 billion (31 December 2021: RMB2.53 billion) and exceeded the carrying amount of Beijing Mico with a headroom available amounted to approximately RMB1.02 billion as at 31 December 2022 (31 December 2021: RMB1.38 billion). As the recoverable amount was significantly above the carrying amount, no impairment was identified in respect of the goodwill as at 31 December 2022 (31 December 2021: nil).

The Group performs the sensitivity analysis based on the assumptions that revenue growth rate or terminal value or the discount rate has been changed. Had the estimated key assumptions during the forecast period been changed as below, the headroom would be decreased to as below:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue growth rate decreases by 10%	972,327	1,304,040
Terminal value decreases by 10%	939,547	1,122,236
Discount rate increases by 10%	809,751	1,110,281

Reasonable possible changes in key assumptions would not lead to impairment of the goodwill relating to Beijing Mico as at 31 December 2022 and 2021, respectively.

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19 SUBSIDIARIES AND INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

As at 31 December 2022, the Company has direct or indirect interests in the following major subsidiaries:

Company Name	Kind of legal entity	Place and date of incorporation/ establishment/ operation	Principal activities	Issued and paid-in capital/ registered capital	Percentage of effective interest held
NewBornTown Mobile Technology (Shandong) Holdings Co., Ltd. ("赤子城移動科技(山東)股份有限公司")	Joint stock limited liability company	The PRC/ 15 August 2007	Investment holding	RMB58,183,695	100.00%
Great Sailing Media Limited ("航海時代傳媒有限公司")	Limited liability company	Hong Kong/ 16 April 2013	Innovative business and social networking business	HKD500,000	100.00%
Newborn Town International Enterprise Limited ("赤子城國際企業有限公司")	Limited liability company	Hong Kong/ 20 December 2013	Innovative business	HKD10,000	100.00%
NewBornTown Network Technology (Beijing) Co., Ltd. ("赤子城網絡技術(北京)有限公司")	Limited liability company	The PRC/ 28 February 2014	Innovative business	RMB300,000,000	100.00%
Shandong NewBornTown Network Technology Co., Ltd. ("山東赤子城網絡技術有限公司")	Limited liability company	The PRC/ 30 August 2018	Support services to operation	RMB295,500,000	100.00%
Solo X Technology Limited	Limited liability company	Hong Kong/ 30 October 2018	Investment holding	HKD10,000	100.00%
Ninth Games Pte. Ltd.	Limited liability company	Singapore/ 2 September 2020	Innovative business	SGD10,000	100.00%
X Games Pte. Ltd.	Limited liability company	Singapore/ 23 September 2020	Innovative business	SGD10,000	100.00%
Hainan Newborn Town Network Technology Co., Ltd. ("海南赤子城網絡技術有限公司")	Limited liability company	The PRC/ 28 January 2021	Support services to operation	RMB1,000,000	100.00%
Meta Town Technology Limited	Limited liability company	Hong Kong/ 3 December 2021	Innovative business	HKD10,000	100.00%
Meta Play Technology Limited	Limited liability company	Hong Kong/ 8 December 2021	Innovative business	HKD10,000	100.00%

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19 SUBSIDIARIES AND INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Company Name	Kind of legal entity	Place and date of incorporation/ establishment/ operation	Principal activities	Issued and paid-in capital/ registered capital	Percentage of effective interest held
Beijing Mico World Technology Co., Ltd. ("北京米可世界科技有限公司")	Limited liability company	The PRC/ 30 May 2014	Support services to operation	RMB2,825,000	60.39%
Mico World Limited	Limited liability company	Hong Kong/ 24 September 2015	Social networking business	HKD1	60.39%
Mobile Alpha Limited	Limited liability company	Hong Kong/ 2 March 2016	Social networking business	HKD1	60.39%
Shenzhen Leyuyou Internet Technology Co., Ltd. ("深圳樂娛游網絡科技有限公司")	Limited liability company	The PRC/ 27 September 2017	Support services to operation	RMB1,000,000	60.39%
Hainan Jidu Kongjian Internet Technology Co., Ltd. ("海南幾度空間網絡科技有限責任公司")	Limited liability company	The PRC/ 15 January 2019	Support services to operation	RMB1,000,000	60.39%
Mico World Egypt Network Ltd.	Limited liability company	Egypt/ 20 January 2020	Social networking business	EGP600,000	60.39%
Shenzhen Bobi Joy Technology Co., Ltd. ("深圳市波比歡樂科技有限公司")	Limited liability company	The PRC/ 6 March 2020	Social networking business	RMB1,250,000	60.39%
NBT Social Networking Inc.	Limited liability company	Cayman/ 16 June 2021	Investment holding	USD50,000	60.39%
Mind Vana Limited	Limited liability company	BVI/ 6 January 2021	Social networking business	USD50,000	60.39%
MX Innovation Pte. Ltd.	Limited liability company	Singapore/ 22 January 2021	Social networking business	SGD10,000	60.39%
NBT Social Networking Pte. Ltd.	Joint stock limited liability company	Singapore/ 6 July 2021	Investment holding	SGD100	60.39%
Beijing Mico World Internet Technology Co., Ltd. ("北京米可世界網絡技術有限公司")	Limited liability company	The PRC/ 29 September 2021	Support services to operation	RMB1,000,000	60.39%

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19 SUBSIDIARIES AND INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

19a Non-controlling interests

Set out below is summarized financial statements for NBT Social Networking as its non-controlling interests are material to the Group. The amounts disclosed are before inter-company eliminations.

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Summarized balance sheet		
Current assets	1,419,253	988,250
Current liabilities	(231,982)	(278,209)
Current net assets	1,187,271	710,041
Non-current assets	229,434	181,765
Non-current liabilities	(46,224)	(6,403)
Non-current net assets	183,210	175,362
Net assets	1,370,481	885,403
Accumulated non-controlling interests	530,188	363,291
	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Summarized statement of comprehensive income		
Revenue	2,380,220	1,962,722
Profit/(loss) of the year	438,920	(177,011)
Other comprehensive income/(loss)	30,527	(9,432)
Total comprehensive income/(loss)	469,447	(186,443)
Profit/(loss) allocated to non-controlling interests	157,200	(100,841)

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19 SUBSIDIARIES AND INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

19a Non-controlling interests (continued)

	Year ended 31 December	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Summarized cash flows		
Cash flows from operating activities	451,588	518,913
Cash flows from investing activities	(667,125)	(119,342)
Cash flows from financing activities	(57,553)	(3,877)
Effects of exchange rate changes on cash and cash equivalents	49,281	(12,699)
Net increase in cash and cash equivalents	(223,809)	382,995

19b Transaction with non-controlling interests

On 30 December 2021, the Group completed the acquisition of an additional 11.50% equity interests of NBT Social Networking for a total consideration of approximately RMB523,738,000. Immediately prior to the purchase, the carrying amount of the existing 51.11% non-controlling interests in NBT Social Networking was RMB468,765,000. The Group recognised a decrease in non-controlling interests of RMB105,474,000 and a decrease in equity attributable to owners of the Company of RMB418,264,000. The effect on the equity attributable to the owners of NBT Social Networking during the year ended 31 December 2021 is summarised as follows:

	Year ended 31 December 2021 <i>RMB'000</i>
Carrying amount of non-controlling interests acquired	105,474
Consideration paid to non-controlling interests, including the fair value of the Company's ordinary shares issued	(523,738)
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	(418,264)

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19 SUBSIDIARIES AND INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

19c Investments accounted for using the equity method

The following table presents the changes in investments accounted for using equity method for the year ended 31 December 2022 and 2021:

	Year ended 31 December	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At the beginning of the year	2,789	2,994
Additions	374,424	–
Net profit/(loss) attributable to the Group	18,648	(205)
Other comprehensive income attributable to the Group	10,034	–
Changes in other reserve attributable to the Group	(239,660)	–
Effects of exchange rate changes on investment accounted for using equity method	9,816	–
At the end of the year	176,051	2,789

As mentioned in Note 1.2a, the Company established the Fund with Chizicheng Strategy Investment and Spriver in 2022. Pursuant to the exempted limited partnership agreement (“Partnership Agreement”), the total fund-raising target of the Fund is US\$100 million, of which, Chizicheng Strategy Investment shall make cash contribution in the amount of US\$0.1 million, Spriver shall make cash contribution in the amount of US\$49.9 million, and the Company shall make cash contribution in the amount of US\$50 million. The management concluded that the Company has joint control over the Fund and accounts for this joint venture using equity method. According to the priority of distribution clause in the Partnership Agreement, net proceeds in respect of each portfolio investment will be allocated in the first instance to the limited partners in proportion to each of their percentage interest with respect to such portfolio investment.

Set out below is the detailed information of the Fund as at 31 December 2022 which, in the opinion of the directors, is a material joint venture to the Group.

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19 SUBSIDIARIES AND INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

19c Investments accounted for using the equity method (continued)

Name of entity	Place of business/ country of incorporation	Principal Activities	% of ownership interest		Nature of relationship	Measurement method	Carrying amount	
			2022 %	2021 %			2022 RMB'000	2021 RMB'000
The Fund	Cayman Islands	Equity investment in TMT industry	50.00	-	Joint venture	Equity method	148,559	-

The tables below provide summarised financial information for the joint venture which is material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint venture and not the Company's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	The Fund 31 December 2022 RMB'000
Summarised balance sheet	
Current assets	241,240
Non-current assets	154,966
Current liabilities	217,828
Non-current liabilities	26,457
Non-controlling interests	28,353
Net assets attributable to partners of the Fund	123,568
Commitment from Spriver to the Fund in relation to its contribution to the investment portfolio	25,714
Adjusted net assets attributable to partners of the Fund	149,282
The Group's beneficial interest rate in the Fund's investment portfolio in %	92.94%
The Group's share in RMB	138,743
The impact exchange rate changes	9,816
Carrying amount	148,559

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19 SUBSIDIARIES AND INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

19c Investments accounted for using the equity method (continued)

	For the period from 20 January 2022 to 31 December 2022
Summarised consolidated statement of comprehensive income	<i>RMB'000</i>
Revenue	403,694
Profit from operations	44,788
Profit before tax	44,762
Profit for the period	46,477
Other comprehensive income	11,427
Total comprehensive income	57,904

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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20 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	Notes	As at 31 December	
		2022 RMB'000	2021 RMB'000
Financial assets			
Financial assets at amortised cost	(i)		
Accounts and other receivable	21,22	244,582	250,676
Cash and cash equivalents	24	596,729	724,588
Restricted bank deposits	23	1,272	1,163
Financial assets measured at FVPL			
Investment in WMPs	(ii)	149,401	166,119
Investment in equity interests of certain private companies	(iii)	38,226	26,756
		1,030,210	1,169,302
Financial liabilities			
Financial liabilities at amortised cost	(i)		
Accounts and other payable (excluding non-financial liabilities)		203,591	582,921
Lease liabilities	16b	112,123	10,733
Bank overdraft		67	32
		315,781	593,686

Notes:

- (i) As at 31 December 2022 and 2021, the fair values of the financial assets and financial liabilities at amortised cost approximated their respective carrying amounts.
- (ii) The WMPs were not principal guaranteed and were therefore classified as financial assets as FVPL. The fair value measurement of these assets is disclosed in Note 3.3.
- (iii) The Group made investments in equity interest of certain private companies. The fair value measurement of these assets is disclosed in Note 3.3.

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21 ACCOUNTS RECEIVABLE

	As at 31 December	
	2022	2021
	RMB'000	<i>RMB'000</i>
Current assets		
Gross carrying amount	203,817	180,534
Less: loss allowance (Note 3.1b)	(38,940)	(33,724)
Total accounts receivable	164,877	146,810

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

	As at 31 December	
	2022	2021
	RMB'000	<i>RMB'000</i>
Up to 6 months	161,854	145,760
6 months to 1 year	7,246	538
1 year to 2 years	532	12,033
2 years to 3 years	12,022	9,352
Over 3 years	22,163	12,851
	203,817	180,534

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9. Movement in lifetime expected credit losses that has been recognised for accounts receivable is as follows:

	As at 31 December	
	2022	2021
	RMB'000	<i>RMB'000</i>
At the beginning of the year	(33,724)	(19,077)
Provision for impairment, net	(1,307)	(15,174)
Currency translation impacts	(3,909)	527
At the end of the year	(38,940)	(33,724)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

21 ACCOUNTS RECEIVABLE (CONTINUED)

As at 31 December 2022 and 2021, the analysis of carrying amounts of accounts receivable denominated in different currencies is as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Denominated in USD	129,016	120,799
Denominated in HKD	67,028	51,942
Denominated in RMB	7,773	7,793
	203,817	180,534

22 OTHER RECEIVABLE

	Notes	As at 31 December	
		2022 RMB'000	2021 RMB'000
Loans to an associate and other companies	(i)	30,050	45,214
Other receivables from employees	(ii)	25,665	31,900
Deposits placed at foreign licensed platforms	(iii)	13,966	25,679
Rental deposit		11,910	3,149
Others		1,754	1,095
Less: loss allowance (Note 3.1b)		(3,640)	(3,171)
		79,705	103,866
Including:			
current portion		56,893	82,031
non-current portion		22,812	21,835

Notes:

- (i) The balance mainly represents interest-free short-term loans lent to Gaming Lab Limited ("Gaming"), an associate of the Company and other companies during the year ended 31 December 2022, amounting to RMB26,000,000 and RMB3,800,000 respectively.
- (ii) During the year ended 31 December 2022 and 2021, in order to retain the high-performance employees within the Group, the Group adopted an employee interest-free loan arrangement, under which employees can receive interest-free loans from the Group and repay such amount based on the terms agreed with the Group.
- (iii) The balance represents the deposits placed at foreign licensed platforms such as PayPal, Payoneer, etc..

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

23 RESTRICTED BANK DEPOSITS

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Guarantee deposits at bank	1,272	1,163

The restricted bank deposits comprised of bank deposits restricted as guarantee for bank overdraft.

24 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Bank deposits at call	596,679	724,588
Other cash and cash equivalents	50	–
	596,729	724,588

For the years ended 31 December 2022 and 2021, the average interest rates of bank deposits at call were 0.31% and 0.05% respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

24 CASH AND CASH EQUIVALENTS (CONTINUED)

As at 31 December 2022 and 2021, the analysis of carrying amounts of cash and cash equivalents denominated in different currencies is as follows:

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Denominated in USD	480,760	320,264
Denominated in HKD	83,377	391,218
Denominated in RMB	28,777	9,204
Denominated in EUR	3,039	2,956
Denominated in JPY	452	515
Others	324	431
	596,729	724,588

25 ACCOUNTS PAYABLE

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

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

Accounts payable are usually paid within 1 year of recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

25 ACCOUNTS PAYABLE (CONTINUED)

As at 31 December 2022 and 2021, the analysis of carrying amounts of accounts payable denominated in different currencies is as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Denominated in USD	134,222	180,282
Denominated in HKD	24,276	10,594
Denominated in THB	9,960	17,489
Denominated in IDR	9,433	7,348
Denominated in RMB	7,268	7,033
Denominated in JPY	4,580	3,374
	189,739	226,120

26 OTHER PAYABLE

	Notes	As at 31 December	
		2022	2021
		RMB'000	RMB'000
Deferred consideration	(i)	–	112,545
Consideration payable to BGFG	(ii)	–	230,220
Employee benefits payable		91,252	65,136
Other tax payables		5,262	56,822
Refundable advances from customers		799	218
Others		13,053	13,818
		110,366	478,759

Notes:

- (i) Deferred consideration is related to the transaction with non-controlling interests to acquire addition equity interest in Mico from Mr. Ye Chunjian. Based on the agreement between Mr. Ye Chunjian and NewBornTown Network Technology, a subsidiary of the Company, the total consideration shall be settled in cash by NewBornTown Network Technology by four instalments. The consideration has been fully paid in 2022.
- (ii) Consideration payable to BGFG is related to the acquisition of 11.50% equity interest of NBT Social Networking Inc., which has been fully paid in January 2022 (Note 1.2b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

27 DEFERRED INCOME TAX

Deferred income tax is calculated in full on temporary differences under the liability method using the tax rates at which are expected to be applied at the time of reversal of the temporary differences.

The amount of offsetting deferred income tax assets/liabilities is RMB19,394,000 and RMB5,079,000 as at 31 December 2022 and 2021, respectively. The analysis of deferred income tax assets and liabilities before offsetting is as follows:

	As at 31 December	
	2022	2021
	RMB'000	<i>RMB'000</i>
Deferred income tax assets		
– to be recovered after 12 months	11,443	–
– to be recovered within 12 months	8,175	5,327
	19,618	5,327

	As at 31 December	
	2022	2021
	RMB'000	<i>RMB'000</i>
Deferred income tax liabilities		
– to be recovered after 12 months	59,008	51,659
– to be recovered within 12 months	7,275	5,228
	66,283	56,887

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

27 DEFERRED INCOME TAX (CONTINUED)

27a Deferred tax assets

	As at 31 December	
	2022 RMB'000	2021 RMB'000
The balance comprises temporary differences attributable to:		
Lease liabilities	14,858	–
Accrued operating expenses	3,406	3,841
Others	1,354	1,486
Total deferred tax assets	19,618	5,327
Set-off of deferred tax liabilities pursuant to set-off provisions	(19,394)	(5,079)
	224	248

Movements	Accrued operating expenses RMB'000	Accumulated tax loss RMB'000	Restricted shares granted RMB'000	Lease Liabilities RMB'000	Others RMB'000	Total RMB'000
At 31 December 2020	1,060	645	12,343	–	1,473	15,521
Credited/(charged) to profit or loss	2,781	(645)	(12,343)	–	13	(10,194)
At 31 December 2021	3,841	–	–	–	1,486	5,327
Credited/(charged) to profit or loss	(435)	–	–	14,858	(132)	14,291
At 31 December 2022	3,406	–	–	14,858	1,354	19,618

Deferred income tax assets are recognised for deductible temporary differences to the extent that the realisation of the related tax benefits through future tax profit is probable.

As at 31 December 2022 and 2021, the Group did not recognise deferred income tax assets in respect of accumulated tax losses amounting to RMB21,303,000 and RMB21,600,000, respectively, which are mainly expected to expire from 31 December 2032 to 31 December 2031.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

27 DEFERRED INCOME TAX (CONTINUED)

27b Deferred tax liabilities

	As at 31 December	
	2022 RMB'000	2021 RMB'000
The balance comprises temporary differences attributable to:		
Intangible assets identified in acquisition of a subsidiary	38,967	43,963
Right-of-use asset	14,854	–
Fair value changes	12,462	12,924
Total deferred tax liabilities	66,283	56,887
Set-off of deferred tax liabilities pursuant to set-off provisions	(19,394)	(5,079)
	46,889	51,808

Movement	Changes in fair value of financial assets RMB'000	Intangible assets identified in acquisition of a subsidiary RMB'000	Right-of-use asset RMB'000	Total RMB'000
At 31 December 2020	11,844	62,007	–	73,851
Charged/(credited) to profit or loss	1,080	(18,044)	–	(16,964)
At 31 December 2021	12,924	43,963	–	56,887
Charged/(credited) to profit or loss	(462)	(4,996)	14,854	9,396
At 31 December 2022	12,462	38,967	14,854	66,283

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

27 DEFERRED INCOME TAX (CONTINUED)

27b Deferred tax liabilities (continued)

The deferred income tax assets relating to restricted shares granted and the deferred income tax liabilities relating to intangible assets identified in acquisition of a subsidiary were attributable to one subsidiary of the Company. On 29 May 2021, this subsidiary was accredited as a software enterprise under the relevant PRC laws and regulations since 2020. Accordingly, this subsidiary is exempt from Enterprise Income Tax for two consecutive years for the years ended 31 December 2021 and 2020, followed by a 50% reduction in the statutory income tax rate of 25% for the next three years from 2022 to 2024. The related deferred tax assets and deferred tax liabilities as at 31 December 2022 were calculated based on the applicable future tax rates accordingly.

28 SHARE CAPITAL

	Notes	Number of shares authorised for issue	Number of shares in issue	Share capital <i>USD'000</i>	Equivalent share capital <i>RMB'000</i>	Treasury shares <i>RMB'000</i>	Share premium <i>RMB'000</i>
As at 31 December 2020		3,000,000,000	998,850,000	99	695	-	93,701
Issuance of ordinary shares	(i)	-	100,000,000	10	64	-	293,455
As at 31 December 2021		3,000,000,000	1,098,850,000	109	759	-	387,156
Issuance of shares upon placement	(ii)	-	92,366,000	9	59	-	282,367
Purchase of own shares	(iii)	-	-	-	-	(12,719)	-
As at 31 December 2022		3,000,000,000	1,191,216,000	118	818	(12,719)	669,523

Share premium

The share premium mainly comprises the portion of contributions from owners of the Group in excess of share capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

28 SHARE CAPITAL (CONTINUED)

Share premium (continued)

Notes:

- (i) On 30 December 2021, the Company issued 100,000,000 ordinary shares to BGFG as part of consideration to acquire approximately 11.50% equity interest of NBT Social Networking (Note 19b).
- (ii) On 27 January 2022, Spriver successfully placed an aggregate of 92,366,000 ordinary shares at HK\$3.80 per share to no less than six professional, institutional and/or other investors procured by the sole placing agent, CLSA Limited. On 4 February 2022, a total of 92,366,000 ordinary shares were allotted and issued to Spriver at the net subscription price, after deducting all the applicable costs and expenses, of HK\$3.76 per share under the general mandate. The subscribed shares represent approximately 7.75% of the issued share capital of the Company as enlarged by the allotment.
- (iii) In June 2022, the Company purchased a total of 5,154,000 ordinary shares through Three D Partners Limited pursuant to RSU Award Scheme adopted by the Company in June 2022 (Note 31), at a total consideration of HK\$14,856,780.

29 OTHER RESERVES

	Note	Statutory reserve RMB'000	Capital reserve RMB'000	Translation reserve RMB'000	Total other reserves RMB'000
As at 31 December 2020		3,475	314,561	(3,086)	314,950
Other comprehensive loss		-	-	(6,169)	(6,169)
Issuance of ordinary shares as consideration for a transaction with non-controlling interests	19b	-	(2,254)	-	(2,254)
Transaction with non-controlling interests	19b	-	(418,264)	-	(418,264)
Share-based compensation expenses	31	-	359,783	-	359,783
As at 31 December 2021		3,475	253,826	(9,255)	248,046
Appropriation to statutory reserves		1,413	-	-	1,413
Other comprehensive income		-	-	39,327	39,327
Changes in the share of other reserves of investments accounted for using equity method	19c	-	(239,660)	-	(239,660)
Share-based compensation expenses	31	-	31,510	-	31,510
As at 31 December 2022		4,888	45,676	30,072	80,636

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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29 OTHER RESERVES (CONTINUED)

Statutory reserves

In accordance with the Company Law of the PRC, domestic enterprises in Mainland China are required to transfer 10% of their profit after taxation, as determined under accounting principles generally accepted in the PRC ("PRC GAAP"), to the statutory surplus reserve until such reserve balance reaches 50% of the registered capital of such entities. Moreover, upon a resolution made by the shareholders, a certain percentage of domestic enterprises' profit after taxation, as determined under PRC GAAP, is transferred to the discretionary surplus reserve.

The statutory surplus reserves can be used to reduce previous years' losses, if any, and may be converted into paid-in capital, provided that the statutory reserve after such conversion is not less than 25% of the registered capital of relevant subsidiaries.

30 CASH FLOW INFORMATION

30a Cash generated from operations

	Note	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Profit/(loss) before income tax		287,379	(393,881)
Adjustments for			
Depreciation and amortisation	7	59,582	51,023
Net impairment losses on financial assets	9	1,593	15,339
Finance income	11	(982)	(2,214)
Finance costs	11	1,512	5,829
Exchange (gain)/loss	10	(20,014)	25,240
Share-based compensation expense	7, 31	45,845	696,105
Share of net (gain)/loss of associates and joint ventures accounted for using the equity method	19c	(18,648)	205
Fair value change of financial assets measured at FVPL	10	(373)	(9,812)
Change in operating assets and liabilities:			
Increase in accounts receivable		(38,046)	(20,430)
Decrease/(increase) in other current assets		2,649	(3,912)
Decrease/(increase) in other receivable		15,609	(49,817)
(Increase)/decrease in restricted bank deposits		(178)	23
(Decrease)/increase in accounts payable		(59,357)	57,025
Increase in other payable		35,096	20,926
Cash generated from operations		311,667	391,649

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

30 CASH FLOW INFORMATION (CONTINUED)

30b Net cash reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

	As at 31 December	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cash and cash equivalents	596,662	724,556
Lease liabilities	(112,123)	(10,733)
Net cash	484,539	713,823

	Cash and cash equivalents <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Total <i>RMB'000</i>
Net cash as at 1 January 2021	430,998	(3,336)	427,662
Cash flows	308,920	8,680	317,600
Non-cash movement	–	(16,077)	(16,077)
Effects of exchange rate changes	(15,362)	–	(15,362)
Net cash as at 31 December 2021	724,556	(10,733)	713,823
Cash flows	(183,508)	14,085	(169,423)
Non-cash movement	–	(115,239)	(115,239)
Effects of exchange rate changes	55,614	(236)	55,378
Net cash as at 31 December 2022	596,662	(112,123)	484,539

30c Non-cash investing and financing activities

Non-cash investing and financing activities disclosed in other notes are:

- acquisition of right-of-use assets – Note 16b.
- partial settlement of a transaction with non-controlling interest through the issue of ordinary shares – Note 19b.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31 SHARE-BASED PAYMENTS

31a RSUs granted to employees

On 11 December 2019, the Board of Directors of the Company approved and adopted the restricted share unit scheme to employees (“Employee RSU Scheme”) and the restricted share unit scheme to management (“Management RSU Scheme”) to incentivise employees, consultants, directors, senior management and officers for their contribution to the Company. On 28 May 2020, the Board of Directors further resolved to amend the forfeiture provisions of the Management RSU Scheme and the Employee RSU Scheme for the purpose of better attracting and incentivising participants of the RSU Schemes in the long term.

On 28 May 2020, the Board of Directors resolved and approved the grant of 25,733,333 RSUs to 5 grantees pursuant to the Management RSU Scheme and the grant of 29,494,240 RSUs to 31 grantees pursuant to the Employee RSU Scheme (the “Grant”), subject to acceptance by the grantees. The fair value of RSUs as at the grant date were HK\$91.1 million. The first batch of the RSUs (being 25% of the total RSUs granted) vested on 20 July 2020, and the second to fourth batches of the RSUs (being 25% of the total RSUs granted respectively) will be vested on 20 July 2021, 20 July 2022 and 20 July 2023 respectively.

On 24 March 2021, the Board of Directors resolved and approved the grant of 957,333 RSUs to 5 grantees pursuant to the Employee RSU Scheme, which amounted to approximately 0.10% of the issued share capital of the Company as at the grant date. The fair value of RSUs as at the grant date was HK\$4.2 million. The first batch of the RSUs vested on 20 July 2021, and the second to fourth batches of the RSUs will be vested on 20 July 2022, 20 July 2023 and 20 July 2024 respectively.

On 7 June 2022, the Board of Directors resolved and approved the adoption of the restricted share unit award scheme (“RSU Award Scheme”). The purpose of the RSU Award Scheme is to incentivize the Group’s directors (excluding independent non-executive directors), senior management, officers and consultants for their contribution to the Group, to attract and retain skilled and experienced personnel to strive for the future growth of the Group by providing them with the opportunity to own equity interests in the Company. The aggregate number of Shares involved in the RSUs under the RSU Award Scheme (excluding the RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Award Scheme) shall not exceed 3% of the Company’s share capital in issue on the adoption date of the RSU Award Scheme, being 35,736,480 Shares. The Company will provide funds to TMF Trust (HK) Limited (the “RSU Trustee”) and Three D Partners Limited, a wholly-owned subsidiary of the RSU Trustee to purchase Shares in the market at the prevailing market price which will be used to satisfy the relevant Shares upon the exercise of the RSUs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31 SHARE-BASED PAYMENTS (CONTINUED)

31a RSUs granted to employees (continued)

Movements in the number of RSUs granted to the Company's employees and management under RSU Scheme as below:

	Number of RSU	Weighted average grant date fair value per RSU (HK\$)
Outstanding as at 1 January 2022	26,824,905	1.75
Granted during the year	–	–
Forfeited during the year	(412,667)	1.65
Vested during the year	(13,352,000)	1.65
Outstanding as at 31 December 2022	13,060,238	1.86
Outstanding as at 1 January 2021	39,468,905	1.65
Granted during the year	957,333	4.33
Forfeited during the year	(249,333)	1.65
Vested during the year	(13,352,000)	1.65
Outstanding as at 31 December 2021	26,824,905	1.75

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date.

The total expenses recognised in the consolidated statement of comprehensive income for RSUs granted under Employee RSU Scheme and Management RSU Scheme were RMB11,119,000 for the year ended 31 December 2022 (2021: RMB24,113,000).

For the year ended 31 December 2022, a subsidiary of the Group has recognised share-based compensation expenses of RMB11,304,000 related to the RSU Scheme awarded by the subsidiary in 2022 and 2018 (2021: RMB280,000).

31b Share options granted to executive directors and employees

On 31 May 2021, the shareholders of the Company approved the adoption of Share Option Scheme with the purpose of attracting, retaining and motivating eligible participants to strive towards long term performance target set by the Group and to provide them with an incentive to work better for the interest of the Group.

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31 SHARE-BASED PAYMENTS (CONTINUED)

31b Share options granted to executive directors and employees (continued)

On 30 August 2021, the Board of Directors proposed to grant in aggregate 80,000,000 share options to 32 eligible persons, including four executive directors under the Share Option Scheme adopted on 31 May 2021 to subscribe for a total of 80,000,000 ordinary shares of US\$0.0001 each in the share capital of the Company at the exercise price of HK\$4.81 per share, of which the grant of 30,000,000 share options was approved by the Independent Shareholders at an extraordinary general meeting of the Company on March 2022. The grant includes performance-based share options to grantees, which are generally vested within 10 years. Share options of each grantee will be vested in four tranches subject to the fulfilment of certain performance targets relating to the Company. The performance target is determined by the Board of Directors. For those awards, evaluations are made as of 31 December 2022 to assess the likelihood of performance criteria being met. Share-based compensation expenses are then adjusted to reflect the revision of original estimates.

Movements in the number of share options granted to employees and their related weighted average exercise prices are as below:

	Number of share options	Average exercise price per share option (HK\$)
Outstanding as at 1 January 2022	80,000,000	4.81
Granted during the year	–	–
Forfeited during the year	(770,000)	4.81
Exercised during the year	–	–
Outstanding as at 31 December 2022	79,230,000	4.81
Exercisable as at 31 December 2022	23,400,000	4.81

	Number of share options	Average exercise price per share option (HK\$)
Outstanding as at 1 January 2021	–	–
Granted during the year	80,000,000	4.81
Forfeited during the year	–	–
Exercised during the year	–	–
Outstanding as at 31 December 2021	80,000,000	4.81
Exercisable as at 31 December 2021	–	–

The options outstanding as at 31 December 2022 had a weighted average remaining contractual life of 8.7 years (31 December 2021: 9.7 years).

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31 SHARE-BASED PAYMENTS (CONTINUED)

31b Share options granted to executive directors and employees (continued)

The Company has used the Binomial Model to determine the fair value of the share options as at the grant date, which is to be recorded in profit or loss over the vesting period.

The weighted average fair value of the share options granted by the Company was HK\$2.37 (2021: HK\$2.00) per share. Other than the exercise price mentioned above, the model inputs to determine the fair value of share options granted during the year ended 31 December 2022 and 2021 included:

	Year ended 31 December	
	2022	2021
The closing price at the grant date	HK\$3.46/HK\$4.67	HK\$4.67
Risk-free interest rates	1.07%-2.08%	1.07%-1.36%
Expected dividend yield	0.00%	0.00%
Expected volatility	61.15%-66.60%	61.15%-61.62%

The total expenses recognised in the consolidated statement of comprehensive income for Share Option Scheme were RMB23,422,000 for the year ended 31 December 2022 (2021: RMB81,252,000).

31c Share-based payments during reorganization

As part of the reorganization of Beijing Mico mentioned in Note 1.2b, the minority shareholders of NBT Social Networking transferred 11.25% equity interest in NBT Social Networking to a subsidiary of the Group's senior management and the core management team for free to recognize the management team's contribution to the development of the Group. There is no service or performance conditions attached in respect of the transfer of equity interest, therefore in accordance with IFRS 2 Share-based Payments, the Company recorded share-based compensation expense amounting to approximately RMB590,460,000 in general and administrative expenses at the time when such share-based payments arrangement was entered into. The fair value of the share-based payment was determined with reference to the fair value of Beijing Mico determined in the transaction with BGFG.

32 COMMITMENTS

Non-cancellable leases commitment

The Group leases some office under non-cancellable lease contracts with lease term less than one year and has been exempted from recognition of right-of-use assets permitted under IFRS 16. The future aggregate minimum lease payment under the relevant non-cancellable lease contract are as follows:

	As at 31 December	
	2022	2021
	RMB'000	<i>RMB'000</i>
Within 1 year	–	47

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33 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the years presented. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

33a Names and relationships with related parties

The following individuals/companies are significant related parties of the Group that had transactions and/or balances with the Group during all years presented.

Individuals/Companies	Relationship
Ye Chunjian	A director of the Group
BGFG	A Shareholder of the Company
Spriver	A shareholder of the Company
Chizicheng Strategy Investment Limited	A subsidiary of the shareholder of the Company
Gaming	An associate of the Company
Metaclass Management ELP	A joint venture of the Company
BlueCity Holdings Limited	A subsidiary of the Company's joint venture

33b Transactions with related parties

The transactions with related parties are conducted in the ordinary course of the Group's business on terms comparable to the terms of transactions with other entities that are not related parties. The Group prices its services and goods based on commercial negotiations with reference to rules and regulations stipulated by related authorities of the PRC Government, where applicable. The Group has also established its procurement policies and approval processes for purchases of goods and services, which do not depend on whether the counterparties are related parties or not.

The transaction of entering into the Partnership Agreement with Spriver and Chizicheng Strategy Investment and establishing the Fund as described in Note 1.2a and Note 19c in 2022, the transaction of providing loan to an associate as described in Note 22 and the transaction with BGFG as described in Note 1.2b and Note 19b in 2021 also constituted as the related party transactions of the Group.

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33 RELATED PARTY TRANSACTIONS (CONTINUED)

33c Outstanding balances arising from transactions with related parties

The following balances are outstanding at the end of the year in relation to transactions with related parties:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
<i>Other payable to related parties</i>		
BGFG	–	230,220
Ye Chunjian	–	112,545
	–	342,765
<i>Other receivable from related party</i>		
Gaming	25,888	–
	25,888	–

33d Key management personnel remuneration

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Wages, salaries and bonus	5,013	3,633
Discretionary bonuses	–	–
Pension costs – defined contribution plans	337	265
Other social security costs, housing benefits and other employee benefits	498	390
Share-based compensation expenses	19,407	303,944
Total employee benefit expense	25,255	308,232

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

33 RELATED PARTY TRANSACTIONS (CONTINUED)

33e Loans to related parties

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
<i>Loans to key management personnel</i>		
At the beginning of the year	3,685	–
Loans advanced	–	3,685
Loss allowance	(46)	–
At the end of year	3,639	3,685
<i>Loans to other related parties</i>		
At the beginning of the year	–	–
Loans advanced	26,000	–
Loss allowance	(112)	–
At the end of year	25,888	–

34 EVENT OCCURRING AFTER THE REPORTING

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

On 16 January 2023, the Company entered into an agreement with BGFG, pursuant to which BGFG has agreed to sell and the Company has agreed to acquire 3,619,000 ordinary shares which is approximately 1.90% of the entire issued share capital of the NBT Social Networking for the consideration of approximately RMB99,999,000 in cash. The Company paid approximately US\$14,409,000 on 1 March 2023 and held approximately 62.29% equity interest of NBT Social Networking since the same day.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

35 BALANCE SHEET AND OTHER RESERVES MOVEMENT OF THE COMPANY

35a Balance sheet of the Company

	Note	As at 31 December	
		2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Investment in subsidiaries		2,724,572	2,688,698
Investments accounted for using the equity method		173,557	–
Total non-current assets		2,898,129	2,688,698
Current assets			
Other current assets		386	377
Other receivable		273,672	84,416
Cash and cash equivalents		26,159	22,205
Total current assets		300,217	106,998
Total assets		3,198,346	2,795,696
LIABILITIES			
Current liabilities			
Other payable		651,449	337,873
Total liabilities		651,449	337,873
EQUITY			
Share capital		818	759
Share premium	35b	2,694,364	2,411,997
Treasury shares	35b	(12,719)	–
Other reserves	35b	(123,529)	71,847
Accumulated losses		(12,037)	(26,780)
Total equity		2,546,897	2,457,823
Total liabilities and equity		3,198,346	2,795,696

The balance sheet of the Company was approved by the Board of Directors on 23 March 2023 and was signed on its behalf:

Liu Chunhe
Director

Li Ping
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

35 BALANCE SHEET AND OTHER RESERVES MOVEMENT OF THE COMPANY (CONTINUED)

35a Balance sheet of the Company (continued)

As at 31 December 2022 and 2021, other receivable primarily included the loan to subsidiaries of the Group. As at 31 December 2022, other payable primarily included the loan from subsidiaries of the Group. As at 31 December 2021, other payable primarily include amount due to the acquisition of NBT Social Networking from BGFG.

35b Other reserves movement of the Company

	Share premium <i>RMB'000</i>	Treasury Shares <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Translation reserve <i>RMB'000</i>	Total other reserves <i>RMB'000</i>
As at 31 December 2020	2,118,542	–	(40,358)	(5,374)	2,072,810
Other comprehensive loss	–	–	–	(4,980)	(4,980)
Issuance of ordinary shares (Note 28)	293,455	–	–	–	293,455
Shares-based compensation expenses	–	–	122,559	–	122,559
As at 31 December 2021	2,411,997	–	82,201	(10,354)	2,483,844
Other comprehensive income	–	–	–	16,661	16,661
Issuance of shares upon placement (Note 28)	282,367	–	–	–	282,367
Purchase of own shares (Note 28)	–	(12,719)	–	–	(12,719)
Changes in the share of other reserves of investments accounted for using equity method (Note 19c)	–	–	(239,660)	–	(239,660)
Shares-based compensation expenses	–	–	27,623	–	27,623
As at 31 December 2022	2,694,364	(12,719)	(129,836)	6,307	2,558,116

DEFINITION

“Adoption Date”	the date on which the Share Option Scheme was conditionally adopted by a resolution of the Shareholders
“AGM”	the annual general meeting of the Company to be held on 21 June 2023
“AI”	artificial intelligence
“Articles” or “Articles of Association”	the articles of association of our Company as amended from time to time
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“BGFG”	BGFG Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
“Business Day(s)”	any day (excluding Saturday) on which banks in Hong Kong generally are open for business and the Stock Exchange is open for the business of dealing in securities
“BVI”	the British Virgin Islands
“Corporate Governance Code”	the “Corporate Governance Code and Corporate Governance Report” as contained in Appendix 14 to the Listing Rules
“China”, “PRC” or “Mainland China”	the People’s Republic of China, which for the purpose of this annual report only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Chizicheng Strategy Investment”	Chizicheng Strategy Investment Limited, an exempted company with limited liability incorporated in the Cayman Islands on 11 January 2022 and was wholly owned by Spriver Tech Limited as of the Latest Practicable Date
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Company”, “our Company” or “the Company”	Newborn Town Inc. (赤子城科技有限公司), a company with limited liability incorporated in the Cayman Islands on 12 September 2018
“Consolidated Affiliated Entities”	the entities we control through the Contractual Arrangements, being NewBornTown Mobile Technology and NewBornTown Network Technology

“Contractual Arrangements”	a series of contractual agreements reached to consolidate our interests in the Consolidated Affiliated Entities entered into among WFOE, NewBornTown Mobile Technology and the PRC Equity Holders during the Reorganisation
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of our Company or any one of them
“Equity Transfer Agreement”	the equity transfer agreement entered into between the Company and BGFG on 9 October 2021
“Employee(s)”	any employee(s) or senior management of the Company or its subsidiaries
“Employee RSU Scheme”	the restricted share unit scheme of the Company adopted and revised by our Board on 11 December 2019 and 28 May 2020
“Employee RSU Trustee”	TMF Trust (HK) Limited, an independent and professional trustee appointed by our Company to act as the trustee of the Employee RSU Scheme
“Exercise Price”	the price per Share at which a Grantee may subscribe for the Shares on the exercise of an Option as described in paragraph 8 of Appendix III to the circular of the Company dated 14 April 2021
“Grantee”	any Participant who accepts an Offer in accordance with the terms of the Share Option Scheme, or (where the context so permits) any person who is entitled to any Option in consequence of the death of the original Grantee
“Great Sailing”	Great Sailing Media Limited (formerly known as Mobile Box Limited), a company incorporated in Hong Kong with limited liability on 16 April 2013 and an indirect wholly-owned subsidiary of our Company
“Group,” “our Group,” or “the Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“IFRS”	the International Financial Reporting Standards, amendments and interpretation issued from time to time by the International Accounting Standards Board

DEFINITION

“Latest Practicable Date”	20 April 2023, being the latest practicable date prior to the printing of this annual report for the purpose of ascertaining certain information contained herein
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	31 December 2019, the date on which the Company was listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited(as amended, supplemented or otherwise modified from time to time)
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Management RSU Scheme”	the restricted share unit scheme of the Company adopted and revised by our Board on 11 December 2019 and 28 May 2020
“Management RSU Trustee”	TMF Trust (HK) Limited, an independent and professional trustee appointed by our Company to act as the trustee of the Management RSU Scheme
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“NBT Social Networking”	NBT Social Networking Inc., a company incorporated under the laws of the Cayman Islands with limited liability
“NewBornTown Mobile Technology”	NewBornTown Mobile Technology (Shandong) Holdings Co., Ltd. (赤子城移動科技(山東)股份有限公司), formerly known as NewBornTown Mobile Technology (Beijing) Co., Ltd. (赤子城移動科技(北京)股份有限公司), a company incorporated under the laws of the PRC with limited liability on 15 August 2007 and by virtue of the Contractual Arrangements, accounted for as our subsidiary
“NewBornTown Network Technology”	NewBornTown Network Technology (Beijing) Co., Ltd. (赤子城網絡技術(北京)有限公司), a company incorporated under the laws of the PRC with limited liability on 28 February 2014 and a direct wholly-owned subsidiary of NewBornTown Mobile Technology
“Nomination Committee”	the nomination committee of the Company
“Offer(s)”	the offer(s) of the grant of Share Option(s) made by the Board in accordance with the Share Option Scheme

“Offer Date”	the date on which an Offer(s) is/are made to Participant(s), which date must be a Business Day
“Option(s)” or “Share Option(s)”	a right granted to subscribe for the Shares pursuant to the Share Option Scheme
“Option Period”	a period to be determined and notified by the Board to each Grantee, during which an Option may be exercised (provided that such period shall not be more than ten (10) years commencing on the Offer Date and expiring on the last day of such period and the Board may also at its discretion impose any restrictions thereon)
“Participant(s)”	any director(s) of the Group (including any Director(s)) or Employee(s) who the Board considers, in its sole discretion, have contributed or will contribute to the Group
“Prospectus”	the prospectus of the Company dated 17 December 2019
“Relevant Period”	the period from 1 January 2022 and up to the Latest Practicable Date
“Remuneration Committee”	the remuneration committee of the Company
“Reporting Period”	the period from 1 January 2022 to 31 December 2022
“RMB”	Renminbi yuan, the lawful currency of China
“RSU”	a restricted share unit award granted to a participant under the RSU Scheme
“RSU Schemes”	the Employee RSU Scheme and the Management RSU Scheme
“Share(s)”	ordinary share(s) in the share capital of our Company with a par value of US\$0.0001 each
“Share Option Scheme” or “Scheme”	the share option scheme proposed to be adopted by the Company at the Annual General Meeting pursuant to the ordinary resolution as set out in the notice of the Annual General Meeting, a summary of the principal terms of which is set out in the Appendix III to the circular of the Company dated 14 April 2021
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in section 15 of the Companies Ordinance

DEFINITION

“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by SFC, as amended or supplemented from time to time
“U.S. dollars” or “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
“WFOE” or “Shandong NewBornTown”	Shandong NewBornTown Network Technology Co., Ltd. (山東赤子城網絡技術有限公司), a company incorporated under the laws of the PRC with limited liability on 30 August 2018 and a direct wholly-owned subsidiary of Solo X Technology
“%”	per cent

