

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)

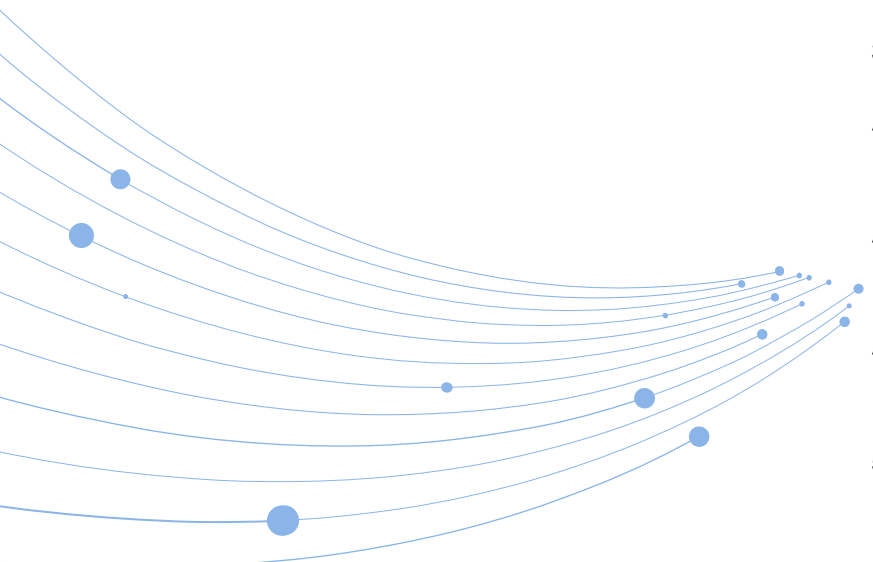
2024
INTERIM
REPORT





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CORPORATE INFORMATION

BOARD OF 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

COMPANY SECRETARIES

Mr. SONG Pengliang

AUTHORISED REPRESENTATIVES

Mr. LI Ping
Mr. SONG Pengliang

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDITOR

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

REGISTERED OFFICE

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Industrial and Commercial Bank of China Limited
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STOCK CODE

09911

COMPANY'S WEBSITE

www.newborntown.com

FINANCIAL HIGHLIGHTS

- Revenue from contracts with customers for the six months ended 30 June 2024 amounted to RMB2,271.9 million, representing an increase of 65.3% from RMB1,374.6 million recorded for the six months ended 30 June 2023.
- Gross profit for the six months ended 30 June 2024 amounted to RMB1,141.0 million, representing an increase of 61.4% from RMB706.9 million recorded for the six months ended 30 June 2023.
- Profit for the period for the six months ended 30 June 2024 amounted to RMB387.6 million, representing an increase of 28.2% from RMB302.3 million recorded for the six months ended 30 June 2023.
- Profit attributable to equity shareholders of the Company for the six months ended 30 June 2024 amounted to RMB224.7 million, representing an increase of 21.3% from RMB185.3 million recorded for the six months ended 30 June 2023.
- Adjusted EBITDA for the six months ended 30 June 2024 amounted to RMB448.5 million, representing an increase of 29.2% from RMB347.0 million recorded for the six months ended 30 June 2023.

	Six months ended 30 June	
	2024 <i>RMB'000</i> <i>(unaudited)</i>	2023 <i>RMB'000</i> <i>(unaudited)</i>
Revenue from contracts with customers	2,271,925	1,374,558
Gross profit	1,141,031	706,884
Profit before income tax	384,677	312,114
Profit for the period	387,618	302,273
Basic earnings per share (expressed in RMB per share)	0.20	0.16
Diluted earnings per share (expressed in RMB per share)	0.20	0.16
Operating profit	366,585	277,468
<i>Add:</i>		
Share-based compensation expenses ⁽¹⁾⁽²⁾	33,377⁽²⁾	33,785 ⁽¹⁾
Depreciation and amortization	48,502	35,740
Adjusted EBITDA	448,464	346,993

Notes:

- (1) In May 2020, March 2021 and March 2023, the Board approved the grant of an aggregate of 55,227,573 RSUs, 957,333 RSUs and 2,441,170 RSUs respectively to certain employees and management pursuant to the RSU Schemes. Share-based compensation expenses were recognised based on the vesting period of the RSU Schemes, and amounted to RMB4,259,000 for the six months ended 30 June 2023, tantamount to the economic benefits which certain employees and management obtained from the Company. For further details, please refer to the announcements dated 28 May 2020, 24 March 2021 and 24 March 2023 of the Company. A subsidiary of the Company has recognised share-based compensation expenses amounting to RMB15,525,000 for the six months ended 30 June 2023.

On 30 August 2021, the Board granted in aggregate 80,000,000 Share Options to 32 eligible persons. The grant includes performance-based Share Options to grantees, which are generally vested within 10 years. 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 30 June 2023 to assess the likelihood of meeting the performance targets. Share-based compensation expenses amounting to RMB14,001,000 were recognised for the six months ended 30 June 2023.

- (2) In May 2020, March 2021, March 2023, March 2024 and May 2024, the Board approved the grant of an aggregate of 55,227,573 RSUs, 957,333 RSUs, 2,441,170 RSUs, 4,778,877 RSUs and 659,668 RSUs respectively to certain employees and management pursuant to the RSU Schemes. Share-based compensation expenses were recognised based on the vesting period of the RSU Schemes, and amounted to RMB4,651,000 for the six months ended 30 June 2024, tantamount to the economic benefits which certain employees and management obtained from the Company. For further details, please refer to the announcements dated 28 May 2020, 24 March 2021, 24 March 2023, 22 March 2024 and 21 May 2024 of the Company. A subsidiary of the Company has recognised share-based compensation expenses amounting to RMB17,525,000 for the six months ended 30 June 2024.

On 30 August 2021, the Board granted in aggregate 80,000,000 Share Options to 32 eligible persons. The grant includes performance-based Share Options to grantees, which are generally vested within 10 years. Share Options of each grantee 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 30 June 2024 to assess the likelihood of meeting the performance targets. Share-based compensation expenses amounting to RMB11,201,000 were recognised for the six months ended 30 June 2024.

BUSINESS HIGHLIGHTS

Pan-audience social networking business



MICO



YoHo



TopTop



SUGO

Diverse-audience social networking business



HeeSay



Blued



Finka

Innovative business such as niche games



Alice's Dream: Merge Games



Taylor's Secret



Bubble POP GO

Significant growth in revenue and continuous increase in profits



Revenue amounted to RMB **2.272** billion increased by **65%** period-on-period



The profit attributable to equity shareholders of the Company amounted to RMB **225** million increased by **21%** period-on-period



Net operating cash inflow amounted to RMB **359** million increased by **103%** period-on-period



Cash and cash equivalents amounted to RMB **1.489** billion increased by **7%** over the beginning of the period

The accelerated growth of the Middle East and North African markets

Main products*

Business scale in the Middle East and North African region increased by **44%** period-on-period

*The main products is refer to the Mico World's products

The rapid growth of post-launch products



Over **100%** period-on-period growth in revenue



Over **250%** period-on-period growth in revenue, the monthly recharge amount exceeded **10** million US dollars

Unit: RMB

CHAIRMAN'S STATEMENT

Dear Shareholders:

In 2024, we witnessed a new round of fast development. The Company kept on advancing its main business of “pan-audience social networking” whilst actively developing its “diverse-audience social networking” business and “niche games” amongst its “innovative businesses”, thereby consistently achieving breakthroughs in key markets and building on the excellent results attained in 2023.

The Company's roots run deep in the Middle East and North African markets, and has achieved increasingly tangible results in recent years. In terms of business scale, in the first half of 2024, business scale of the Company's core products (that of Mico World's) increased period-on-period by 44% in the Middle East and North African region. From the product development standpoint, multiple products accomplished zero to one development since launch in the Middle East and North African markets, and have been further rolled out to more countries. On the business operations front, the Company has early on established a local operation center since the beginning of its venture into the Middle East and North African markets, building deep trust and rapport with users, creators, and communities locally, and having nurtured numerous networking talents from within the local community.

The Company is on the constant quest of forging closer ties with the Middle East region. In August 2024, the Company was notably granted the Regional Headquarters Business License (RHQ License) issued by the Ministry of Investment of Saudi Arabia (MISA), making us the first global social entertainment enterprise to establish its regional headquarters in Saudi Arabia.

Benefiting from our continued growth in markets such as the Middle East and North Africa, in the first half of 2024, the Company continued to leverage its capabilities to drive improvements in terms of business indicators. In the first half of 2024, our total revenue amounted to RMB2.272 billion, representing a period-on-period increase of approximately 65%. Net profit for the period amounted to RMB388 million, representing a period-on-period increase of approximately 28%. Profit attributable to equity shareholders of the Company amounted to RMB225 million, representing a period-on-period increase of 21%. Adjusted EBITDA amounted to RMB448 million, representing a period-on-period increase of approximately 29%. Amongst which, our social networking business has achieved high-quality growth, with revenue reaching RMB2.07 billion, representing a period-on-period increase of 67%. Meanwhile our innovative business also charted progress, with revenue reaching RMB202 million in the first half of the year, representing a period-on-period increase of 54%.

While expanding its business, the Company actively fulfils its corporate social responsibility. We have made significant strides in areas such as equal employment, industry poverty alleviation, and organised public welfare activities. We have continued to advance our “TEEN in FOCUS” agenda globally so as to provide young people in developing countries a better environment growing up.

Going forward, we will steadfastly press on with the Company's long-term strategy, plough on with the pan-audience social networking business, and actively pursue growth in the diverse-audience social networking business and niche games business. While our sights are firmly set on expanding and accentuating our presence in the Middle East and North African markets, we will also actively tap into markets such as Southeast Asia, Japan, South Korea and North America to create positive emotional value for more users worldwide.

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

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

I. Pan-audience social networking business: initial formation of a diversified product matrix, continued unleashing of potential of the middle east

In 2024, the pan-audience social networking business continued to play a core role in various business segments of the Company. Live-streaming social networking platform MICO, the audio social networking platform YoHo, the game-oriented social networking platform TopTop, and the companion-based social networking platform SUGO, all made much headway during the first half of the year.

In the first half of the year, post-launch products played an increasingly important role in the product matrix of the Company, and are expected to contribute more value to the overall performance in the short term. Mature products were also steadily picking up momentum, which provided a steady stream of income and profit for the Group.

In the first half of 2024, the post-launch product SUGO continued to make swift breakthroughs, with a period-on-period revenue growth of over 250% and a monthly recharge amount of over 10 million U.S. dollars. In June its recharge amount accounted for 24% of the overall recharge amount of our social networking business. While pursuing commercial scale growth, SUGO is also set to forge closer ties with the local community. In June, SUGO has put on the "Third Anniversary Offline Market Party" event in Taipei, which effectively enhanced its brand influence and user activity.

By priming its focus on key markets, whilst strengthening user operations, and proactively building a social ecosystem, TopTop has seen a lift in performance, with its revenue increased by over 100% period-on-period in the first half of 2024. Owing to the consistently heightened product appeal, TopTop has made it to Apple App Store's recommended list in May and thereby being recommended to users in dozens of countries and regions.

Pioneering products, such as MICO, YoHo, have met with good progress during the first half of the year. Through continuous optimisation of operations and commercialisation strategies, they have both elevated their influence on the local community, which in turn contributed to stable income and profits.

MICO, TopTop, SUGO and YoHo all made it to the "Top 10 Middle East Social Apps Revenue Rankings", as issued by Sensor Tower, a mobile app data analytics platform.

Overall, in the first half of this year, the Company's pan-audience social networking business has continued to achieve new breakthroughs, whilst realising deeper and more quality landing and operation in all major markets. The product matrix of the pan-audience social networking business has become increasingly defined in scope, and the product ecosystem built around social entertainment has been gradually taking form. Having numerous products landing top spots in vertical segments, and with such products' mode of operation and promotion results having gained recognition in the Middle East and North African markets, the experience is further "replicated" in Southeast Asia and other markets for commercial value generation, the Company's product appeal is also constantly improving, with both SUGO and TopTop having established a growth track by "starting off with the Middle East and North Africa, and thereafter expanding into global markets".

II. Diverse-audience social networking business: fostering community atmosphere and building brand influence

There is no stopping to our efforts in exploring the realms of the diverse-audience business. In the process of laying out the social networking business for diversified user groups, the Company has recognised the broader social needs of the LGBTQ+ community, and based on which, the Company rolled out HeeSay, as an upgrade to the overseas diverse-audience online community.

HeeSay has been fostering a more positive community atmosphere through its more refined operations, while continuously building its brand influence overseas. Since the beginning of the year, HeeSay has launched a series of offline activities in Bangkok, Ho Chi Minh City, Los Angeles, etc. By fully drawing on the Company's experience accumulated in overseas markets over the past decade, HeeSay has imbued in its users a sense of community belonging through various means. It has also been met with positive reception on the commercial front, with the overseas diverse-audience social networking business having recorded a period-on-period increase of approximately 25% in the first half of the year.

III. Innovative business: flagship games pushing ahead on breakthroughs and emergence of new games

While keeping our focus trained on the social networking business, the Company continued to proactively invest in niche games as amongst the other innovative businesses. In the first half of the year, the Company's major niche games made good progress, recording a total recharge amount of RMB387 million, representing a period-on-period increase of approximately 393%. Taking into account factors such as the needs of users in overseas markets, these products are currently issued by an external independent publishing team, and hence, for the time being, the aforementioned are yet to be reflected in the Group's revenue.

Specifically, when games are considered on a standalone basis, "Alice's Dream: Merge Games" landed in Sensor Tower's top 30 overseas revenue rankings for mobile games in China in the past May and June. "Taylor's Secret", another niche game, was also on the upward track and began to usher in more commercial value. The Company has also maintained its sights on new technologies and gameplay.

STRATEGY AND OUTLOOK

I. Continue on "replicating" popular works and further unleash the potential of the middle east

From now onwards, the Company will continue to focus on its core business of "pan-audience social networking" and steadfastly invest in the Middle East and North African markets. Simultaneously, the Company is looking to expand its "diverse-audience social networking" and "niche games" businesses to explore more diversified markets and possibilities.

As for the pan-audience social networking business, the Company will firmly focus on the Middle East and North African market, continuously optimising its products and services, deepening its localisation strategies, and unleashing the growth potential of the Middle East and North African markets.

According to Mordor Intelligence forecast, the size of the media and entertainment market in the Middle East is expected to reach US\$66.99 billion by 2029. Young people in those regions have a strong demand for online entertainment, and yet the demand for localised cultural content is still far from being met.

The Company is thus pressed on tapping into the social and entertainment needs of local users, providing high-quality social and entertainment services through a diversified product matrix and refined localised operations, whilst taking lead in terms of market share. The Middle East and North African region has been made a "seed market" for the Company to test out its new business model.

Owing to the constantly improving product capabilities and increasingly mature operation systems, TopTop, SUGO and other products have utilised the Middle East market as the starting point to feel out user needs and business models, and have accomplished the zero to one development since launch. Thereafter, the Company will strive to replicate the refined products and market experience globally towards accomplishing the aim of "Incubation in Middle East, replication globally".

CHAIRMAN'S STATEMENT

At present, the Company has incubated products with monthly recharge amount reaching the 10 million mark in U.S. dollars, such as the likes of MICO and SUGO. In the future, the Company will continue to implement the “Incubation in the Middle East, replication globally” model, whereby the advantages of pan-audience social products in the Middle East and North African markets can be amplified on a continual basis, whilst constantly exploring new scenarios and technologies to “replicate” more products with monthly recharge amount making to the ten million range in U.S. dollars.

II. Refined operation, shaping HeeSay's global brand influence

According to Frost & Sullivan, the number of global LGBTQ+ community has exceeded 500 million and is expected on a continued path of growth, reaching 660 million by 2026. In addition, the consumption power of such group is also on the rise and that GDP contributed by the global LGBTQ+ community is expected to increase from US\$10.9 trillion in 2021 to US\$13.8 trillion in 2026. The development potential for diverse social groups thus remains vast.

In 2024, complementing the launch of HeeSay, an online community for diverse groups, we have reinforced our operations through offline activities. It is through such combination of online and offline activities that we strive to nurture a community where LGBTQ+ users from around the world can “express their love to the fullest whilst sharing laughter with others”.

In the future, the Company will anchor its advantageous markets for in-depth exploration, continue to refine its products, leverage its operational advantages, and continuously expand into new regions to unleash its commercial potential, and in order that HeeSay can be turned into a brand widely recognised by the global LGBTQ+ community.

III. Create more “evergreen” games and accelerate the realisation of commercial value

In the first half of 2024, the overall growth trend of the overseas mobile game market spurred on with strong growth momentum in the mixed leisure mobile games genre. The period-on-period growth in May reached a historic high, whilst there remains considerable room for growth for overseas mobile games.

Since 2023, we have preliminarily gauged the development track of niche games. Going forward, we will continue to adhere to the concept of “creating niche” products, constantly iterate products, optimise commercialisation initiatives and create more “evergreen” games that can be in operation for 5 and even up to 10 years in the long run, which could bring in substantial commercial value to the company.

Whilst embracing the vision of “enriching positive emotional value”, the Company will continue to consolidate its presence in the global social networking entertainment arena by creating a slate of more valuable and heartwarming products and services to users worldwide. At the same time, we will also have our sights trained on new technologies and opportunities to realise diversified and sustainable growth, and generate more return for our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

Our total revenue from contracts with customers increased by 65.3% for the six months ended 30 June 2024 amounted to RMB2,271.9 million, as compared to RMB1,374.6 million recorded for the six months ended 30 June 2023. The following table sets forth a breakdown of our revenue by segments for the periods indicated:

	Six months ended 30 June				YoY Change
	2024		2023		
	<i>RMB'000</i> <i>(unaudited)</i>	<i>% of Total</i> <i>revenue</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>% of Total</i> <i>revenue</i> <i>(unaudited)</i>	
Social networking business	2,070,422	91.1	1,243,450	90.5	66.5%
Innovative business	201,503	8.9	131,108	9.5	53.7%
Total	2,271,925	100.0	1,374,558	100.0	65.3%

The revenue from social networking business for the six months ended 30 June 2024 was RMB2,070.4 million, representing an increase of 66.5% from RMB1,243.5 million for the six months ended 30 June 2023, which is primarily attributable to (i) the Group's pan-audience social networking business product matrix becoming more defined in scope through our focus on key markets and continuous optimisation of our operations and commercialisation strategies, which led to an increase in revenue; (ii) in August 2023, the Company conclusively completed the acquisition of Chizicheng Strategy Investment Limited and started to consolidate the revenue of BlueCity Holdings Limited and Land of Glory Ltd, which is conducive to the laying out of the diverse-audience social networking business and the further building of our brand influence.

The revenue from innovative business for the six months ended 30 June 2024 was RMB201.5 million, representing an increase of 53.7% from RMB131.1 million for the six months ended 30 June 2023, which is mainly attributable to the steady development of the Group's existing casual game business and traffic diversion business, as well as the progress made by the social e-commerce business that the Group has been actively investing in and developing.

MANAGEMENT DISCUSSION AND ANALYSIS

COST OF REVENUE

Our cost of revenue for the six months ended 30 June 2024 was RMB1,130.9 million, representing an increase of 69.4% from RMB667.7 million for the six months ended 30 June 2023. The following table sets forth a breakdown of our cost of revenue by nature for the periods indicated:

	Six months ended 30 June				YoY Change
	2024		2023		
	<i>RMB'000</i> <i>(unaudited)</i>	<i>% of Total</i> <i>revenue</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>% of Total</i> <i>revenue</i> <i>(unaudited)</i>	
Revenue sharing and commission fees	787,258	34.7	512,767	37.3	53.5%
Employee benefit expense	132,888	5.8	53,897	3.9	146.6%
Server capacity expense	53,990	2.4	27,614	2.0	95.5%
Cost of inventories	43,536	1.9	–	–	–
Depreciation and amortization	39,367	1.7	29,653	2.2	32.8%
Technical and other service fee	32,140	1.4	12,560	0.9	155.9%
Share-based compensation expenses	20,776	0.9	17,170	1.2	21.0%
Travel expense	4,718	0.2	2,884	0.2	63.6%
Others	16,221	0.8	11,129	0.8	45.8%
Total	1,130,894	49.8	667,674	48.5	69.4%

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

	Six months ended 30 June				YoY Change
	2024		2023		
	<i>RMB'000</i> <i>(unaudited)</i>	<i>%</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>%</i> <i>(unaudited)</i>	
Social networking business	1,046,059	92.5	649,454	97.3	61.1%
Innovative business	84,835	7.5	18,220	2.7	365.6%
Total	1,130,894	100.0	667,674	100.0	69.4%

The cost of revenue for the social networking business for the six months ended 30 June 2024 was RMB1,046.1 million, representing an increase of 61.1% from RMB649.5 million for the six months ended 30 June 2023, which is mainly attributable to the increased cost comprising of revenue sharing and commission fees, as well as employee benefit expenses incurred by the social networking business.

The cost of revenue for the innovative business for the six months ended 30 June 2024 was RMB84.8 million, representing an increase of 365.6% from RMB18.2 million for the six months ended 30 June 2023, which is mainly attributable to the increased cost of inventories as well as employee benefit expenses incurred by the social e-commerce business which the Group has been actively investing in and developing.

MANAGEMENT DISCUSSION AND ANALYSIS

GROSS PROFIT AND GROSS PROFIT MARGIN

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

	Six months ended 30 June						YoY Change in gross profit
	2024			2023			
	<i>Gross profit (unaudited)</i>	<i>% (unaudited)</i>	<i>Gross profit margin (unaudited)</i>	<i>Gross profit (unaudited)</i>	<i>% (unaudited)</i>	<i>Gross profit margin (unaudited)</i>	
	<i>(RMB'000, except percentages)</i>						
Social networking business	1,024,363	89.8	49.5%	593,996	84.0	47.8%	72.5%
Innovative business	116,668	10.2	57.9%	112,888	16.0	86.1%	3.3%
Total	1,141,031	100.0	50.2%	706,884	100.0	51.4%	61.4%

Our gross profit for the six months ended 30 June 2024 was RMB1,141.0 million, representing an increase of 61.4% from RMB706.9 million for the six months ended 30 June 2023. The gross profit of the social networking business increased from RMB594.0 million for the six months ended 30 June 2023 to RMB1,024.4 million for the six months ended 30 June 2024, which was mainly attributable to the deepening of engagement in our pan-audience social networking product in the Middle East and North African market and the positive layout of the diverse-audience social networking business, which led to increases in both revenue and gross profit of our social networking business. The gross profit from innovative business increased from RMB112.9 million for the six months ended 30 June 2023 to RMB116.7 million for the six months ended 30 June 2024, which was mainly attributable to the steady development of the Group's existing casual game business and traffic diversion business, as well as the progress of social e-commerce business the Group has been actively investing in and developing.

Our gross profit margin decreased from 51.4% for the six months ended 30 June 2023 to 50.2% for the six months ended 30 June 2024. The gross profit margin of the social networking business increased from 47.8% for the six months ended 30 June 2023 to 49.5% for the six months ended 30 June 2024, which was mainly attributable to the improved brand influence and commercial realisation of social networking products through continuous optimisation of operations and commercialisation strategies. The gross profit margin of the innovative business decreased from 86.1% for the six months ended 30 June 2023 to 57.9% for the six months ended 30 June 2024, mainly due to the increased cost of inventories as well as employee benefit expenses incurred by the social e-commerce business which the Group has been actively investing in and developing.

SELLING AND MARKETING EXPENSES

For the six months ended 30 June 2024, our selling and marketing expenses increased by 95.3% to RMB481.6 million as compared to RMB246.6 million for the six months ended 30 June 2023, which was primarily attributable to intensified efforts to promote our social networking business.

RESEARCH AND DEVELOPMENT EXPENSES

For the six months ended 30 June 2024, our research and development expenses increased by 20.1% to RMB163.9 million from RMB136.5 million for the six months ended 30 June 2023, which was primarily attributable to the increase in employee benefit expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL AND ADMINISTRATIVE EXPENSES

For the six months ended 30 June 2024, our general and administrative expenses increased by 26.7% to RMB105.8 million as compared to RMB83.5 million for the six months ended 30 June 2023, which is primarily due to the increase in employee benefit expenses.

OPERATING PROFIT

For the six months ended 30 June 2024, our operating profit increased by 32.1% to RMB366.6 million as compared to RMB277.5 million for the six months ended 30 June 2023, which was mainly attributable to (i) an increase of RMB434.1 million in our gross profit; (ii) an increase of RMB235.0 million in our selling and marketing expenses; (iii) an increase of RMB27.4 million in our research and development expenses; (iv) an increase of RMB22.3 million in our general and administrative expenses; and (v) a decrease of RMB50.3 million in other net gains.

FINANCE INCOME/(COST), NET

For the six months ended 30 June 2024, we recorded a net finance income of RMB18.2 million as compared to a net finance cost of RMB0.2 million for the six months ended 30 June 2023. Such change was mainly attributable to the increase in interest income from our bank deposits.

INCOME TAX CREDITS/(EXPENSES)

For the six months ended 30 June 2024, we recorded income tax credits of RMB2.9 million as compared to the income tax expenses of RMB9.8 million for the six months ended 30 June 2023.

PROFIT FOR THE PERIOD

As a result of the foregoing, our profit for the period increased by 28.2% to RMB387.6 million for the six months ended 30 June 2024 as compared to RMB302.3 million for the six months ended 30 June 2023.

NON-IFRS MEASURES

To supplement our consolidated statement of comprehensive income, which is presented in accordance with IFRS, we also use adjusted EBITDA as 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 tables set forth the reconciliation of our non-IFRS financial measure for the periods indicated, to the nearest measures prepared in accordance with IFRS:

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 <i>RMB'000</i> <i>(unaudited)</i>
Operating profit	366,585	277,468
<i>Add:</i>		
Share-based compensation expenses ⁽¹⁾⁽²⁾	33,377⁽²⁾	33,785 ⁽¹⁾
Depreciation and amortization	48,502	35,740
Adjusted EBITDA	448,464	346,993
Adjusted EBITDA growth	29.2%	64.9%

Notes:

- (1) In May 2020, March 2021 and March 2023, the Board approved the grant of an aggregate of 55,227,573 RSUs, 957,333 RSUs and 2,441,170 RSUs respectively to certain employees and management pursuant to the RSU Schemes. Share-based compensation expenses were recognised based on the vesting period of the RSU Schemes, and amounted to RMB4,259,000 for the six months ended 30 June 2023, tantamount to the economic benefits which certain employees and management obtained from the Company. For further details, please refer to the announcements dated 28 May 2020, 24 March 2021 and 24 March 2023 of the Company. A subsidiary of the Company has recognised share-based compensation expenses amounting to RMB15,525,000 for the six months ended 30 June 2023.

On 30 August 2021, the Board granted in aggregate 80,000,000 Share Options to 32 eligible persons. The grant includes performance-based Share Options to grantees, which are generally vested within 10 years. 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 30 June 2023 to assess the likelihood of meeting the performance targets. Share-based compensation expenses amounting to RMB14,001,000 were recognised for the six months ended 30 June 2023.

- (2) In May 2020, March 2021, March 2023, March 2024 and May 2024, the Board approved the grant of an aggregate of 55,227,573 RSUs, 957,333 RSUs, 2,441,170 RSUs, 4,778,877 RSUs and 659,668 RSUs respectively to certain employees and management pursuant to the RSU Schemes. Share-based compensation expenses were recognised based on the vesting period of the RSU Schemes, and amounted to RMB4,651,000 for the six months ended 30 June 2024, tantamount to the economic benefits which certain employees and management obtained from the Company. For further details, please refer to the announcements dated 28 May 2020, 24 March 2021, 24 March 2023, 22 March 2024 and 21 May 2024 of the Company. A subsidiary of the Company has recognised share-based compensation expenses amounting to RMB17,525,000 for the six months ended 30 June 2024.

On 30 August 2021, the Board granted in aggregate 80,000,000 Share Options to 32 eligible persons. The grant includes performance-based Share Options to grantees, which are generally vested within 10 years. Share Options of each grantee 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 30 June 2024 to assess the likelihood of meeting the performance targets. Share-based compensation expenses amounting to RMB11,201,000 were recognised for the six months ended 30 June 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

We continued to maintain a healthy and sound financial position. Our total assets increased from RMB2,790.9 million as at 31 December 2023 to RMB2,999.1 million as at 30 June 2024, while our total liabilities decreased from RMB843.4 million as at 31 December 2023 to RMB747.7 million as at 30 June 2024. Liabilities-to-assets ratio decreased from 30.2% as at 31 December 2023 to 24.9% as at 30 June 2024.

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 30 June 2024, our cash and cash equivalents were RMB1,489.2 million, as compared to RMB1,386.3 million as at 31 December 2023.

Compared to RMB181.9 million recorded for the six months ended 30 June 2023, the cash generated from operations for the six months ended 30 June 2024 was increased to RMB370.7 million.

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

To preserve funds for future capital expenditure and new business opportunities, we continue to invest surplus cash in commercial bank wealth management products and funds issued by major and reputable financial institutions, which generate relatively low risk income for us. We recognise 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 30 June 2024, the fair value of such investments increased to RMB269.2 million, compared to RMB170.9 million as at 31 December 2023. Such increase was primarily attributable to the purchase of wealth management products.

CAPITAL EXPENDITURE

For the six months ended 30 June 2024, our capital expenditure primarily consisted of expenditures on property and equipment, including purchases of computers and other office equipment. The capital expenditures for the six months ended 30 June 2024 were RMB4.6 million, representing an increase of RMB1.1 million from RMB3.5 million for the six months ended 30 June 2023.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

We did not have any investment, acquisition or disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2024.

PLEDGE OF ASSETS

As at 30 June 2024, we did not pledge any of our assets.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

CONTINGENT LIABILITIES

As at 30 June 2024, we did not have any material contingent liabilities.

GEARING RATIO

As at 30 June 2024, the gearing ratio of the Company was 24.93%, 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 six months ended 30 June 2024.

OTHER PRINCIPAL RISKS AND UNCERTAINTIES

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

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

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2024, we had a total of 1,370 full-time employees, mainly based in Beijing, Shenzhen, Jinan, Chengdu and Hainan. Among all employees, 567 of them are in R&D department, representing 41.39% of the total full-time employees. The number of employees employed by the Group varies from time to time depending on needs, and employees are remunerated with reference to market conditions and individual employees' performance, qualification and experience.

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

OTHER INFORMATION

DIRECTORS

During the Relevant Period and up to 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

CHANGE IN INFORMATION IN RESPECT OF DIRECTORS

During the Relevant Period and up to the Latest Practicable Date, the Directors confirmed that the relevant information has been disclosed in accordance with Rule 13.51B (1) of the Listing Rules.

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 SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

Notes:

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

OTHER INFORMATION

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 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:

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⁾	79,958,948	6.71%
Chaser Global Fortune Investments Limited ⁽⁴⁾	Interest in a controlled corporation ⁽⁴⁾	79,958,948	6.71%
Chaser Global Investments Limited ⁽⁴⁾	Interest in a controlled corporation ⁽⁴⁾	79,958,948	6.71%
Mr. Li Yingming ⁽⁴⁾	Interest in a controlled corporation ⁽⁴⁾	79,958,948	6.71%
TMF Trust (HK) Limited ⁽⁵⁾	Trustee ⁽⁵⁾	59,945,833	5.03%

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 Chaser Global Fortune Investments Limited, an exempted company incorporated under the laws of Cayman Islands. Chaser Global Fortune Investments Limited is wholly owned by Chaser Global Investments Limited, a limited company incorporated under the laws of British Virgin Islands, which is in turn wholly owned by Mr. Li Yingming. Mr. Li Yingming is therefore deemed to be interested in all the Shares held by Phoenix Auspicious FinTech Investment L.P. under the SFO.
- (5) TMF Trust (HK) Limited, being the trustee of the Company's Employee RSU Scheme, Management RSU Scheme and RSU Award Scheme, directly holds the entire issued share capital of each of Bridge Partners Limited and Three D Partners Limited, which in turn holds Shares for the benefit of eligible participants pursuant to the said share schemes. As of the Latest Practicable Date, 10,493,430 Shares are held by Bridge Partners Limited pursuant to the Management RSU Scheme and 49,452,403 Shares are held in aggregate by Three D Partners pursuant to the Employee RSU Scheme and the RSU Award Scheme. Hence, TMF Trust (HK) Limited is deemed, under the SFO, to be interested in the 10,493,430 Shares and 49,452,403 Shares held by Bridge Partners Limited and Three D Partners Limited, respectively.

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.

RSU SCHEMES

Employee RSU Scheme

We adopted the Employee RSU Scheme on 11 December 2019, with revisions thereto made on the respective dates of 28 May 2020 and 21 May 2024 to incentivise employees and consultants (not being core connected persons of the Company under 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 the Employee RSU Trustee to assist with the administration and vesting of RSUs granted pursuant to the Employee RSU Scheme. A summary of the terms of the Employee RSU Scheme has been set out in the Appendix IV of the Prospectus and the announcements dated 28 May 2020 and 21 May 2024 of the Company in relation to 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 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 will be valid and effective for a period of ten (10) years, commencing from the date of the adoption of the Employment RSU Scheme (unless it is terminated earlier in accordance with its terms). As of the Latest Practicable Date, the remaining life of the Employee RSU Scheme is less than six (6) 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 Latest Practicable Date.

OTHER INFORMATION

Vesting of RSUs

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

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

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

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

Exercise of the RSUs

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

Details of the RSUs granted under the Employee RSU Scheme

Since the adoption of the Employee RSU Scheme and as of 30 June 2024, 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 2024, the aggregate number of Shares underlying the granted RSUs under the Employee RSU Scheme was 32,892,743* (of which 3,059,773 RSUs previously granted to the grantees under the Employee RSU Scheme were forfeited at the date of their resignation), representing approximately 2.76% of the issued share capital of the Company as of 1 January 2024. Save as disclosed in this interim report, 3,339,412 RSUs were granted, no RSUs were cancelled and lapsed during the six months ended 30 June 2024, pursuant to the Employee RSU Scheme. As of 30 June 2024, the aggregate number of Shares underlying the granted RSUs under the Employee RSU Scheme was 36,232,155 (of which 3,059,773 RSUs previously granted to the grantees under the Employee RSU Scheme were forfeited at the date of their resignation), representing approximately 3.04% of the issued share capital of the Company as of 30 June 2024. As of the respective dates of 1 January 2024 and 30 June 2024, the aggregate number of Shares underlying the unvested RSUs were 1,872,728 and 5,212,140. As of the respective dates of 1 January 2024 and 30 June 2024, the aggregate number of shares involved in RSUs vested under the Employee RSU Scheme were 27,960,242 and 27,960,242.

As of the respective dates of 1 January 2024 and 30 June 2024, the total number of Shares underlying the RSUs available for grant under the RSU Employee Scheme were 2,707,386 and 6,527,476* Shares, representing approximately 0.23% and 0.55% of the issued share capital of the Company and approximately 0.23% and 0.55% of the issued share capital of the Company as of the Latest Practicable Date, respectively.

Utilisation of Shares withheld

The Board has resolved, on 21 May 2024, to amend the Employee RSU Scheme such that Shares so withheld to satisfy personal income tax obligations that arose upon the respective vesting of the RSUs under the Employee RSU Scheme (that are equivalent in value to the tax obligation due and paid for by the Company) could be made available and transferrable afresh to satisfy the exercise of RSUs (as if they were on-market purchases funded by the Company).

Management RSU Scheme

We adopted the Management RSU Scheme on 11 December 2019, with revisions thereto made on the respective dates of 28 May 2020 and 21 May 2024 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 the Management 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 announcements dated 28 May 2020 and 21 May 2024 of the Company in relation to 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.

OTHER INFORMATION

Maximum entitlement of each participant

There is no limit on the maximum entitlement of each participant 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 Latest Practicable Date, the remaining life of the Management RSU Scheme is less than six (6) years.

Maximum number of Shares under the Management RSU Scheme

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

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 vesting period of awards granted under the Management RSU Scheme.

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

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

Exercise of the RSUs

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

Amounts to be paid on acceptance of RSUs

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

Basis of determining the purchase price

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

Details of the RSUs granted under the Management RSU Scheme

Since the adoption of the Management RSU Scheme and as of 30 June 2024, 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 of 1 January 2024, 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 of 1 January 2024. No RSUs were granted, cancelled and lapsed during the half year ended 30 June 2024, pursuant to the Management RSU Scheme. As of 30 June 2024, 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 of 30 June 2024, and none of the granted RSUs under the Management RSU Scheme has been forfeited. As of the respective dates of 1 January 2024 and 30 June 2024, the aggregate number of Shares underlying the unvested RSUs were 0. As of the respective dates of 1 January 2024 and 30 June 2024, the aggregate number of shares underlying the RSUs vested under the Management RSU Scheme were 25,733,333.

As of the respective dates of 1 January 2024 and 30 June 2024, the total number of Shares available for grant under the RSU Management Scheme were 2,061,877 Shares and 10,493,430* Shares, representing approximately 0.17% and 0.88% of the then issued share capital of the Company and approximately 0.17% and 0.88% of the issued share capital of the Company as at the Latest Practicable Date, respectively.

Details of movements in the RSUs under the RSU Schemes are also set out in note 19(b) to the consolidated financial statements.

Utilisation of Shares withheld

The Board has resolved, on 21 May 2024, to amend the Management RSU Scheme such that Shares so withheld to satisfy personal income tax obligations that arose upon the respective vesting of the RSUs under the Management RSU Scheme (that are equivalent in value to the tax obligation due and paid for by the Company) could be made available and transferrable afresh to satisfy the exercise of RSUs (as if they were on-market purchases funded by the Company).

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.

* Pursuant to the amendments made to rules of the Employee RSU Scheme and the Management RSU Scheme on 21 May 2024 as announced on even date, the calculation of the total number of Shares available for Grant for the said schemes shall include Shares so withheld, which have since been made available and transferrable afresh to satisfy the exercise of RSUs thereunder.

OTHER INFORMATION

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.

Participants

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

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 Share Option 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 Latest Practicable Date, 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 Latest Practicable Date.

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

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.

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.

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.

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.

The remaining life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of ten (10) years commencing on the Adoption Date after which period no further Options will be granted but the provisions of the Scheme shall in all other respects remain in full force and effect and Options which are granted during the life of the Scheme may continue to be exercisable in accordance with their terms of issue unless the Share Option Scheme is terminated by ordinary resolution of the Board or Shareholders. As of the Latest Practicable Date, the remaining life of the Share Option Scheme is less than eight (8) years.

OTHER INFORMATION

Details of the Options granted under the Share Option Scheme

As of 30 June 2024, 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.

OTHER INFORMATION

The details of Options previously granted to, but not yet exercised by, under the Share Option Scheme for the six months ended 30 June 2024 are as follows:

Grantee and position	Held on 1 January 2024	Granted for the six months ended 30 June 2024	Expired for the six months ended 30 June 2024	Exercised for the six months ended 30 June 2024	Lapsed for the six months ended 30 June 2024	Held on 30 June 2024	Exercise Price (HK\$) ⁽²⁾	The closing price immediately before the Date of Grant (HK\$)	Date of grant	Exercisable from	Exercisable until
Directors											
Mr. LIU Chunhe	24,000,000 ⁽¹⁾	-	-	-	-	24,000,000	4.81	4.73	30 August 2021	31 March 2022	29 August 2031
Mr. LI Ping	6,000,000 ⁽¹⁾	-	-	-	-	6,000,000	4.81	4.73	30 August 2021	31 March 2022	29 August 2031
Mr. SU Jian	9,000,000	-	-	-	-	9,000,000	4.81	4.73	30 August 2021	30 August 2021	29 August 2031
Mr. YE Chunjian	6,000,000	-	-	-	-	6,000,000	4.81	4.73	30 August 2021	30 August 2021	29 August 2031
Sub-total	45,000,000	-	-	-	-	45,000,000					
Other employees											
Employee	32,900,000	-	-	-	-	32,900,000	4.81	4.73	30 August 2021	30 August 2021	29 August 2031
All the other grantees	330,000 ⁽⁴⁾	-	-	-	-	330,000	4.81	4.73	30 August 2021	30 August 2021	29 August 2031
Total	78,230,000	-	-	-	-	78,230,000					

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.
- As at 30 June 2023, 80,000,000 share options granted by the Company will be vested in four phases after several performance objectives related to the Company are achieved. A total of 45,000,000 options granted to Mr. Liu Chunhe, Mr. Li Ping, Mr. Su Jian and Mr. Ye Chunjian will be vested in four phases according to the proportion of 30%, 25%, 25% and 20% of the Options granted, that is, the 30% granted will be vested when the audited income of the Group in the financial year exceeds RMB2.3 billion or the average market value of the Company in three months exceeds HK\$12 billion, 25% will be attributed when the audited income of the Group in the financial year exceeds RMB3.5 billion or the three-month average market value of the Company exceeds HK\$20 billion, and the other 25% will be attributed when the audited income of the Group in the financial year exceeds RMB5 billion or the three-month average market value of the Company exceeds HK\$30 billion, The remaining 20% will be vested when the audited revenue of the Group in the financial year exceeds RMB6.5 billion or the three-month average market value of the company exceeds HK\$40 billion. For other employees, the Board has set the performance objectives above or performance objectives that require grantees to meet certain revenue objectives of the Company's products.

OTHER INFORMATION

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

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

As no Options were granted under the Share Option Scheme of the Company during the six months ended 30 June 2024, the number of Shares that may be issued in respect of the options and awards granted under all share schemes of the Company during the Reporting Period is nil. Accordingly, the value of the number of Shares that may be issued in respect of options and awards granted under all share schemes of the Company during the Reporting Period divided by the weighted average number of Shares in issue for the Reporting Period is nil.

As of the respective dates of 1 January 2024 and 30 June 2024, the total number of Options available for grant under the Share Option Scheme were 21,655,000 Shares and 21,655,000 Shares, respectively, representing approximately 1.8% and 1.8% of the then issued share capital of the Company and approximately 1.8% and 1.8% of the issued share capital of the Company as of the Latest Practicable Date, respectively.

Details of the Share Option Scheme and movements in Share Options during the Reporting Period are disclosed in note 19(b) to the unaudited consolidated interim financial report.

RSU AWARD SCHEME

The Company has adopted the RSU Award Scheme on 7 June 2022, with revisions thereto made on the respective dates of 21 May 2024 and 23 July 2024. The purpose is to incentivise 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 Company has appointed RSU trustee to help the management and vesting of the RSU Awards granted under the RSU Award Scheme. A summary of the terms of the RSU Award Scheme has been set out in the announcement of the Company dated 9 June 2022 in relation to the adoption of RSU scheme and announcements of the Company dated 21 May 2024 and 23 July 2024 in relation to the amendments thereto.

RSU Award Scheme Participants

The participants of RSU Award Scheme ("**RSU Award Scheme 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 Award Scheme Participants to grant RSU Award under the RSU Award Scheme at its discretion.

Maximum entitlement of each participant

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

Term of RSU Award Scheme

The RSU Award Scheme will be valid and effective for a period of ten (10) years, commencing from the adoption date of the RSU Award Scheme, unless it is terminated earlier in accordance with its terms. As of the Latest Practicable Date, the remaining life of the RSU Award Scheme is less than eight (8) years.

Maximum number of Shares that may be granted under the RSU Award Scheme

The aggregate number of Shares involved in the RSU Awards under the RSU Award Scheme (excluding the RSU Awards that have lapsed or been cancelled in accordance with the rules of the RSU Award Scheme) shall not exceed 10% of the Company's share capital in issue on the adoption date of the RSU Award Scheme, being 119,121,600 Shares.

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

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

Grant and acceptance

(i) Making an offer

Relevant Shares of the RSU Awards 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 RSU Awards will be made to a RSU Award Scheme 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 Award, the number of RSU Award granted and the number of underlying Shares represented by the RSU Award, the vesting criteria and conditions, the vesting schedule and such other details as the RSU Administrator considers necessary.

(ii) Acceptance of an offer

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

Vesting of the RSU Awards

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

(i) Lock-up of the RSU Awards

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

OTHER INFORMATION

(ii) **Unlock of the RSU Awards**

(a) **Unlock time schedule**

Unless the Board shall otherwise determine and so notify the RSU Award Scheme Participant in writing, the RSU Awards will be unlocked in four successive equal proportions. The RSU Award Scheme Participant may unlock the RSU Awards 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 RSU Awards 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 RSU Awards 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 RSU Awards 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 Award 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 RSU Awards granted to the RSU Award Scheme Participant is automatically and immediately terminated”, “the unvested portion of the RSU Awards 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 RSU Awards 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 RSU Awards are automatically and immediately terminated”, “the vested and unvested RSU Awards” 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 RSU Awards”.

Unless otherwise arranged in the RSU Award Scheme or permitted by a Board resolution of the Company, the locked part of the RSU Awards 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 RSU Awards

The amount to be paid on acceptance of RSU Awards 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 RSU Awards granted under the RSU Award Scheme.

As of the respective dates of 1 January 2024 and 30 June 2024, the total number of Shares underlying the RSU Awards that are available for grant were 35,736,480 and 117,022,467, respectively. The RSU Trustee has purchased a total of 29,416,000 shares pursuant to RSU Award Scheme as of 30 June 2024, accounting for 2.47% of the existing total number of Shares in issue of the Company.

Since the adoption of the RSU Award Scheme and as of 30 June 2024, 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.

As of 1 January 2024, the aggregate number of Shares underlying the granted RSU Awards under the RSU Award Scheme was 0. As of 30 June 2024, 2,099,133 RSU Awards were granted and no RSU Awards were cancelled and lapsed under the RSU Awards Scheme. As of 30 June 2024, the aggregate number of Shares underlying the granted RSU Awards under the RSU Awards Scheme was 2,099,133, representing approximately 0.18% of the issued share capital of the Company as of 30 June 2024. As of the respective dates of 1 January 2024 and 30 June 2024, the aggregate number of Shares underlying the unvested RSU Awards were 0 and 2,099,133.

Utilisation of Shares withheld

The Board has resolved, on 21 May 2024, to amend the RSU Award Scheme such that Shares so withheld to satisfy personal income tax obligations that arose upon the respective vesting of the RSUs under the RSU Award Scheme (that are equivalent in value to the tax obligation due and paid for by the Company) could be made available and transferrable afresh to satisfy the exercise of RSUs (as if they were on-market purchases funded by the Company).

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

For the six months ended 30 June 2024, as of the date of this interim report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including sales of treasury shares). As of the date of this interim report, the Company did not hold any treasury shares.

SHARE PURCHASE PURSUANT TO RSU AWARD SCHEME

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

Total number of Shares purchased: 5,198,000

Percentage of the Shares purchased to the existing total number of Shares in issue: Approximately 0.44%

Average consideration per Share: Approximately HK\$1.93

Total consideration of Shares purchased: Approximately HK\$9,978,548.00

For further details, please refer to the announcements dated 18 January 2024.

BANK BORROWING

As at 30 June 2024, the Group did not have any short-term or long term bank borrowings. As of the Latest Practicable Date, we did not have any bank facilities.

OTHER INFORMATION

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's notes to the unaudited consolidated interim financial report for the Reporting Period. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

The Audit Committee was of the view that the Company's notes to the unaudited consolidated interim financial report was prepared in accordance with the applicable accounting standards.

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

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

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

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

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

INTERIM DIVIDEND

The Board has resolved that the interim dividend for the six months ended 30 June 2024 would not be declared.

EVENT OCCURRING AFTER THE REPORTING PERIOD

On 27 June 2024, the Company entered into the share purchase agreement with BGFG, JJQJ Partners Limited, JZZT Limited (collectively referred as the "**Sellers**") and NBT Social Networking Inc. to acquire the equity interest in NBT Social Networking Inc.

The total consideration is HK\$1,982,658,000 (equivalent to RMB1,809,572,000), including cash consideration of HK\$993,790,000 (equivalent to RMB907,032,000), and share consideration of HK\$988,868,000 (equivalent to RMB902,540,000). The cash consideration would be paid equally in four instalments in three years. The share consideration would be issuance of 219,748,391 ordinary shares of the Company to the Sellers at the issue price of HK\$4.50 per share. For further details, please refer to the announcements dated 27 June 2024 of the Company. As at the date of this report, the above transaction has not been completed.

REPORT ON REVIEW OF INTERIM FINANCIAL REPORT



Review report to the board of directors of Newborn Town Inc.

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 36 to 56 which comprises the interim consolidated balance sheet of Newborn Town Inc. (the “Company”) as of 30 June 2024 and the related interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2024 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

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

29 August 2024

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2024 – unaudited

(Expressed in Renminbi (“RMB”))

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Revenue from contracts with customers	7	2,271,925	1,374,558
Cost of revenue	8	(1,130,894)	(667,674)
Gross profit		1,141,031	706,884
Selling and marketing expenses	8	(481,571)	(246,612)
Research and development expenses	8	(163,940)	(136,481)
General and administrative expenses	8	(105,808)	(83,467)
Net impairment losses on financial assets		(12,559)	(982)
Other income		2,721	1,139
Other (loss)/gain, net	9	(13,289)	36,987
Operating profit		366,585	277,468
Finance income	10	23,624	2,363
Finance cost		(5,412)	(2,538)
Finance income/(cost), net		18,212	(175)
Share of net (loss)/gain of associates accounted for using the equity method		(120)	34,821
Profit before income tax		384,677	312,114
Income tax credits/(expenses)	11	2,941	(9,841)
Profit for the period		387,618	302,273
Profit attributable to:			
Equity shareholders of the Company		224,676	185,302
Non-controlling interests		162,942	116,971
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss			
Currency translation differences arising from translation of the Company's financial statements and attributable to the non-controlling interests		(472)	(5,507)
Items that may be subsequently reclassified to profit or loss			
Currency translation differences arising from translation of overseas subsidiaries' financial statements excluding the portion attributable to the non-controlling interests		(2,305)	(5,466)
Share of other comprehensive income of investments accounted for using the equity method		–	26,284
Total comprehensive income for the period		384,841	317,584
Total comprehensive income attributable to:			
Equity shareholders of the Company		220,792	212,300
Non-controlling interests		164,049	105,284
Earnings per share (expressed in RMB per share)			
Basic earnings per share	12	0.20	0.16
Diluted earnings per share	12	0.20	0.16

The notes on pages 42 to 56 form part of this interim financial report.

INTERIM CONSOLIDATED BALANCE SHEET

as at 30 June 2024 – unaudited
(Expressed in RMB)

	Note	30 June 2024 RMB'000	31 December 2023 RMB'000
ASSETS			
Non-current assets			
Property and equipment	14	110,027	124,875
Intangible assets		235,874	260,467
Goodwill		385,511	385,511
Deferred tax assets		455	22
Investments accounted for using the equity method		28,076	24,300
Financial assets measured at fair value through profit or loss	4	36,634	36,634
Other receivables	16	15,854	16,865
Other non-current assets		50	50
Total non-current assets		812,481	848,724
Current assets			
Inventories		20,113	19,301
Accounts receivable	15	273,499	243,161
Other receivables	16	109,515	103,523
Other current assets		23,787	17,537
Financial assets measured at fair value through profit or loss	4	269,235	170,945
Cash and cash equivalents		1,489,188	1,386,363
Restricted bank deposits		1,317	1,302
Total current assets		2,186,654	1,942,132
Total assets		2,999,135	2,790,856

The notes on pages 42 to 56 form part of this interim financial report.

INTERIM CONSOLIDATED BALANCE SHEET

as at 30 June 2024 – unaudited

(Expressed in RMB)

	Note	30 June 2024 RMB'000	31 December 2023 RMB'000
LIABILITIES			
Current liabilities			
Accounts payable	17	282,957	292,997
Contract liabilities		78,163	74,821
Income tax payable		4,732	17,580
Bank overdraft		75	37
Lease liabilities		37,490	32,788
Other payables	18	218,348	278,187
Total current liabilities		621,765	696,410
Net current assets		1,564,889	1,245,722
Non-current liabilities			
Deferred tax liabilities		66,986	70,409
Lease liabilities		58,115	75,442
Other non-current liabilities		800	1,100
Total non-current liabilities		125,901	146,951
Total liabilities		747,666	843,361

The notes on pages 42 to 56 form part of this interim financial report.

INTERIM CONSOLIDATED BALANCE SHEET

as at 30 June 2024 – unaudited
(Expressed in RMB)

	Note	30 June 2024 RMB'000	31 December 2023 RMB'000
EQUITY			
Equity attributable to the equity shareholders of the Company			
Share capital	19	818	818
Shares held for employee share scheme	19	(49,533)	(40,404)
Share premium		669,523	669,523
Other reserves	19	(28,925)	10,956
Retained earnings		704,726	480,050
		1,296,609	1,120,943
Non-controlling interests		954,860	826,552
Total equity		2,251,469	1,947,495
Total liabilities and equity		2,999,135	2,790,856

Approved and authorised for issue by the board of directors on 29 August 2024.

Liu Chunhe
Director

Li Ping
Director

The notes on pages 42 to 56 form part of this interim financial report.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2024 – unaudited

(Expressed in RMB)

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
	Share capital	Shares held for employee share scheme	Share premium	Other reserves	Retained earnings	Sub-total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance at 1 January 2023	818	(12,719)	669,523	80,636	(30,436)	707,822	530,188	1,238,010	
Profit for the period	-	-	-	-	185,302	185,302	116,971	302,273	
Other comprehensive income	-	-	-	26,998	-	26,998	(11,687)	15,311	
Total comprehensive income	-	-	-	26,998	185,302	212,300	105,284	317,584	
Share-based compensation expenses	-	-	-	25,520	-	25,520	8,265	33,785	
Purchase of own shares	-	(22,644)	-	-	-	(22,644)	-	(22,644)	
Transaction with non-controlling interests	-	-	-	(71,731)	-	(71,731)	(28,268)	(99,999)	
Balance at 30 June 2023	818	(35,363)	669,523	61,423	154,866	851,267	615,469	1,466,736	
Balance at 1 January 2024	818	(40,404)	669,523	10,956	480,050	1,120,943	826,552	1,947,495	
Profit for the period	-	-	-	-	224,676	224,676	162,942	387,618	
Other comprehensive income	-	-	-	(3,884)	-	(3,884)	1,107	(2,777)	
Total comprehensive income	-	-	-	(3,884)	224,676	220,792	164,049	384,841	
Share-based compensation expenses	-	-	-	25,427	-	25,427	7,950	33,377	
Purchase of own shares	-	(9,129)	-	-	-	(9,129)	-	(9,129)	
Transaction with non-controlling interests (Note 19(c))	-	-	-	(61,424)	-	(61,424)	(43,691)	(105,115)	
Balance at 30 June 2024	818	(49,533)	669,523	(28,925)	704,726	1,296,609	954,860	2,251,469	

The notes on pages 42 to 56 form part of this interim financial report.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2024 – unaudited
(Expressed in RMB)

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Cash generated from operations		370,703	181,862
Payment of income tax		(11,985)	(4,981)
Net cash inflow from operating activities		358,718	176,881
Cash flows from investing activities			
Purchase of wealth management products (“WMP”) measured at fair value through profit or loss		(203,000)	(1,380,128)
Maturity of WMPs measured at fair value through profit or loss		105,153	1,494,626
Investments in investees accounted for using the equity method		(10,035)	(4,085)
Purchase of property and equipment		(4,585)	(3,478)
Loans to related parties		(6,659)	(5,450)
Net cash (outflow)/inflow from investing activities		(119,126)	101,485
Cash flows from financing activities			
Repayments of lease liabilities (including interest paid)		(19,986)	(15,885)
Purchase of own shares	19	(9,129)	(22,644)
Transactions with non-controlling interests	19	(105,115)	(99,999)
Net cash outflow from financing activities		(134,230)	(138,528)
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of period		1,386,326	596,662
Effects of exchange rate changes on cash and cash equivalents		(2,575)	38,334
Cash and cash equivalents at end of period		1,489,113	774,834
Including:			
Cash and cash equivalents		1,489,188	774,894
Bank overdraft		(75)	(60)

The notes on pages 42 to 56 form part of this interim financial report.

1 GENERAL INFORMATION

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

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

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

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, “Interim financial reporting”, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 29 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in note 3.

This interim financial report contains interim consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The interim consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRS Accounting Standards.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 35.

3 CHANGES IN ACCOUNTING POLICIES

Except as described below, the accounting policies applied in the preparation of the interim financial report are consistent with those used in the preparation of the 2023 annual financial statements.

The Group has applied the following amendments to IFRS Accounting Standards issued by IASB to this interim financial report for the current accounting period:

- Amendments to IAS 1, Presentation of financial statements: Classification of liabilities as current or non-current (“2020 amendments”)
- Amendments to IAS 1, Presentation of financial statements: Non-current liabilities with covenants (“2022 amendments”)
- Amendments to IFRS 16, Leases: Lease liability in a sale and leaseback
- Amendments to IAS 7, Statement of cash flows and IFRS 7, Financial instruments: Disclosures – Supplier finance arrangement

None of these developments have had a material effect on how the Group’s results and financial position for the current period have been prepared or presented in this interim financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 FINANCIAL RISK MANAGEMENT

The following table presents the fair value of the Group’s financial instruments measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

Level 3 valuations: Fair value measured using significant unobservable inputs

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table presents the Group's asset that are measured at fair value at 30 June 2024 and 31 December 2023.

	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 30 June 2024				
Assets				
Financial assets measured at FVPL				
– WMPs	–	–	269,235	269,235
– Equity interests of certain private companies	–	–	36,634	36,634
	–	–	305,869	305,869
As at 31 December 2023				
Assets				
Financial assets measured at FVPL				
– WMPs	–	–	170,945	170,945
– Equity interests of certain private companies	–	–	36,634	36,634
	–	–	207,579	207,579

There were no transfers between levels for recurring fair value measurements during the period.

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 each year end, the team would involve external valuation experts to determine the fair value of the Group's equity interests of certain private companies.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table presents the changes in level 3 instruments of investment in WMPs measured at fair value through profit or loss for the six months ended 30 June 2024:

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the period	170,945	149,401
Additions	203,000	1,380,128
Disposals	(105,153)	(1,494,626)
Changes in fair value	409	193
Foreign currency translation differences	34	2,627
At the end of the period	269,235	37,723
Net unrealized gains for the period	409	193

5 CRITICAL ESTIMATES AND JUDGMENTS

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2023 annual financial statements.

6 SEGMENT INFORMATION

The Group's business activities are regularly reviewed and evaluated by the chief operating decision maker ("CODM") and the Group is organised into segments according to the revenue streams of the Group. In the second half year of 2023, the Group completed the acquisition of the business operated by BlueCity Holdings Limited ("BlueCity"). The Group consolidated BlueCity's financial information since then. Prior to 1 January 2024, all the business of BlueCity was grouped and reported in social networking business. The CODM revisited its assessment of the segment and the social e-commerce business of BlueCity was grouped and reported in innovative business during the current period for the six months ended 30 June 2024, to better reflect the development of each revenue stream.

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

The segment results for six months ended 30 June 2024 and 2023 are as follows:

	Social networking business RMB'000	Innovative business RMB'000	Total RMB'000
Six months ended 30 June 2024			
Revenue	2,070,422	201,503	2,271,925
Cost of revenue	(1,046,059)	(84,835)	(1,130,894)
Gross profit	1,024,363	116,668	1,141,031
Six months ended 30 June 2023			
Revenue	1,243,450	131,108	1,374,558
Cost of revenue	(649,454)	(18,220)	(667,674)
Gross profit	593,996	112,888	706,884

6 SEGMENT INFORMATION (CONTINUED)

Geographic information

Revenues generated from BlueCity in both social networking business and innovative business are mainly in the Chinese Mainland. Except for that, other revenues are mainly in oversea markets.

As at 30 June 2024, substantially all of the specified long-lived assets of the Group were located in the PRC. Such long-lived assets of the Group consist of property and equipment, software, technology and license. For brand name and user base acquired in business combinations, they are related to the social networking Apps MICO and Blued.

For the six months ended 30 June 2024, no single external customer accounted for 10% or more of the Group's total revenue (for the six months ended 30 June 2023: nil).

7 REVENUE FROM CONTRACTS WITH CUSTOMERS

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
<i>Recognised at a point in time</i>		
Social networking business	1,958,738	1,231,554
Innovative business	201,503	131,108
<i>Recognised over time</i>		
Social networking business	111,684	11,896
Total	2,271,925	1,374,558

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.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

8 EXPENSES BY NATURE

	Six months ended 30 June	
	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Revenue sharing and commission fees	787,258	512,767
Promotion and marketing expenses	439,475	240,205
Employee benefit expenses	389,165	237,212
Server capacity expenses	53,990	27,614
Depreciation and amortisation	48,502	35,740
Cost of inventories	43,536	–
Technical and other service fee	33,689	18,936
Share-based compensation expenses (Note 19(b))	33,377	33,785
Short rental related expenses	10,014	6,299
Consultancy and professional service fee	8,541	8,172
Travel expense	8,165	4,683
Others	26,501	8,821
Total	1,882,213	1,134,234

9 OTHER (LOSS)/GAIN, NET

	Six months ended 30 June	
	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Fair value change of financial assets measured at FVPL	1,817	2,401
Exchange (loss)/gain	(8,768)	34,683
Impairment loss on equity method investment	(5,954)	–
Others	(384)	(97)
Total	(13,289)	36,987

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

10 FINANCE INCOME

	Six months ended 30 June	
	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Finance income from bank deposits	23,624	2,363

11 INCOME TAX (CREDITS)/EXPENSES

	Six months ended 30 June	
	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Current tax		
Current tax on profits for the period	915	13,103
Deferred income tax		
Changes in deferred tax assets/liabilities	(3,856)	(3,262)
Income tax (credits)/expenses	(2,941)	9,841

The Hong Kong government has enacted new tax laws to implement the global minimum top-up tax under the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (“OECD”), which are expected to come into effect from 1 January 2025. The Group continues to monitor the local legislation for Hong Kong and development of Pillar Two model rules in other jurisdictions the Group operates and assess the potential impact.

The Group has applied the temporary mandatory exception from deferred tax accounting for the top-up tax and accounted for the tax as current tax when incurred.

12 EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the six months ended 30 June 2024 were calculated by dividing the profit attributable to equity shareholders of the Company of RMB224,676,000 (for the six months ended 30 June 2023: RMB185,302,000) by the weighted average number of ordinary shares of 1,140,052,000 (for the six months ended 30 June 2023: 1,152,040,000) in issue during the period.

Purchase of ordinary shares in January were accounted at time portion basis.

(b) Diluted

For the six months ended 30 June 2024, the Group has considered the impact from the restricted share units (“RSUs”) and share options issued by the Company, and the RSUs issued by a subsidiary of the Company (Note 19(b)). The RSUs issued by the Company and a subsidiary of the Company had dilutive effects during the period, 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 are anti-dilutive on earnings per share.

For the six months ended 30 June 2024, dilutive earnings per share were calculated by dividing the profit attributable to equity shareholders of the Company of RMB223,204,000 (for the six months ended 30 June 2023: RMB185,302,000) by the weighted average number of ordinary shares of 1,143,309,000 (for the six months ended 30 June 2023: 1,163,443,000) to assume conversion of all dilutive potential ordinary shares in issue during the period. As the dilutive effect on earnings per share resulting from the assumed exercise of RSUs was negligible, diluted earnings per share were the same as basic earnings per share.

13 DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended 30 June 2024 (for the six months ended 30 June 2023: nil).

14 PROPERTY AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired items of property and equipment with a cost of RMB8,727,000 (six months ended 30 June 2023: RMB6,209,000).

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

15 ACCOUNTS RECEIVABLE

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Gross carrying amount	320,577	287,739
Less: impairment provision	(47,078)	(44,578)
Total accounts receivable	273,499	243,161

An aging analysis of the gross accounts receivable as of the end of the reporting period, based on date of recognition, is as follows:

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Up to 6 months	267,310	241,795
6 months to 1 year	12,129	3,344
1 year to 2 years	4,707	7,203
2 years to 3 years	6,716	3,309
Over 3 years	29,715	32,088
	320,577	287,739

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics. The expected credit losses also incorporate forward looking information.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

16 OTHER RECEIVABLES

	Note	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Deposits placed at foreign licensed platform	(i)	55,180	51,924
Loans to employees	(ii)	27,555	27,830
Rental deposits		16,876	16,197
Loans to related parties and a third party	(iii)	13,707	8,250
Others		26,525	20,417
		139,843	124,618
Less: impairment provision		(14,474)	(4,230)
		125,369	120,388
Including:			
current portion		109,515	103,523
non-current portion		15,854	16,865

Notes:

- (i) The balance mainly represents the deposits placed at foreign licensed platforms.
- (ii) In order to retain high-performance employees within the Group, the Group adopted an employee interest-free loan arrangement, under which employees can receive interest-free and unsecured loans from the Group and repay such amount over the terms (1 – 5 years) agreed with the Group.
- (iii) The balance mainly represents interest-free short-term loans lent to an associate of the Company amounting to RMB9,798,000 and two minor shareholders of a subsidiary of the Company amounting to RMB3,908,000 during the six-month period ended 30 June 2024 (31 December 2023: an associate RMB8,000,000).

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT

17 ACCOUNTS PAYABLE

Aging analysis of the accounts payable as of the end of the reporting period based on the date of recognition is as follows:

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Up to 1 year	265,692	267,808
1 year to 2 years	6,711	19,618
More than 2 years	10,554	5,571
	282,957	292,997

Accounts payable are usually settled within 1 year.

18 OTHER PAYABLES

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Employee benefits payable	91,932	167,405
Payable to minority shareholders of subsidiary	39,197	42,496
Other tax payables	42,994	27,108
Refundable advances from customers	8,687	2,162
Other accrued expenses	35,538	39,016
	218,348	278,187

19 CAPITAL AND RESERVES

(a) Share capital

During the interim period, the Company purchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares purchased	Highest price paid per share <i>HK\$</i>	Lowest price paid per share <i>HK\$</i>	Aggregate price paid <i>HK\$'000</i>
January 2024	5,198,000	2.06	1.74	9,979

The total amount paid on the purchased shares of HK\$9,979,000 (equivalent to RMB9,129,000) was paid wholly out of retained profits.

(b) Equity settled share-based transactions

RSUs granted to employees and management (“Employee RSU Scheme and Management RSU Scheme”)

Movements in the number of RSUs granted to the Company’s employees and management under RSU Scheme as below:

	Number of RSU
Outstanding as at 1 January 2024	1,872,728
Granted during the period	5,438,545
Forfeited during the period	–
Exercised during the period	–
Outstanding as at 30 June 2024	7,311,273

	Number of RSU
Outstanding as at 1 January 2023	13,060,238
Granted during the period	2,441,170
Forfeited during the period	(244,000)
Exercised during the period	–
Outstanding as at 30 June 2023	15,257,408

19 CAPITAL AND RESERVES (CONTINUED)

(b) Equity settled share-based transactions (Continued)

RSUs granted to employees and management (“Employee RSU Scheme and Management RSU Scheme”) (Continued)

The fair values of HK\$2.55 and HK\$3.93 per share for RSUs granted during the period were calculated based on the market price of the Company’s shares at the respective grant dates.

For the six months ended 30 June 2024, the total expenses recognised in the interim consolidated statement of comprehensive income for RSUs granted under Employee RSU Scheme and Management RSU Scheme were RMB4,651,000 (for the six months ended 30 June 2023: RMB4,259,000).

For the six months ended 30 June 2024, a subsidiary of the Group has recognised share-based compensation expenses RMB17,525,000 related to the RSU Scheme awarded by the subsidiary (for the six months ended 30 June 2023: RMB15,525,000).

Share options granted to executive directors and employees (“Share Option Scheme”)

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 2024 and 30 June 2024	78,230,000	4.81
Exercisable as at 30 June 2024	23,400,000	4.81

For the six months ended 30 June 2024, the total expenses recognised in the interim consolidated statement of comprehensive income for Share Option Scheme were RMB11,201,000 (for the six months ended 30 June 2023: RMB14,001,000).

(c) Acquisition of non-controlling interests

On 19 January 2024, the Company acquired an additional 2% equity interests in NBT Social Networking Inc. from a non-controlling shareholder, with cash consideration in an amount of RMB105,115,000. The carrying amount of non-controlling interests acquired was RMB43,691,000. Thus a decrease in other reserves was RMB61,424,000.

20 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the interim financial report, the Group entered into the following significant related party transactions for the six months ended 30 June 2024:

Key management personnel remuneration

	Six months ended 30 June	
	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Wages and salaries	3,232	1,701
Contributions to pension plans	177	157
Other social security costs, housing allowance and other allowance	248	236
Share-based compensation expenses	6,092	10,593
Total employee benefit expenses	9,749	12,687

21 EVENT OCCURRING AFTER THE REPORTING PERIOD

On 27 June 2024, the Company entered into the share purchase agreement with BGFG, JJQJ Partners Limited, JZZT Limited (collectively referred as the “Sellers”) and NBT Social Networking Inc. to acquire the equity interest in NBT Social Networking Inc.

The total consideration is HK\$1,982,658,000 (equivalent to RMB1,809,572,000), including cash consideration of HK\$993,790,000 (equivalent to RMB907,032,000), and share consideration of HK\$988,868,000 (equivalent to RMB902,540,000). The cash consideration would be paid equally in four instalments in three years. The share consideration would be issuance of 219,748,391 ordinary shares of the Company to the Sellers at the issue price of HK\$4.50 per share.

As at the date of this report, NBT Social Networking Inc. is a significant subsidiary of the Company, and JZZT Limited is a substantial shareholder of NBT Social Networking Inc. As such, JZZT Limited is a connected person at the subsidiary level of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and subject to reporting, announcement and independent shareholders’ approval requirements under the Listing Rules. As at the date of this report, the above transaction has not been completed.

“Adoption Date”	the date on which the Share Option Scheme was conditionally adopted by a resolution of the Shareholders
“Audit Committee”	the audit committee of the Company
“BGFG”	BGFG Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
“BlueCity”	BlueCity Holdings Limited, an exempted company with limited liability incorporated in the Cayman Islands and a wholly-owned subsidiary of the Company
“Board”	the board of directors
“Business Day(s)”	any day (excluding Saturday) on which banks in Hong Kong generally are open for business and the Stock Exchange is open for the business of dealing in securities
“Company”, “our Company”, “the Company” or “Newborn Town”	Newborn Town Inc. (赤子城科技有限公司), a company with limited liability incorporated in the Cayman Islands whose shares are listed on the Stock Exchange
“Director(s)”	the director(s) of our Company or any one of them
“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 by the Board on 11 December 2019
“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
“ESG”	environmental, social and governance
“Exercise Price”	the price per Share at which a Grantee may subscribe for the Shares on the exercise of an Option as described in paragraph 8 of Appendix III to the circular of the Company dated 14 April 2021
“Grantee”	any Participant who accepts an Offer in accordance with the terms of the Share Option Scheme, or (where the context so permits) any person who is entitled to any Option in consequence of the death of the original Grantee
“Group”, “our Group” or “the Group”	the Company and its subsidiaries

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	IFRS Accounting Standards as issued from time to time by the International Accounting Standards Board
“Latest Practicable Date”	19 September 2024, being the latest practicable date prior to the printing of this interim report for the purpose of ascertaining certain information contained herein
“JJQJ”	JJQJ Partners Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
“JZZT”	JZZT Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
“LGBTQ+”	lesbian, gay, bisexual, transgender, queer or questioning, intersex, asexual, and more
“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)
“Lock-up Period”	from the date on which the RSU Award Scheme Participant is granted the RSU Awards to the date that expires three years after the date of the first unlock of the RSU Awards
“Management RSU Scheme”	the restricted share unit scheme of the Company adopted by the Board on 11 December 2019
“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
“Mico”	Beijing Mico World Technology Co., Ltd. (北京米可世界科技有限公司) (formerly known as Beijing Zhongluo Technology Co., Ltd. (北京眾絡科技有限公司)), a company incorporated under the laws of the PRC with limited liability
“Offer(s)”	the offer(s) of the grant of Share Option(s) made by the Board in accordance with the Share Option Scheme

DEFINITIONS

“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
“PRC” or “China”	the People’s Republic of China, which for the purpose of this interim report only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated 17 December 2019
“R&D”	research and development
“Relevant Period” or “Reporting Period”	the six months ended 30 June 2024
“RMB”	Renminbi yuan, the lawful currency of China
“RSU”	a restricted share unit award granted to a participant under the RSU Scheme
“RSU Administrator”	a committee under the Board that the Board may authorize to administer the RSU Award Scheme and if no such committee is appointed, the Board
“RSU Award”	restricted share unit which gives the RSU Award Scheme Participant a conditional right when the RSU Award vests to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of exercise of the RSU Award, less any tax, stamp duty and other charges applicable, as determined by the RSU Administrator in its absolute discretion, and may include (where appropriate), 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, as determined by the RSU Administrator in its absolute discretion

DEFINITIONS

“RSU Award Scheme”	RSU award scheme adopted by the Company on 7 June 2022
“RSU Schemes”	the Employee RSU Scheme and the Management RSU Scheme adopted by the Board on 11 December 2019
“RSU Trustee”	TMF Trust (HK) Limited, an independent and professional trustee appointed by our Company to act as the trustee of the RSU Award Scheme
“recharge amount”	in relation to the social networking business and the innovative business and their respective products, the amount of recharge by users
“SFO”	the Securities and Futures Ordinance
“Share(s)”	ordinary share(s) in the share capital of our Company with a par value of US\$0.0001 each
“Shareholder(s)”	holder(s) of the Share(s)
“Spriver”	Spriver Tech Limited, an investment holding company incorporated in the British Virgin Islands with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by SFC, as amended or supplemented from time to time
“Target Company” or “NBT Social Networking”	NBT Social Networking Inc., a company incorporated under the laws of the Cayman Islands with limited liability
“U.S.” or “the United States”	The United States of America
“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
“%”	per cent

