THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about any aspect of this circular or as to the action to be taken, you should consult your stockbroker, or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Newborn Town Inc.**, you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

NEWBORN TOWN INC.

赤子城科技有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 9911)

DISCLOSEABLE AND CONNECTED TRANSACTION ENTERING INTO EQUITY TRANSFER AGREEMENT INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company

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

SOMERLEY CAPITAL LIMITED

A notice convening the EGM of Newborn Town Inc. to be held at 12/F, Tower A, CEC Development Building, Sanyuanqiao, Chaoyang District, Beijing, PRC on 17 December 2021 at 10:00 a.m. is set out on pages 72 to 73 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the website of the Company at www.newborntown.com/en/. Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. before 10:00 a.m. on 15 December 2021) or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM or any adjourned meeting thereof if they so wish.

26 November 2021

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the proposed acquisition of 21,850,000 shares of NBT Social Networking Inc. (which accounts for approximately 11.50% of the total shares of the Target Company) held by the Vendor by the Company pursuant to the Equity Transfer Agreement
"Beijing Mico"	Beijing Mico World Technology Co., Ltd. (北京米可世界科技有限公司), a company incorporated under the laws of the PRC with limited liability on 30 May 2014
"Board"	the board of directors of the Company
"Company"	Newborn Town Inc. (赤子城科技有限公司), a company with limited liability incorporated in the Cayman Islands whose shares are listed on the Stock Exchange
"Completion"	completion of the Acquisition contemplated under the Equity Transfer Agreement
"Completion Date"	the date which is the 20th business day after the date on which all conditions precedent under the Equity Transfer Agreement are satisfied or waived, or such other date as the Vendor and the Company may agree in writing
"Director(s)"	the directors of the Company
"EGM"	the first extraordinary general meeting of the Company in 2021 to be convened for the purpose of considering and, if thought fit, approving, amongst others, the Equity Transfer Agreement, issue of consideration shares under specific mandate and the transactions contemplated thereunder
"Equity Transfer Agreement"	the equity transfer agreement entered into by the Company and Vendor on 9 October 2021
"Group"	the Company and its subsidiaries
"Independent Valuer"	Beijing PG Advisory Co., Ltd., an independent valuer qualified in the PRC
"Latest Practicable Date"	22 November 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Obligor"	Mr. Wang Xinming
"Post-Completion Payment Date"	the date which is the 120th business day after the Completion Date, or such other date as the Vendor and the Purchaser may agree in writing
"PRC"	the People's Republic of China, and for the purpose of this announcement only, excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan Region
"RMB"	Renminbi, the lawful currency in the PRC
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Shares"	ordinary share(s) in the share capital of our Company with a par value of US$0.0001 each
"Shareholder(s)"	the holder of Share(s)
"Somerley" or "Independent Financial Adviser"	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	NBT Social Networking Inc., a company incorporated under the laws of the Cayman Islands with limited liability
"Target Group"	Target Company together with its subsidiaries
"Vendor"	BGFG Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
"%"	per cent

In this circular, the terms "associate", "connected person", "connected transaction", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

NEWBORN TOWN INC.
赤子城科技有限公司

(Incorporated in Cayman Islands with limited liability)
(Stock Code: 9911)

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

Registered office in the Cayman Islands:
The offices of Maples Corporate Services Limited
PO Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Principal place of business in Hong Kong:
Room 1903-04, Floor 19
Hong Kong Trade Centre
161 Des Voeux Road Central
Hong Kong

26 November 2021

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
ENTERING INTO EQUITY TRANSFER AGREEMENT INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 10 October 2021 in relation to entering into the Equity Transfer Agreement.

The purpose of this circular is to provide you with, among other things, (i) further information in relation to the above matter; (ii) the recommendation from the Independent Board Committee and the recommendation from Somerley to the Independent Board Committee and the Independent Shareholders; (iii) the general information of the Group; and (iv) a notice for convening the EGM (to consider and, if thought fit, to approve the Equity Transfer Agreement and the transactions contemplated thereunder).

The Board is pleased to announce that on 9 October 2021, the Company (as the purchaser) entered into the Equity Transfer Agreement with BGFG Limited (as the Vendor), pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to acquire 21,850,000 shares of NBT Social Networking Inc. as held by the Vendor (which accounts for approximately 11.50% of the total shares of the Target Company) for the total consideration of HK$727,580,000. The consideration comprises of two parts, being a cash consideration of HK$281,580,000, and the issuance of 100,000,000 Shares of the Company to the Vendor at the issue price of HK$4.46 per Share by the Company. As at the Latest Practicable Date, the Target Company is a non-wholly owned subsidiary of the Company, in which the Company owns 92,898,260 shares of the Target Company, which accounts for approximately 48.89% of its total shares. Upon the Completion, the Company will hold 114,748,260 shares of the Target Company, which accounts for approximately 60.39% of its total shares.

DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION

Details of the Equity Transfer Agreement are set out below:

Date

9 October 2021

Parties

(i) the Company;

(ii) the Vendor; and

(iii) the Obligor

Shares to be acquired

Pursuant to the Equity Transfer Agreement, the Vendor has conditionally agreed to sell and the Company has conditionally agreed to acquire 21,850,000 shares of NBT Social Networking Inc. as held by the Vendor, which accounts for approximately 11.50% of the total shares of the Target Company.

Conditions precedent

Pursuant to the terms of the Equity Transfer Agreement, unless waived in accordance with the Equity Transfer Agreement, the Company's obligation to settle the consideration of the Acquisition shall be subject to the fulfilment of the following conditions precedent:

(1) the representations and warranties given by the Vendor and the Obligor being true and accurate in all material respects as at the Completion and the Vendor and the Obligor's material undertakings contained in the Equity Transfer Agreement having been complied with in all material respects;

(2) the necessary resolution(s) having been passed by the shareholders of the Company at the shareholders' general meeting and by the directors of the Company approving the Equity Transfer Agreement and all and any transactions contemplated hereunder and all and any matters related to such transactions in accordance with the requirements of the Hong Kong Listing Rules;

(3) all necessary filings, approvals, announcements and circulars required by SEHK, SFC and/or under the Hong Kong Listing Rules and/or under any other laws, rules, code and regulations of Hong Kong have been duly completed or obtained.

The condition (1) above may only be waived by the Company in writing and the conditions (2) and (3) may not be waived in any event by any parties under the Equity Transfer Agreement. As of the Latest Practicable Date, none of the conditions precedent above has been fulfilled or waived.

If the Acquisition has not completed on or before 31 December 2022, the Equity Transfer Agreement shall automatically terminate unless the parties to the Equity Transfer Agreement otherwise agree.

Completion

Completion shall take place within 20 business days after the fulfilment (or waiver, if applicable) of all the conditions precedent under the Equity Transfer Agreement or such other date as the Vendor and Company may mutually agree upon in writing.

Consideration and terms of payment

The total consideration is HK$727,580,000, which comprises of two parts, being a cash consideration ("**Cash Consideration**") of HK$281,580,000 which will be fully originated from the Group's own source of fund, and the issuance of 100,000,000 shares of the Company to the Vendor at the issue price of HK$4.46 per Share by the Company ("**Share Consideration**").

On Completion, the Company shall issue and allot the consideration share to the Vendor for free. The Share Consideration comprises a total of 100,000,000 Shares which shall be issued in accordance with the specific mandate to be sought at the EGM. The consideration shares account for approximately 10.01% of the existing issued share capital of the Company as at the Latest Practicable Date, and approximately 9.10% of the issued capital of the Company enlarged by the allotment and issuance of the consideration shares (assuming there will not be any other issue or repurchase of Shares prior to the Completion).

Subject to the successful Completion, the Company shall:

(1) pay to the Vendor HK$140,790,000 in cash on or before the Post-Completion Payment Date or 31 December 2021, whichever is later; and

(2) pay to the Vendor another HKD140,790,000 in cash on or before the Post-Completion Payment Date or 30 June 2022, whichever is later.

Any payment to be made pursuant to the Equity Transfer Agreement by or on behalf of the Company to the Vendor shall be made to the Vendor's bank account provided in writing no later than three business days prior to the due date for payment in immediately available funds by electronic transfer on the due date for payment. Receipt of the full amount due shall be an effective discharge of the relevant payment obligation.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the consideration shares. The consideration shares, when allotted and issued, shall be credited as fully paid and at all times rank *pari passu* among themselves and with the Shares in issue as at the date of issue of the consideration shares, except that they shall not be entitled to receive any dividend, distribution or entitlement declared, paid or made by reference to a record date prior to the date of allotment and issue of the consideration shares (as the case may be).

The issue price of consideration shares of HK$4.46 per Share was determined after arm's length negotiation among the parties to the Equity Transfer Agreement with reference to the higher of the closing price on the date of entering into of the Equity Transfer Agreement and the average closing price for the last five trading days prior to the date of the Equity Transfer Agreement.

Mandate to issue the consideration shares

The consideration shares will be allotted and issued pursuant to the specific mandate to be sought at the extraordinary general meeting.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structures of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon the Completion (assuming there will not be any other issue or repurchase of Shares prior to the Completion) are set out as follows:

Shareholders	As at the Latest Practicable Date		Immediately upon the Completion (assuming there will not be any other issue or repurchase of Shares prior to the Completion)	
	Number of shares	Approximate percentage to the number of issued Shares	Number of shares	Approximate percentage to the number of issued Shares
Spriver Tech Limited[(1)]	235,806,646	23.61%	235,806,646	21.46%
Parallel World Limited[(2)]	73,121,774	7.32%	73,121,774	6.65%
Phoenix Auspicious FinTech Investment L.P.[(3)]	89,210,948	8.93%	89,210,948	8.12%
Public shareholders	600,710,632	60.14%	600,710,632	54.67%
BGFG Limited[(4)]	–	–	100,000,000	9.10%
Total	998,850,000	100.00%	1,098,850,000	100.00%

Notes:

(1) Spriver Tech Limited is directly and wholly owned by Mr. Liu Chunhe who is the director of the Company. Mr. Liu Chunhe is therefore deemed to be interested in all the Shares held by Spriver Tech Limited under the Securities and Futures Ordinance.

(2) Parallel World Limited is directly and wholly owned by Mr. Li Ping who is the director of the Company. Mr. Li Ping is therefore deemed to be interested in all the Shares held by Parallel World Limited under the Securities and Futures Ordinance.

(3) Phoenix Auspicious FinTech Investment L.P. is indirectly controlled by Mr. Du Li. Mr. Du Li is therefore deemed to be interested in all the Shares held by Phoenix Auspicious FinTech Investment L.P. under the Securities and Futures Ordinance.

(4) BGFG Limited 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 Limited under the Securities and Futures Ordinance.

EFFECT OF THE ACQUISITION ON THE USE OF IPO PROCEEDS

References are made to the prospectus ("**Prospectus**") of the Company dated on 17 December 2019 and the announcement dated 24 March 2021 in relation to, among others, the use of proceeds from the initial public offering and change therein.

According to the announcement of the Company dated 24 March 2021, the IPO proceeds originally allocated to the Solo Math programmatic advertising platform and part of the IPO proceeds originally allocated to the global information distribution network were re-allocated to Solo X product matrix, and the remaining IPO proceeds originally allocated to the global information distribution network were re-allocated as working capital and for other general corporate purposes.

The table below sets out the breakdown of the intended use and amount unutilised.

	Budget *HK$ million* (approximately)	**Amount that had been utilised as at 30 June 2021** *HK$ million* (approximately)	**Remaining balance as at 30 June 2021** *HK$ million* (approximately)	**Proposed timetable for the use of unutilised net proceeds**
To develop, expand and upgrade the Solo X product matrix	126.0	83.5	42.5	On or before 31 December 2022
To enhance the big data and AI capabilities of the Solo Aware AI engine	28.4	11.1	17.3	On or before 31 December 2022
To be used for working capital and other general corporate purposes	10.7	5.6	5.1	On or before 31 December 2022
To upgrade the Solo Math Programmatic Advertising Platform	1.8	1.8	–	On or before 31 December 2022
Total	166.9	102.0	64.9*	On or before 31 December 2022

* The remaining proceeds of approximately HK$64.9 million are expected to be utilised on or before 31 December 2022, and is based on the Directors' best estimation of the future market conditions and thus subject to change.

As shown in the above table and as disclosed in the interim report of the Company, the remaining balance of the net proceeds from the IPO was approximately HK$64.9 million as at 30 June 2021. As at 30 September 2021, the Group's total cash balance was RMB720.0 million (equals to approximately HK$867.7 million) based on the unaudited management account, which was significantly higher than the sum of above cash consideration (i.e. HK $281.6 million) and the unutilised net proceeds from IPO.

As such, the Group has the ability to pay the cash consideration by using its own funds and the IPO proceeds will not be affected.

BASIS OF DETERMINATION OF THE CONSIDERATION

The consideration of HK$727,580,000 to be paid by the Company to the Vendor in accordance with the Equity Transfer Agreement was agreed by the parties through arm's length negotiation after taking into consideration of a number of factors, including but not limited to the value of the Target Company determined by the Independent Valuer in accordance to market approach, the business prospect of the Target Company, and the reasons for and benefits of entering into the Equity Transfer Agreement as set out in the section "Reasons for and Benefits of Entering into the Equity Transfer Agreement" below.

The Independent Valuer is a professional firm with staff possessing the relevant qualifications and experience required to perform the Valuation and the person in-charge of the Valuation has approximately 15 years' experience in conducting valuation services to a wide range of clients in different industries.

The Independent Valuer adopted the market approach for the Valuation and selected the enterprise value-to-sales ("EV/S") and the price-to-earnings ratio ("P/E") as the valuation multiples. The market approach is based on the available market data of comparable companies and can provide a more objective valuation, which is a market practice. At the same time, the Target Company is an asset-light company, and its revenue and earnings are maintainable and increasing gradually. The use of the above two valuation multiples is also in line with the actual condition of the Target Company.

Enterprise value is calculated based on a company's market value plus net debt (total debt minus cash and cash equivalents), minority interests and preferred shares. The Independent Valuer has reviewed the calculation of the enterprise value of each comparable company.

SELECTION OF COMPARABLE COMPANIES

After a comprehensive and extensive collection of listed companies with similar business operations to the Target Company, the Independent Valuer selected comparable companies listed in the United States and Hong Kong which engage in the business of interactive entertainment platform as a reference, and determined the comparable listed companies to be used in the valuation analysis after comparing and analyzing the business models of the comparable listed companies and the Target Company. In the valuation analysis, the Independent Valuer took consideration of the factors such as business model, business stage, operational risks, financial risks, and so on.

The table below sets out the relevant multiples of the comparable companies:

Comparable companies	**EV/S**	**P/E**
JOYY Inc.	0.54x	13.94x
HUYA Inc.	0.50x	13.46x
Tencent Music Entertainment Group	2.51x	20.45x
Kuaishou Technology	3.64x	NA[1]
Yalla Group Limited	5.39x	13.98x
Match Group, Inc.	15.66x	54.11x
Bumble Inc.	10.09x	17.00x
Bilibili Inc.	11.67x	NA[2]
Max	15.66x	54.11x
Minimum	0.50x	13.46x
Average	6.25x	22.16x
Median	4.51x	15.49x
Selected multiples	4.51x	15.49x

1 Kuaishou Technology was not yet profitable for the past 12 months prior to 30 June 2021.

2 Bilibili Inc. was not yet profitable for the past 12 months prior to 30 June 2021.

The multiples in the above table is the median value of comparable companies as the median value can eliminate the influence of extreme values on the results and comprehensively reflect the level of industry multiples of comparable companies, making the estimated value of the Target Company more reasonable.

EQUITY VALUE CALCULATION

The Independent Valuer calculates the market value of the Target Company on the valuation date based on the market multiples of the EV/S and P/E to derive the range of the market value of the Target Company.

In addition, given that the Target Company is privately owned, the Independent Valuer adopted discount for lack of marketability ("DLOM") in the analysis. With reference to the data disclosed in the 2020 Stout Restricted Stock Companion Guide published by Stout Risius Ross, LLC, the DLOM was finally determined at 15.8%.

Based on the above, the range of 100% equity interest of the Target Company as of the valuation date is RMB4.60 billion to RMB5.90 billion, with the median of RMB5.25 billion.

The Board has reviewed the valuation report prepared by the Independent Valuer and discussed with the Independent Valuer to understand their qualifications and experience, as well as the valuation approach adopted for the valuation of the Target Company, and the benchmark for the selection of comparable companies.

As mentioned above, the valuation of the Target Company by the Independent Valuer was carried out as one of the main references to the Board for their assessment and determination of the Consideration. Similarly, the Independent Financial Adviser was appointed to assess the fairness and reasonableness of, among others, the terms of the Acquisition and the Consideration pursuant to the relevant requirements under the Listing Rules. The Board noted that both the Independent Valuer and the Independent Financial Adviser had adopted the market approach, however, their respective identified comparable companies are not entirely the same to one another, which is mainly due to:

(i) difference in comparable companies' selection criteria whereby the Independent Valuer considered comparable companies listed in U.S. and Hong Kong and conducted in social networking products with element of live streaming, and the Independent Financial Adviser considered live-streaming social networking platforms worldwide. The Board understood that the Independent Valuer and the Independent Financial Adviser adopted a slightly different basis in accordance to (A) app portfolio mix of the Target Group; and (B) revenue contribution from the relevant app operated by the Target Group; and

(ii) difference in filtering criteria of identified comparable companies based on financial performance. We understood that (A) the Independent Valuer considered the comparable companies with more similar financial indicators trend as that of the Target Group should be only selected; and (B) the Independent Financial Adviser considered it appropriate to include all identified comparable companies to have a more comprehensive set of data.

Overall, the Board is fully aware of the differences in approaches adopted between the Independent Valuer and the Independent Financial Adviser. Independent Shareholders should note that, despite the differences as discussed above, the valuation of the Target Group as conducted by the Independent Valuer and the assessment of the fairness and reasonableness of the Consideration by the Independent Financial Adviser both suggest that the Consideration to be fair and reasonable. Based on the above and the Board has (i) discussed with the Independent Valuer and the Independent Financial Adviser and noted that they have independently performed the analysis and each professional party has exercised their own professional individual judgement based on their knowledge and experience to derive at their own independent conclusion; (ii) understood the similar business activities of the selected comparable companies identified by the Independent Valuer and the Independent Financial Adviser and noted that they have the similar business activities with the Target Group; and (iii) reviewed the historical financial performance of the Target Group and considered the rationale for the Independent Valuer and the Independent Financial Adviser to adopt different filtering criteria for the identified comparable companies which is considered fair and acceptable to the Board and the Independent Shareholders are concerned.

Overall, the Board considers that (i) it is fair and acceptable for the Independent Valuer and the Independent Financial Adviser to have a different set of comparable companies; and (ii) the Consideration is fair and reasonable and it is in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES TO THE EQUITY TRANSFER AGREEMENT

The Company

The Company focuses on the global open social networking sector, as well as emerging modes in social networking including video and audio formats, creating a range of diversified social networking products including video social networking, audio social networking and live-streaming social networking. Its representative products include Yumy, MICO and YoHo, which are highly popular in areas such as Middle East, North America, Southeast Asia and South Asia.

The Vendor

BGFG Limited is an investment holding company incorporated in the British Virgin Islands with limited liability, and holds 21.44% of shares of the Target Company. Wang Xinming holds 100% of shares of BGFG Limited.

Target Company

NBT Social Networking Inc. is a company incorporated in the Cayman Islands with limited liability, which is the foreign corresponding entity of Beijing Mico upon reorganization and operates a social network platform with users from over 150 countries and regions. The core applications of the Target Group include MICO and YoHo, creating a range of diversified social networking products including audio social networking and live-streaming social networking, which are highly popular in areas such as Middle East, North America, Southeast Asia and South Asia.

Set out below is the shareholding structure of the Target Company before the Completion and as at the Latest Practicable Date:

Shareholders	Percentage of shareholding
The Company	48.89%
The Vendor	21.44%
JZZT Limited	24.86%
JJQJ Partners Limited	4.81%
Total	**100%**

After the Completion, the Company will hold approximately 60.39% equity interest of Target Company, and its shareholding structure is set out below:

Shareholders	Percentage of shareholding
The Company	60.39%
The Vendor	9.94%
JZZT Limited	24.86%
JJQJ Partners Limited	4.81%
Total	**100%**

JZZT Limited is an investment holding company incorporated in the British Virgin Islands with limited liability, and holds 24.86% of shares of NBT Social Networking Inc. The equity of JZZT comprises of participating shares and non-participating shares. The Company holds one participating shares with voting rights and without income rights. The remaining shareholders of JZZT hold non-participating shares with income rights and without voting rights.

JJQJ Partners Limited is an investment holding company incorporated in the British Virgin Islands with limited liability, and is the share holding platform under the equity incentive plan for the staff of NBT Social Networking Inc. JJQJ Partners Limited holds 4.81% of shares of NBT Social Networking Inc. All shares of JJQJ Partners Limited are held by TMF Trust (HK) Limited in the capacity of trustee.

The table below sets forth a summary of unaudited key financial information of the Target Group for the years ended 31 December 2019 and 2020 and six month ended 30 June 2021, which has been prepared in accordance with International Financial Reporting Standards:

	For the year ended 31 December 2019 or as at 31 December 2019	For the year ended 31 December 2020 or as at 31 December 2020	For the six months 30 June 2021 or as at 30 June 2021
	RMB'000	*RMB'000*	*RMB'000*
Net profit before taxation	33,731	233,668	210,781
Net profit after taxation	27,359	228,372	199,595
Total assets less current liabilities	219,482	443,214	643,312
Net assets	213,083	438,133	635,757

The Target Group experienced a rapid growth in its net profit since 2019, which was mainly attributable to a significant increase in the income generated from the core applications of the Target Group. During the period between 2019 and the end of June 2021, by leveraging its efforts on optimising the operation of its applications and the enhanced content quality on its applications, the Target Group was able to increase its number of paying users and average monthly active users. Along with the increased popularity of its applications and the growth in its operating metrics, the Target Group expanded its business operations from Middle East and Southeast Asia to other regions such as North America, Japan and Korea, and its effort on new market exploration continues. The continuous growth in the profit of the Target Group are attributable to (i) the Target Group continued to optimize the market strategy, leading to a gradual decrease in the percentage of sales fees, and (ii) the gradual optimization of core products and the exploration of developed markets, which resulted in a continuous growth in income.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT

The Board considers that the valuation and consideration of the Acquisition of the Target Company are reasonable. In consideration of the recent rapid growth of the Target Company, it is now the suitable time for the Group to further increase its shareholding in the Target Company. The Group intends to further increase its shareholding in the Target Company to capture more economic benefits from the Target Company, while further increases the profit attributable to owners of the Company arising from the Target Company. In addition, the Acquisition of the Target Company is aligned with the Group's business strategies and plans.

As disclosed in the Prospectus, the Group is a fast-growing company with global presence in the information distribution value chain. Based on the use of AI technologies, the Group focused on its self-developed mobile apps and the provision of mobile advertising services through its proprietary advertising platform. In 2020, the revenue from mobile advertising platform and related business was decreased as we scaled down the development of the mobile advertising platform and related business in view of the outbreak of the global economic downturn and the novel coronavirus pandemic. During the same period, the Group launched the "Traffic+" strategy and increased investments in Solo X product matrix. Based on the sizable traffic ecology and previously accumulated large amounts of data, the Group strived to develop actively in games and social networking segments, leveraging comprehensive abilities includes market savvy, research and development, operation, customer acquisition and revenue realisation through the years of global market development experience, which eventually delivered a rapid and significant growth in new vertical segments. On the one hand, the Group continued to identify vertical user demands in the social networking and entertainment so as to further expand the user base and increase the monetisable values. On the other hand, the Group strived to scale up the traffic ecosystem by attracting new users with diversified content-based products. As a result, the Group witnessed an accelerating release of traffic potential, resulting in stable revenue growth in proprietary products, as well as a significant improvement in monetisation efficiency. In addition, the Group has successively launched Yiyo and other social networking products and enlarged investments in premium games on the basis of a sizable scale of casual games. At the same time, the Group has acquired Beijing Mico, which also expanded the deployment in social networking segment. In 2021, with the development of "Traffic+" strategy, especially the "Traffic + Social Networking" strategy, the Group has achieved continuous expansion in the scale of its core social networking products, continuous improvement in stickiness, increasingly refinement in global deployment, steady enhancement in monetisation efficiency and significant growth in revenue. Generally speaking, the Group continued to enhance its market shares and competitiveness in the global open social networking segment. In early 2021, the Group launched Yumy, an online chatting social networking platform, which has quickly accumulated over 10 million users globally in a short period of time and has reached the top 10 in the Google Play among the social networking apps in terms of downloads in 27 countries and regions.

Being a leader in the overseas internet platform industry of China, the Group will maintain its position in the global market and focus on the social networking business while keep expanding the Group's boundary, exploring market opportunities and uncovering greater values.

The Board (including the independent non-executive Directors) considers that the terms of the Acquisition are fair and reasonable and the Acquisition is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no member of the Board has any material interest in the Acquisition.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Target Company is a significant subsidiary of the Company, and BGFG Limited is the substantial shareholder of the Target Company. As such, BGFG Limited is a connected person at the subsidiary level of the Company under the Listing Rules. Therefore, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 5% but the applicable percentage ratios are less than 25%, therefore, the Acquisition constitutes (i) a discloseable transaction of the Company which is subject to the announcement requirement under Chapter 14 of the Listing Rules; and (ii) a non-exempt connected transaction of the Company which is subject to the announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to consider the Equity Transfer Agreement and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether granting the specific mandate for the allotment and issuance of consideration shares. Somerley Capital Limited is appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same respect.

THE EGM

A notice convening the EGM to be held on 17 December 2021 at 12/F, Tower A, CEC Development Building, Sanyuanqiao, Chaoyang District, Beijing, PRC is set out in this circular.

According to the Listing Rules, any vote in the EGM must be taken by poll.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Shareholders or any of their respective close associates have any material interest in the Equity Transfer Agreement and the transactions contemplated thereunder. As such, none of the Shareholders are required to abstain from voting in favour of the resolutions approving the Equity Transfer Agreement and the transactions contemplated thereunder.

A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the website of the Company at www.newborntown.com/en/. Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. before 10:00 a.m. on 15 December 2021) or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM or any adjourned meeting thereof if they so wish.

RECOMMENDATION

The Board has resolved and approved the relevant resolutions in respect of the Equity Transfer Agreement and the transactions thereunder. No Director has a material interest in the transactions and has abstained from voting on the board resolutions.

The Board (including the independent non-executive Directors) considers that the terms and conditions of the Equity Transfer Agreement are fair and reasonable and on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including the independent non-executive Directors) recommends the Shareholders to vote in favour of the resolutions as set out in the notice of the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By Order of the Board
NEWBORN TOWN INC.
赤子城科技有限公司
LIU Chunhe
Chairman

NEWBORN TOWN INC.
赤子城科技有限公司

(Incorporated in Cayman Islands with limited liability)
(Stock Code: 9911)

To the Independent Shareholders 26 November 2021

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

ENTERING INTO EQUITY TRANSFER AGREEMENT INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the terms and conditions of the Equity Transfer Agreement are fair and reasonable and on normal commercial terms and in the interest of the Company and the Shareholders as a whole and how to vote.

Having considered the above and the advice of Somerley in relation thereto as set out on pages 19 to 49 of this circular, we consider that the Acquisition, though not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole, and that the terms of the Equity Transfer Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders to vote in favour of and approve all resolutions in relation to approving the entering into the Equity Transfer Agreement and transactions thereunder to be proposed at the EGM.

Yours faithfully,
For and on behalf of the Independent Board Committee

Mr. GAO Ming	**Mr. CHI Shujin**	**Mr. HUANG Sichen**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

Set out below is the letter of advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

26 November 2021

To: The Independent Board Committee and the Independent Shareholders of Newborn Town Inc.

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION ENTERING INTO EQUITY TRANSFER AGREEMENT INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the Acquisition. Details of the Acquisition are set out in the circular of the Company to the Shareholders dated 26 November 2021 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 9 October 2021, the Company entered into the Equity Transfer Agreement with the Vendor and the Obligor, pursuant to which the Vendor has conditionally agreed to sell and the Company has conditionally agreed to acquire 21,850,000 shares of the Target Company (the "**Target Company Shares**", which accounts for approximately 11.50% of the total shares of the Target Company) for the total consideration of HK$727,580,000 (equivalent to approximately RMB603,745,884) (the "**Consideration**"). The Consideration comprises a cash consideration of HK$281,580,000 (equivalent to approximately RMB233,655,084), and the issuance of 100,000,000 Shares to the Vendor at the issue price of HK$4.46 (equivalent to approximately RMB3.70) per Share by the Company. As at the Latest Practicable Date, the Target Company is a non-wholly owned subsidiary of the Company, in which the Company owns 92,898,260 shares of the Target Company, which accounts for approximately 48.89% of its total shares. Upon Completion, the Company will hold 114,748,260 shares of the Target Company, which accounts for approximately 60.39% of its total shares.

Since the Vendor is the substantial shareholder of the Target Company and it is therefore a connected person at the subsidiary level of the Company. As such, the Acquisition constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Therefore, the Acquisition is subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. GAO Ming, Mr. CHI Shujin and Mr. HUANG Sichen, has been established to advise the Independent Shareholders on the Acquisition and to make recommendation as to voting. We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

During the past two years, we have acted as the independent financial adviser to the Company in relation to the entering into equity transfer agreement and convertible loan investment agreement (as disclosed in the Company's circular dated 11 June 2020). The past engagement was limited to providing independent advisory services to the Company pursuant to the Listing Rules, for which we received a normal professional fee relevant to this type of engagement. Accordingly, we do not consider the past engagement would affect our independence to act as the independent financial adviser to the Company under the current engagement.

We are not associated with the Company, the Vendor, the Target Company or any of their close associates, associates or core connected persons (all as defined in the Listing Rules) and accordingly we are considered eligible to give independent advice on the above matters. Apart from normal professional fee payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Vendor, the Target Company or any of their close associates, associates or core connected persons.

In formulating our opinion and recommendation, we have reviewed, among other things, the Equity Transfer Agreement, the annual reports of the Company for the year ended 31 December 2020 and 2019, the interim report of the Company for the six months ended 30 June 2021 and the information as set out in the Circular. We have also discussed with the management of the Group (the "**Management**") about the Target Company and its future prospects.

We have relied on the information and facts supplied, and the opinions expressed, by the Directors and the Management and have assumed that they are true, accurate and complete. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld from us, or to doubt the truth or accuracy of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have not, however, conducted any independent investigation into the business and affairs of the Company and the Target Company, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation, we have taken into consideration the following principal factors and reasons:

1. Business and financial information of the Group

(a) Business of the Group

The Company focuses on the global open social networking sector, as well as emerging modes in social networking including video and audio formats, creating a range of diversified social networking products including video social networking, audio social networking and live-streaming social networking. Its representative products include Yumy, MICO and YoHo, which are highly popular in areas such as Middle East, North America, Southeast Asia and South Asia.

The Company operates through two reporting segments, namely value-added service business and traffic monetisation business. Value-added service business segment mainly includes live broadcast services, such as live broadcast rewards, chat duration purchase, membership subscriptions, advanced function purchase and other diversified methods. Traffic monetisation business segment mainly includes in-app traffic monetisation business, mobile advertising platform and related businesses.

The Company has been listed on the Main Board of the Stock Exchange since 31 December 2019 (the "**Listing Date**"). In June 2020, the Group completed the acquisition of approximately 8.85% equity interest in Beijing Mico (the "**First Beijing Mico Acquisition**"). Upon completion of the First Beijing Mico Acquisition, the Group held approximately 25.62% equity interest in and became the single largest shareholder of Beijing Mico. After taking into account certain arrangements with the then some other shareholders of Beijing Mico, the Group has taken control over Beijing Mico and has been able to consolidate the accounts of Beijing Mico into that of the Group since then. Subsequently in August 2020, the Group completed a further acquisition of equity interest of approximately 23.27% in Beijing Mico (the "**Second Beijing Mico Acquisition**" and together with the First Beijing Mico Acquisition, the "**Beijing Mico Acquisitions**"). Upon completion of the Second Beijing Mico Acquisition, the Group held approximately 48.89% equity interest in Beijing Mico. Further details of the First Beijing Mico Acquisition and the Second Beijing Mico Acquisition are set out in the circular of the Company dated 11 June 2020 and the announcement of the Company dated 17 August 2020, respectively. Beijing Mico had carried out the business of the Target Group and is effectively the predecessor of the Target Group before a reorganisation involving Beijing Mico took place. After the aforesaid reorganisation, the Target Company, which is incorporated in the Cayman Islands, has become the foreign corresponding entity holding the business of Beijing Mico.

(b) Financial performance of the Group

Set out below is a summary of the Group's financial performance for the year ended 31 December 2019 and 2020, and for six months ended 30 June 2020 and 2021.

	For the six months ended 30 June		For the year ended 31 December	
	2021	**2020**	**2020**	**2019**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Revenue from contracts with customers	1,038,484	150,336	1,181,593	389,685
Cost of revenue	(515,468)	(33,675)	(429,104)	(128,173)
Gross profit	523,016	116,661	752,489	261,512
Selling and marketing expenses	(291,715)	(94,709)	(483,513)	(120,538)
Research and development expenses	(53,693)	(11,220)	(58,534)	(20,271)
General and administrative expenses	(35,587)	(17,852)	(55,335)	(96,755)
Others	(7,659)	10,274	(23,015)	25,932
Operating profit	134,362	3,154	132,092	49,880
Finance (cost)/income, net and others	(3,064)	1,274	(1,912)	21,072
Fair value changes of convertible redeemable preferred shares	–	–	–	7,434
Profit before income tax	131,298	4,428	130,180	78,386
Income tax credits/ (expenses)	7,057	(1,012)	(15,837)	(9,971)
Profit for the period/year	138,355	3,416	114,343	68,415
Profit for the period/year attributable to:				
The Shareholders	37,377	3,416	39,688	68,415
Non-controlling interests	100,978	–	74,655	–
	138,355	3,416	114,343	68,415

Prior to 2020, the Group had two major business segments, namely, mobile advertising platform and related business and proprietary applications traffic monetisation business. After the First Beijing Mico Acquisition in June 2020, the Group's business segments have been changed to value-added service business and traffic monetisation business for the year ended 31 December 2020 to better reflect the then operating structure of the Group, and the segment information for the year ended 31 December 2019 has also been retrospectively adjusted. Revenue of value-added service business amounted to approximately RMB657.5 million for the year ended 31 December 2020, representing a surge of over 55 times as compared to that of approximately RMB11.6 million for the year ended 31 December 2019. The increase was primarily attributable to (i) the Group's monetisation mode has been upgraded to multiple ways, such as live broadcast rewards, chat duration purchase, member subscription, advanced function purchase, etc; and (ii) the Group explored the global social networking business market by introducing a number of high quality audio and video social networking products and recorded a rapid growth during 2020. The revenue of traffic monetisation business amounted to approximately RMB524.1 million for the year ended 31 December 2020, representing a growth of approximately 38.6% as compared to that of approximately RMB378.0 million for the year ended 31 December 2019. The growth was primarily attributable to (i) the Group's increased research and development investment in the game field, continuous efforts in developing and launching new games apps, and the upgrade of existing apps, which further updated the product portfolio and extended the life cycle; and (ii) Solo Aware, an artificial intelligence engine, has assisted the Group's products fine operation and has been of benefit to the growth of in-app traffic monetisation business. Overall, the Group recorded a revenue of approximately RMB1,181.6 million for the year ended 31 December 2020, representing a rise of approximately 203.2% over that for the year ended 31 December 2019.

The gross profit for the year ended 31 December 2020 amounted to approximately RMB752.5 million, representing an increase of approximately 187.8% from that of approximately RMB261.5 million for the year ended 31 December 2019. The gross profit margins were approximately 63.7% and 67.1% for the years ended 31 December 2020 and 2019, respectively. The decrease in gross profit margin for the year ended 31 December 2020 was mainly due to the revenue sharing to streamer of the Group's social networking business and increase in the payment handling cost. Meanwhile, the selling and marketing expenses increased by over 3 times to approximately RMB483.5 million for the year ended 31 December 2020 as compared to that for the year ended 31 December 2019. The significant increase was mainly due to the escalation of the cost for advertising placement for the Group's proprietary app monetisation business as the Group continued its promotional efforts in marketing its apps in the global market. Overall, the profit for the year enhanced from approximately RMB68.4 million for the year ended 31 December 2019 to approximately RMB114.3 million for the year ended 31 December 2020, representing a growth of approximately 67.1%. However, it is noteworthy that the profit for the year attributable to the Shareholders for the year ended 31 December 2020 amounted to only approximately RMB39.7 million, which represents a drop of approximately 41.9% from that for the year ended 31 December 2019. This is mainly due to the segmental loss incurred from traffic monetisation business which negatively impacted the Group's profitability in 2020.

For the six months ended 30 June 2021, the revenue of value-added service business amounted to approximately RMB821.1 million, representing a jump of over 50 times as compared to that of approximately RMB15.8 million for the corresponding period in 2020. The increase was primarily because (i) through continuous research and development, the Group has created a social networking product matrix, creating a variety of video and audio social networking scenarios to meet the diversified social networking needs of users, which has been of benefit to the rapid growth of the Group's product users base and revenue; (ii) with the sophisticated and localised operations, the Group provided users with an immersive experience that enhancing user stickiness and improving the realisation potential of products; and (iii) through intensive investment in market expansion, the Group's social networking products made breakthroughs in high value markets such as North America and Europe, the user value and realisation efficiency significantly improved. The revenue of traffic monetisation business amounted to approximately RMB217.3 million for the six months ended 30 June 2021, representing an increase of approximately 61.6% as compared to that of approximately RMB134.5 million for the corresponding period in 2020. The increase was primarily attributable to Solo Aware has continued to improve in various aspects and upgraded a more mature user scenario engine, which have facilitated product research, operation and promotion, and improved realisation efficiency of the products. Overall, the Group recorded a revenue of approximately RMB1,038.5 million for the six months ended 30 June 2021, representing a rise of almost 6 times over that for the corresponding period in 2020.

The gross profit for the six months ended 30 June 2021 amounted to approximately RMB523.0 million, representing an increase of over 3 times from that of approximately RMB116.7 million for the corresponding period in 2020. The Group's gross profit margins were approximately 50.4% and 77.6% for the six months ended 30 June 2021 and 2020, respectively. The decline in gross profit margin was mainly due to the increase in revenue sharing to streamer of the Group's social networking business and payment handling cost. Meanwhile, the selling and marketing expenses increased by approximately 208.0% to approximately RMB291.7 million for the six months ended 30 June 2021 from that for the corresponding period in 2020. The significant increase was mainly due to the Group continued its promotional efforts in marketing its apps in the global market. Overall, the profit for the period enhanced from approximately RMB3.4 million for the six months ended 30 June 2020 to approximately RMB138.4 million for the six months ended 30 June 2021, representing a surge of over 39 times. Moreover, the profit for the period attributable to the Shareholders amounted to approximately RMB37.4 million which represents an increase of almost 10 times from that for the corresponding period in 2020.

(c) Financial position of the Group

Set out below is a summary of the financial position of the Group as at 31 December 2019 and 2020 and 30 June 2021.

	As at 30 June 2021 (RMB'000)	As at 31 December 2020 (RMB'000)	As at 31 December 2019 (RMB'000)
ASSETS			
Non-current assets			
Intangible assets	246,800	267,189	3,933
Goodwill	197,287	197,287	5,066
Financial assets measured at fair value through profit or loss	8,911	6,495	187,356
Others	34,449	34,498	6,960
	487,447	505,469	203,315
Current assets			
Accounts receivable	135,363	144,386	163,383
Financial assets measured at fair value through profit or loss	152,218	178,009	132,651
Cash and cash equivalents	607,619	431,015	182,863
Others	13,726	9,285	95,348
	908,926	762,695	574,245
LIABILITIES			
Current liabilities			
Accounts payable	156,799	155,937	89,938
Other payable	224,164	234,593	32,575
Others	22,008	18,957	8,514
	402,971	409,487	131,027
Net current assets	505,955	353,208	443,218
Non-current liabilities			
Deferred tax liabilities	51,516	71,567	8,914
Lease liabilities	4,410	102	3,074
	55,926	71,669	11,988
EQUITY			
Equity attributable to the Shareholders	587,518	536,472	634,545
Non-controlling interests	349,958	250,536	–
	937,476	787,008	634,545

In 2020, the Group acquired additional stakes in Beijing Mico after completing the Beijing Mico Acquisitions. The Group has consolidated the financial statements of Beijing Mico since completion of the First Beijing Mico Acquisition (the "**Consolidation**"). Accordingly, the Group's total assets grew from approximately RMB777.6 million as at 31 December 2019 to approximately RMB1,268.2 million as at 31 December 2020, representing an increase of approximately 63.1%. In particular, the Consolidation led to increases in intangible assets, goodwill, cash and cash equivalents of the Group. Furthermore, the total liabilities of the Group, largely comprising accounts payable and other payable, also increased as a result of the Consolidation from approximately RMB143.0 million as at 31 December 2019 to approximately RMB481.2 million as at 31 December 2020, representing an increase of approximately 236.5%. Overall, the equity attributable to the Shareholders decreased from approximately RMB634.5 million as at 31 December 2019 to approximately RMB536.5 million as at 31 December 2020. The decrease was mainly due to the excess of the consideration paid in the Second Beijing Mico Acquisition over the carrying amount of the non-controlling interests acquired.

As at 30 June 2021, the Group's total assets grew to approximately RMB1,396.4 million from approximately RMB1,268.2 million at the end of 2020, representing an increase of approximately 10.1%. The increase was primarily attributable to the rise in cash and cash equivalents from approximately RMB431.0 million as at 31 December 2020 to approximately RMB607.6 million as at 30 June 2021. On the other hand, the total liabilities of the Group decreased from approximately RMB481.2 million as at 31 December 2020 to approximately RMB458.9 million as at 30 June 2021. The decrease was primarily attributable to the drop in deferred tax liabilities from approximately RMB71.6 million at the end of 2020 to approximately RMB51.5 million as at 30 June 2021. Overall, the equity attributable to the Shareholders increased from approximately RMB536.5 million as at 31 December 2020 to approximately RMB587.5 million as at 30 June 2021, chiefly attributable to the profit generated in the first half of 2021.

As at 30 June 2021, the Group maintained a healthy working capital position (i.e. net current assets) of approximately RMB506.0 million, representing an increase of approximately 43.2% from that as at 31 December 2020 mainly as a result of the improved cash position. The Group's gearing ratio, calculated as total liabilities divided by total assets, was approximately 32.9% as at 30 June 2021, down from approximately 37.9% as at the 31 December 2020.

2. Reasons for and benefits of the Acquisition

As discussed in the letter from the Board contained in the Circular, the Board considers that the valuation and consideration of the Acquisition are reasonable. In consideration of the recent rapid growth of the Target Company, and it is the suitable time for the Group to further increase its shareholding in the Target Company. The Group intends to further increase its shareholding in the Target Company to capture more economic benefits from the Target Company, while further increases the profit attributable to owners of the Company arising from the Target Company. In this regard, we have reviewed the historical performance of the Target Group, assessed the fairness and reasonableness of the Consideration and how the Acquisition may affect the Group's profitability. Details of our review are set out in the sections headed "4. Information on the Target Group", "5. Analysis of the Consideration" and "7. Financial effects of the Acquisition on the Group" in this letter.

In 2020, the Group has scaled down the development of the mobile advertising platform and related business in view of the global economic downturn and the outbreak of the novel coronavirus pandemic. In contrast, the Group had put in more resources to develop its games and social networking segments based on sizable traffic ecology and data previously accumulated. To achieve this goal, the Group continued to identify vertical user demands in the social networking and entertainment segment and scale up the traffic ecosystem by attracting new users with diversified content-based products. In recent years, the Group has launched several social networking products, such as Yiyo and Yumy, and the acquisition of Beijing Mico further enhanced the Group's footprint in social networking segment. Therefore, the Acquisition of the Target Company is aligned with the Group's business strategies and plans. For details of the reasons for and benefits of the Acquisition, please refer to the letter from the Board contained in the Circular.

3. Principal terms of the Equity Transfer Agreement

Date

9 October 2021

Parties

(i) the Company;

(ii) the Vendor; and

(iii) the Obligor.

Subject matter

The Vendor has conditionally agreed to sell and the Company has conditionally agreed to acquire 21,850,000 shares of the Target Company, which accounts for approximately 11.50% of the total shares of the Target Company.

Consideration and terms of payment

The consideration is HK$727,580,000 (equivalent to approximately RMB603,745,884), which comprises (i) cash consideration (the "**Cash Consideration**") of HK$281,580,000 (equivalent to approximately RMB233,655,084) which will be fully originated from the Group's own source of fund; and (ii) the issuance of 100,000,000 shares of the Company to the Vendor at the issue price of HK$4.46 (equivalent to approximately RMB3.70) per Share by the Company (the "**Consideration Shares**").

Subject to Completion, the Company shall:

(i) pay to the Vendor HK$140,790,000 (equivalent to approximately RMB116,827,542) in cash on or before the Post-Completion Payment Date or 31 December 2021, whichever is later; and

(ii) pay to the Vendor another HK$140,790,000 (equivalent to approximately RMB116,827,542) in cash on or before the Post-Completion Payment Date or 30 June 2022, whichever is later.

On Completion, the Company shall issue and allot the Consideration Shares to the Vendor for free. The Consideration Shares comprise a total of 100,000,000 Shares which shall be issued in accordance the specific mandate to be sought at the EGM. The Consideration Shares account for approximately 10.01% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 9.10% of the issued capital of the Company enlarged by the allotment and issuance of the Consideration Shares (assuming there will not be any other issue or repurchase of Shares prior to Completion).

The Consideration agreed by the parties to the Equity Transfer Agreement through arm's length negotiation after taking into consideration of a number of factors, including but not limited to the value of Target Company determined by the independent valuer in accordance to market approach, the business prospect of the Target Company and the reasons for and benefits of entering into the Equity Transfer Agreement.

The issue price of the Consideration Shares of HK$4.46 (equivalent to approximately RMB3.70) per Share was determined after arm's length negotiation among the parties to the Equity Transfer Agreement with reference to the higher of the closing price on the date of entering into the Equity Transfer Agreement and the average closing price for the last five trading days prior to the date of the Equity Transfer Agreement.

Conditions precedent

The Company, the Company's obligation to settle the Consideration shall be subject to, among other conditions, the necessary resolution(s) having been passed by the shareholders of the Company at the shareholders' general meeting and by the directors of the Company approving the Equity Transfer Agreement and all and any transactions contemplated hereunder and all and any matters related to such transactions in accordance with the requirements of the Hong Kong Listing Rules. The condition stated above may not be waived in any event by any parties under the Equity Transfer Agreement.

Other conditions precedent to the Equity Transfer Agreement are set out in the letter from the Board contained in the Circular. As at the Latest Practicable Date, no condition precedent has been fulfilled or waived.

Completion

Completion shall take place within 20 business days after the fulfilment (or waiver, if applicable) of all the conditions precedent under the Equity Transfer Agreement or such other date as the Vendor and Company may mutually agree upon in writing.

For details of the principal terms of the Equity Transfer Agreement, please refer to the letter from the Board contained in the Circular.

4. Information on the Target Group

(a) Business of the Target Group

The Target Company is a company incorporated in the Cayman Islands with limited liability, which is the foreign corresponding entity of Beijing Mico upon reorganisation and operates a social network platform with users from over 150 countries and regions. The core applications of the Target Group include MICO and YoHo, creating a range of diversified social networking products including audio social networking and live-streaming social networking, which are highly popular in areas such as Middle East, North America, Southeast Asia and South Asia.

(b) Shareholding structure of the Target Company

Set out in the table below are the shareholding structures of the Target Company (i) as at the Latest Practicable Date; and (ii) immediately upon Completion.

Shareholders	**As at the Latest Practicable Date**	**Immediately upon Completion**
The Company	48.89%	60.39%
The Vendor	21.44%	9.94%
JZZT Limited *(Note 1)*	24.86%	24.86%
JJQJ Partners Limited *(Note 2)*	4.81%	4.81%
Total	**100.00%**	**100.00%**

Notes:

1. JZZT Limited is an investment holding company and holds 24.86% of shares of the Target Company. The equity of JZZT comprises of participating shares and non-participating shares. The Company holds one participating shares with voting rights and without income rights. The remaining shareholders of JZZT Limited hold non-participating shares with income rights and without voting rights.

2. JJQJ Partners Limited is an investment holding company and the shareholding platform under the equity incentive plan for the staff of the Target Company.

(c) Operating metrics of the Target Group

Based on our discussion with the Management, we note that the Target Group experienced rapid business growth in the past few years. Set out below in the table are the growth rates of certain key operating metrics of the Target Group.

	For the six months ended 30 June	**For the year ended 31 December**	
	2021	**2020**	**2019**
	Year-on-year growth rate	*Year-on-year growth rate*	*Year-on-year growth rate*
Number of newly registered users	21.2%	102.6%	67.7%
Average monthly active users	20.7%	83.3%	67.4%
Number of paying users	159.6%	225.4%	48.1%
Number of orders placed per paying user	-1.3%	23.2%	-3.1%
Average price per order	-17.3%	-35.8%	24.0%
Average revenue per paying user	-18.4%	-21.5%	22.3%

As shown in the above table, the number of newly registered users, the average monthly active users and the number of paying users of the Target Group were all continuously increased during the period under review. Although the average revenue per paying user had been decreased for 2020 and the first half of 2021 as compared to that for the corresponding year/period, the significant growth in the number of paying users had overcome the decline in the average revenue per paying user and resulted in exciting growth in income of the Target Group as discussed below.

(d) Financial information of the Target Group

Set out below is a summary of the financial information of the Target Group for the years ended 31 December 2019 and 2020 and for the six months ended 30 June 2020 and 2021 (the "**Track Record Period**") prepared in accordance with International Financial Reporting Standards.

	For the six months ended 30 June		**For the year ended 31 December**	
	2021	**2020**	**2020**	**2019**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Gross profit	328,074	147,535	424,331	66,688
Net profit before taxation	210,781	73,363	233,668	33,731
Net profit after taxation	199,595	85,615	228,372	27,359

	As at 30 June		**As at 31 December**	
	2021	**2020**	**2020**	**2019**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Net assets	635,757	301,791	438,133	213,083

For the year ended 31 December 2020, the gross profit of the Target Group jumped by more than 5 times to approximately RMB424.3 million as compared with that for the year ended 31 December 2019, which was mainly due to a significant increase in the income generated from the core applications of the Target Group. For the six months ended 30 June 2021, the gross profit continued to grow by approximately 122.4% as compared to that for the corresponding period in 2020. As stated in the letter from the Board contained in the Circular, by leveraging its efforts on optimising the operation of its applications and the enhanced content quality on its applications, the Target Group was able to increase both of its number of paying users and average monthly active users. Along with the increased popularity of its applications and the growth in its operating metrics, the Target Group expanded its business operations from Middle East and Southeast Asia to other regions such as North America, Japan and Korea.

In the Track Record Period, the majority of expenses of the Target Group consisted of cost of revenue, marketing expenses and management expenses. Marketing expenses of the Target Group, which mainly comprised cost for advertising placement, soared by over 10 times to approximately RMB127.5 million for the year ended 31 December 2020 as compared to that for the year ended 31 December 2019. Significant increase in the marketing expenses was mainly resulted from enhanced efforts in marketing the apps of the Target Group in 2020. For the six months ended 30 June 2021, the marketing expenses of the Target Group continued to rise by approximately 11.4% to approximately RMB66.3 million as compared to that for the corresponding period in 2020. Management expenses of the Target Group mainly consisted of staff costs and other general and administrative expenses. For the year ended 31 December 2020 and the six months ended 30 June 2021, management expenses climbed by approximately 105.9% to approximately RMB48.1 million and 231.7% to approximately RMB42.5 million respectively as compared to those for the previous corresponding year/period. Such increase in the management expenses of the Target Group was mainly due to the business expansion and growth in operations.

For the year ended 31 December 2020, the Target Group recorded net profits before and after tax of approximately RMB233.7 million and RMB228.4 million, respectively, representing growths of over 5 and 7 times as compared to those for the year ended 31 December 2019. The profits before and after tax of the Target Group for the six months ended 30 June 2021 continued to grow by approximately 187.3% and 133.1%, respectively as compared to those for the corresponding period in 2020. The continuous growth in the profit of the Target Group was mainly attributable to (i) the Target Group continued to optimise the market strategy, leading to a gradual decrease in the percentage of sales fees; and (ii) the gradual optimisation of core products and the exploration of developed markets, which resulted in a continuous growth in income. Despite a much higher amount of pre-tax profit, the tax expense for the year ended 31 December 2020 was lower than that for the year ended 31 December 2019 because of the recognition of a higher deferred tax assets for the year ended 31 December 2020 due to the change in the assessment on the utilisation of the tax losses carried forward from previous years.

Total assets of the Target Group amounted to approximately RMB277.4 million, RMB603.4 million and RMB836.6 million as at 31 December 2019 and 2020 and 30 June 2021, respectively. Assets of the Target Group mainly comprised (i) cash and bank deposits; (ii) accounts and other receivables; and (iii) goodwill. Cash and bank deposits increased from approximately RMB39.7 million as at 31 December 2019 to approximately RMB266.9 million as at 31 December 2020, and further increased to approximately RMB447.8 million as at 30 June 2021. As at 31 December 2019, 2020 and 30 June 2021, accounts and other receivables amounted to approximately RMB47.1 million, RMB124.3 million and RMB153.9 million, respectively. Growths of cash and bank deposits and accounts and other receivables were mainly due to the business growth and increase in revenue of the Target Group. Goodwill stayed at approximately RMB139.5 million during the Track Record Period, which was mainly attributable to a merger between Beijing Mico and Beijing Duanji Network Technology Co., Ltd. in 2017. Further details of the aforesaid merger were disclosed in "Business – Our Strategic Investment" in the prospectus of the Company dated 17 December 2019.

The Target Group did not have any borrowings. Accounts and other payables accounted for the majority of the liabilities of the Target Group during the Track Record Period. Working capital position had improved during the Track Record Period, from net current assets of approximately RMB32.3 million as at 31 December 2019 to approximately RMB260.5 million as at 31 December 2020, and further enhanced to approximately RMB466.4 million as at 30 June 2021.

The operations of the Target Group were largely financed by the shareholders' equity. Benefitting from the net profit generated for the year ended 31 December 2020 and six months ended 30 June 2021, the net assets of the Target Group had strengthened and surged by approximately 105.6% from approximately RMB213.1 million as at 31 December 2019 to approximately RMB438.1 million as at 31 December 2020, and further increased by approximately 45.1% to approximately RMB635.8 million as at 30 June 2021.

5. Analysis of the Consideration

(a) The Comparable Companies

The principal activity of the Target Group is the operation of a social networking platform, which creates a range of diversified social networking products including audio social networking and live-streaming social networking. In order to assess the fairness and reasonableness of the Consideration, we have carried out an analysis by comparing peer companies engaging in similar principal businesses.

We compared price-to-earnings multiple (the "**P/E Multiple**") represented by the Consideration against that of the comparable companies (the "**Comparable Companies**") with majority of the revenue derived from similar live streaming social networking platform. Based on the above criteria, we identified the Comparable Companies as set out in the table below together with their respective P/E Multiples. We are of the view that the Comparable Companies, though having different level of market capitalisation, have similar business models and operations as the Target Group, for which is more relevant to our analysis. Taking into account that Beijing Mico had been consolidated into the Group upon completion of the First Beijing Mico Acquisition in June 2020 and since then, over 50% of the Group's revenue was generated from live streaming segment which met the above selection criteria, we are of the view that including the Company as one of the Comparable Companies is fair and reasonable. We also consider that the list of the Comparable Companies below to be exhaustive based on the selection criteria as set out above and, in general, would serve as a fair and representative sample.

Company name	Stock code	Principal activities	Market capitalisation as at the Latest Practicable Date *(RMB million)*	P/E Multiple *(Note 1)* *(times)*
Tencent Music Entertainment Group	NYSE: TME	It operates an online music entertainment platform and music applications in China, which comprises, among others, a music-centric social live streaming function.	83,052.0	19.84
Hello Group Inc.	Nasdaq: MOMO	It operates a live social networking platform which includes a range of functions including, but not limited to, dating shows, live music and entertainment broadcasts.	17,127.1	8.43
AfreecaTV Co., Ltd.	067160 KS	It operates a live streaming platform in South Korea.	13,794.9	44.74
HUYA Inc.	NYSE: HUYA	It operates a game live streaming platform in China.	12,652.9	14.41
The Company	9911 HK	The Company operates value-added service business segment and traffic monetisation business segment which primarily includes Mico.	3,332.0	45.24
Inke Limited	3700 HK	It operates a live streaming platform in China.	2,181.6	8.95
Tian Ge Interactive Holdings Limited	1980 HK	It operates two live streaming platforms in China in relation to game live streaming and e-commerce business.	956.7	5.90
			Average	21.07
			Median	14.41
			Maximum	45.24
			Minimum	5.90
The Acquisition				**15.33** *(Note 2)*

Source: Bloomberg and publications of the respective Comparable Companies

Notes:

1. The P/E Multiples of the Comparable Companies are calculated based on the market capitalisation of the Comparable Companies as at the Latest Practicable Date divided by the profit attributable to the shareholders of the corresponding Comparable Companies for the trailing twelve months up to 30 June 2021.

2. The implied P/E Multiple of the Acquisition of approximately 15.33 times is calculated based on the Consideration of HK$727,580,000 (equivalent to approximately RMB603,745,884) divided by the product of 11.50% (being the approximate percentage of equity interest in the Target Company to be purchased in the Acquisition) multiplies by the net profit of the Target Group attributable to the shareholders of the Target Company for the trailing twelve months of approximately RMB342.35 million provided by the Management, which is calculated as follows:

	RMB'000
The net profit of the target Group attributable to the shareholders of the Target Company:	
For the year ended 31 December 2020	228,372
Less: for the six months ended 30 June 2020	(85,615)
Add: for the six months ended 30 June 2021	199,595
The net profit of the Target Group attributable to the shareholders of the Target Company for the trailing twelve months	342,352

3. We have identified JOYY Inc, DouYu International Holdings Ltd., LIZHI INC. and Kuaishou Technology as the Comparable Companies under the aforesaid selection criteria. However, all these four companies incurred losses for the trailing twelve months up to 30 June 2021, rendering their respective P/E Multiples not meaningful.

4. For illustrative purpose in the table above, conversions of United States dollars, Korean wons ("**KRW**") and HK$ into RMB are based on the exchange rates of US$1 to RMB6.4310, KRW1 to RMB0.0055 and HK$1 to RMB0.8298 respectively.

The P/E Multiples of the Comparable Companies are ranged from approximately 5.90 times to approximately 45.24 times and have an average and a median of approximately 21.07 times and approximately 14.41 times, respectively. The implied P/E Multiple of the Acquisition of approximately 15.33 times is lower than the average of the P/E Multiples of the Comparable Companies and it is slightly higher than the median of the P/E Multiples of the Comparable Companies and it is also within range of those of the Comparable Companies.

In addition, the Company is included as one of the Comparable Companies since we consider the Company's current valuation reflects the business performance of the Target Group which accounts for majority of the Group's total revenue. In the event that the Company is excluded, the P/E Multiples of the Comparable Companies are ranged from approximately 5.90 times to approximately 44.74 times and have an average and a median of approximately 17.05 times and approximately 11.68 times. The implied P/E Multiple of the Acquisition of approximately 15.33 times is still lower than the average of the P/E Multiples of the Comparable Companies and it is still higher than the median of the P/E Multiples of the Comparable Companies and it is also within range of those of the Comparable Companies.

(b) Business Valuation

(i) Introduction

As stated in the letter from the Board contained in the Circular, the Consideration of HK$727,580,000 (equivalent to approximately RMB603,745,884) was agreed by the parties to the Equity Transfer Agreement through arm's length negotiations after taking into consideration, among others, the value of the Target Company determined by the Independent Valuer in accordance with market approach. The Company engaged Beijing PG Advisory Co., Ltd. (the "**Independent Valuer**") to prepare a valuation report (the "**Valuation Report**"), which sets out a market valuation on the 100% equity interest of the Target Company (the "**Valuation**") as of 31 August 2021 (the "**Valuation Date**"). The full text of the Valuation Report is set out in appendix I to the Circular.

We have reviewed the Valuation Report and interviewed the relevant staff members of the Independent Valuer. The Independent Valuer confirmed that it was independent from the Company, the Vendor, the Target Company and their respective related parties. We further understand that the Independent Valuer is a professional firm with staff possessing the relevant qualifications and experience required to perform the Valuation and the person in-charge of the Valuation has approximately 15 years' experience in conducting valuation services to a wide range of clients in different industries. We note that the Independent Valuer mainly carried out its due diligence through management interviews and conducted its own proprietary research and has relied on public information obtained through its own research as well as the financial and operational information of the Target Group provided by the Management.

(ii) Valuation methodology

We note that the Valuation was primarily based on the market approach. The market approach refers to valuation by comparing the subject company with companies with similar principal business activities. We have discussed with the Independent Valuer the methodologies, bases and assumptions adopted during the course of conducting the market approach. As discussed with the Independent Valuer, the selection of the market approach has benefits including simplicity, clarity, and less reliance on unobservable and subjective assumptions.

(iii) Sample selection and choice of valuation multiples

The principal activity of the Target Group is the operation of a social networking platform. The Independent Valuer has identified eight comparable companies (the "**Valuation Comparable Companies**") with principal businesses similar to that of the Target Group.

For the selection of the valuation multiples, the Independent Valuer opted for the measures of enterprise value-to-sales multiples (the "**EV/S Multiple**") and the P/E Multiple. As advised by the Independent Valuer, the reason for choosing (i) the EV/S Multiple was mainly because the EV Multiple can better reflect the Target Group's net debt load and its enterprise value in terms of its sales; and (ii) the P/E Multiple was mainly because the P/E Multiple shall reflect the earnings capability of the Target Group in accordance to its equity value.

(iv) DLOM

The Target Group is a privately-held company. The Independent Valuer therefore applied for a discount for lack of marketability of 15.8% (the **"DLOM"**) with reference to the Stout Restricted Stock Companion Guide published by Stout Risius Ross, LLC in 2020 to the estimated value of the Target Group to reflect the reduced level of marketability as compared to those of the Valuation Comparable Companies.

(v) Conclusion

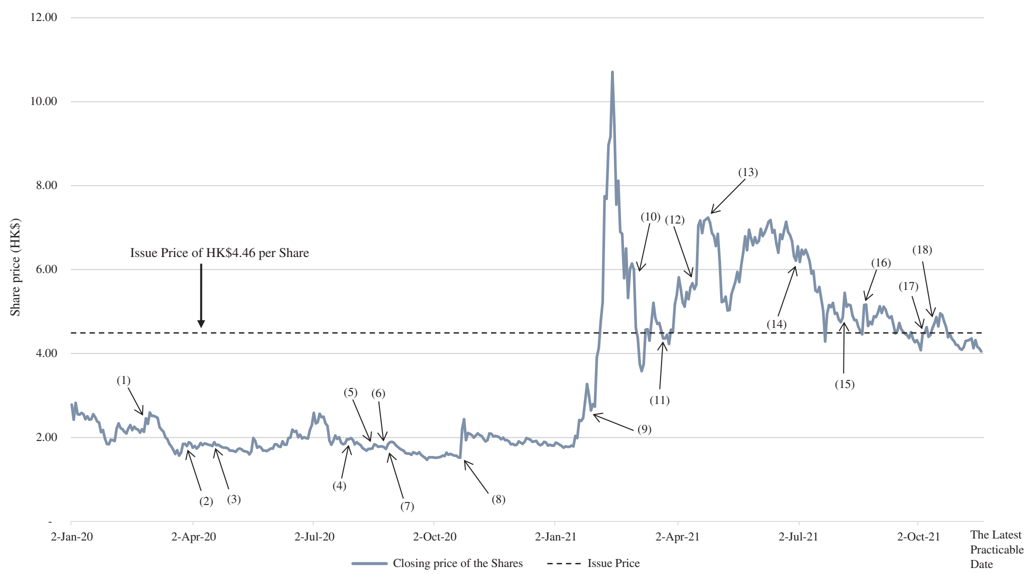
To determine the Valuation, the Independent Valuer took the median of the result as derived from multiplying the median of the EV/S Multiples and the P/E Multiples of the Valuation Comparable Companies of approximately 4.51 times and approximately 15.49 times by the revenue and the net profit (after adjusted for expenses relating to employee stock option plan and bonus payment) of the Target Group for the period from 1 July 2020 to 30 June 2021 of approximately RMB1,391.6 million and RMB352.4 million to arrive at the enterprise value and the equity value of the Target Group respectively. The Independent Valuer then adjusted for the lack of marketability by multiplying the DLOM of 15.8% and, for the enterprise value only, adding back cash and short-term investments to arrive at the median of the appraised value of the entire equity value of the Target Group on a non-marketable and minority basis of approximately RMB5,250.0 million.

Last but not least, while we are of the view that the approach of the Valuation conducted by the Independent Valuer is in line with general market practices, we note that the Valuation Comparable Companies selected by the Independent Valuer are not entirely consistent with the Comparable Companies selected by us in the sub-section headed "(a) The Comparable Companies" in this section. Accordingly, we have not relied on the opinion of the Independent Valuer to arrive at our opinion and recommendation and the discussion on the Valuation in this letter is for the Shareholders' reference purpose only.

6. Analysis of price performance of the Shares

(a) Historical Share prices

Set out below are the movements of the closing prices of the Shares during the period since the Listing Date (i.e. 31 December 2019) and up to the Latest Practicable Date (the "**Review Period**"):



Source: The website of the Stock Exchange

As set out in the discussion below, the Company published a number of announcements during the Review Period, which we consider to be crucial in shaping the market price of the Shares.

	Date	**Details of the announcements**
(1)	2 March 2020	Positive profit alert
(2)	30 March 2020	Annual results for the year ended 31 December 2019
(3)	19 April 2020	The First Beijing Mico Acquisition
(4)	3 August 2020	Profit warning
(5)	17 August 2020	The Second Beijing Mico Acquisition
(6)	24 August 2020	Update on profit warning announcement
(7)	26 August 2020	Interim results for the six months ended 30 June 2020
(8)	22 October 2020	Unaudited operating data for the first three quarters of 2020
(9)	28 January 2021	Unaudited operating data and unaudited revenue information for the year ended 31 December 2020
(10)	3 March 2021	Positive profit alert

	Date	Details of the announcements
(11)	24 March 2021	Annual results for the year ended 31 December 2020
(12)	21 April 2021	Unaudited operating data for the first quarter of 2021
(13)	28 April 2021	Cooperation with a subsidiary of Tencent Holdings Limited
(14)	9 July 2021	Unaudited operating data for the first half of 2021
(15)	9 August 2021	Positive profit alert
(16)	25 August 2021	Interim results for the six months ended 30 June 2021 and change of chief executive officer of the Company
(17)	10 October 2021	The Acquisition
(18)	18 October 2021	Unaudited operating data for the first three quarter of 2021

During the first quarter of 2020, the closing price of the Shares was in a general downward trend, which was in line with the collapse of the stock markets in Hong Kong and other major economies due to the outbreak of the COVID-19 pandemic. On 19 April 2020, the Company announced the First Beijing Mico Acquisition. Afterwards, the closing price of the Shares gradually picked up along with the recovery of the general stock markets. During the period from early July 2020 to mid-October 2020, the closing price of the Shares showed a downward trend and reached its lowest point of HK$1.43 during the Review Period on 24 September 2020. On 22 October 2020, the Company announced the unaudited operating data for the first three quarters of 2020 and stated that the Group recorded a growth of 20%-40% on advertising revenue and a growth of over 65 times on value-added service revenue as compared to those for the corresponding period in 2019. As a result, the closing price of the Shares jumped by approximately 45.9% to HK$2.16 on the following trading day.

On 28 January 2021, the Company announced the unaudited operating data and unaudited revenue information for the year ended 31 December 2020, which indicated a growth of approximately 150% to 250% on the total revenue as compared to that for 2019 primarily due to the rapid growth of the social networking business, including the increase in user scale, the expansion of markets covered and the diversification of monetisation methods. Afterwards, the closing price of the Shares surged and reached its peak of HK$10.70 on 16 February 2021. However, the closing price of the Shares dropped and further slided after the Company announced on 3 March 2021 that the expected decrease in the profit attributable to owners of the Company of approximately 30% to 50% for the year ended 31 December 2020 as compared with that for 2019. The closing price of the Shares bounced back in late April 2021 after the publication of the unaudited operating data for the first quarter of 2021, which expected that the value-added service business revenue and the traffic monetisation business revenue of the Group to increase by over 80 times and by approximately 65% respectively as compared to those for the corresponding period in 2020. Nevertheless, the closing price of the Shares went down again in tandem with the weakness of the general stock market. Since then, the Share price gradually dropped and closed at HK$4.46 on the last trading day immediately before of the date entering into of the Equity Transfer Agreement (the "**Last Trading Day**"). Since the Last Trading Day and up to the Latest Practicable Date, the Share price closed in the range between HK$4.02 and HK$4.93 and closed at HK$4.02 on the Latest Practicable Date.

(b) Comparison with the Issue Price

The Issue Price of HK$4.46 represents:

		Closing/ average closing price of the Shares *(HK$)*	Premium over/ (Discount to) the closing or average closing Share price
(1)	On the Last Trading Day (i.e. 8 October 2021)	4.46	0.00%
(2)	Last 5 trading days immediately prior to and including the Last Trading Day	4.29	3.96%
(3)	Last 10 trading days immediately prior to and including the Last Trading Day	4.32	3.24%
(4)	Last 30 trading days immediately prior to and including the Last Trading Day	4.61	(3.25)%
(5)	Last 60 trading days immediately prior to and including the Last Trading Day	4.85	(8.04)%
(6)	The Latest Practicable Date	4.02	10.95%

		NAV per Share *(HK$)*	Premium over the NAV per Share
(7)	Net asset value ("**NAV**") attributable to the Shareholders per Share as at 30 June 2021 *(Note)*	0.71	528.17%

Note: The NAV attributable to the Shareholders per Share as at 30 June 2021 is calculated as the total equity attributable to the Shareholders as at 30 June 2021 of approximately RMB587,518,000 divided by 998,850,000 Shares in issue as at the Latest Practicable Date, and times the exchange rate of RMB to HK$ of approximately 0.8298 to 1.

As shown in the graph of the closing prices of the Shares, the Issue Price had been close to the recent closing price of the Shares from July 2021 and up to the Last Trading Day. As mentioned in the letter from the Board contained in the Circular, the Issue Price was determined with reference to the higher of the closing price on the date of entering into the Equity Transfer Agreement and the average closing price for the last five trading days prior to the date of the Equity Transfer Agreement. In addition, as set out in the Issue Price comparison table above, the Issue Price represented a range from a discount of approximately 8.04% to a premium of approximately 10.95% over the closing Share prices. Lastly, the Issue Price represented a premium of approximately 528.17% over the NAV of the Group attributable to the Shareholders per Share as at 30 June 2021.

(c) Comparison with recent issues of consideration shares

To assess the fairness and reasonableness of the Issue Price, we have identified companies listed on the Main Board of the Stock Exchange which announced issues of consideration shares for acquisition purposes (excluding (i) issues of A shares or domestic shares; (ii) issues involving share exchange privatisations or share buy-back offers; and (iii) acquisition/issues that have been terminated) during the period from 1 July 2021 up to and including the Latest Practicable Date (the "**Comparable Share Issues**").

Announcement date	Company name	Stock code	Issue price *(HK$)*	Premium/(Discount) of the issue price over/(to) the closing price on last trading day *(%)*	the average closing price over the last 5 trading days *(%)*	the average closing price over the last 10 trading days *(%)*	the average closing price over the last 30 trading days *(%)*	the average closing price over the last 60 trading days *(%)*
1 July 2021	Zhongsheng Group Holdings Limited	881	63.3964	(1.86)	1.11	2.20	(0.32)	5.27
2 July 2021	Value Convergence Holdings Limited	821	0.205	(18.00)	(18.00)	(18.00)	(18.00)	(24.07)
8 July 2021	Champion Alliance International Holdings Limited	1629	2.68	(0.74)	(15.99)	(15.99)	(9.15)	(8.22)
26 July 2021	Moody Technology Holdings Limited	1400	0.12	20.00	20.00	20.00	20.00	20.00
4 August 2021	ESR Cayman Limited	1821	27.00	(2.53)	(1.60)	(1.03)	2.62	6.22
12 August 2021	Shunten International (Holdings) Limited	932	0.13	(13.33)	(7.14)	0.00	0.00	0.00
15 August 2021	Newlink Technology Inc.	9600	2.5575	(7.00)	(5.97)	(4.21)	12.67	18.40
20 August 2021	Raily Aesthetic Medicine International Holdings Limited	2135	0.477	(1.65)	(2.65)	(2.65)	(4.60)	(17.76)
29 August 2021	CSMall Group Limited	1815	1.13	79.37	88.33	91.53	82.26	73.85
30 August 2021	Da Ming International Holdings Limited	1090	3.26	(7.91)	(5.51)	(1.51)	0.93	3.82
31 August 2021	China Health Group Limited	673	0.10	49.25	42.86	42.86	42.86	42.86
16 September 2021	CN Logistics International Holdings Limited	2130	8.00	7.24	4.44	2.70	2.96	4.03
23 September 2021	Frontier Services Group Limited	500	1.30	51.16	51.16	58.54	68.83	64.56
20 October 2021	Heng Tai Consumables Group Limited	197	0.101	(19.84)	(8.18)	1.00	1.00	12.22
28 October 2021	Vongroup Limited	318	0.378	(15.06)	(14.09)	(16.00)	(17.83)	(17.83)
29 October 2021	Geely Automobile Holdings Limited	175	23.34	(13.72)	(12.88)	(11.42)	(4.19)	(9.25)

				Premium/(Discount) of the issue price over/(to)				
Announcement date	**Company name**	**Stock code**	**Issue price**	**the closing price on last trading day**	**the average closing price over the last 5 trading days**	**the average closing price over the last 10 trading days**	**the average closing price over the last 30 trading days**	**the average closing price over the last 60 trading days**
			(HK$)	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*
3 November 2021	China Tontine Wines Group Limited	389	0.10	(7.41)	(9.09)	(9.09)	0.00	11.11
10 November 2021	China Sunshine Paper Holdings Company Limited	2002	1.58	(8.67)	(9.71)	(10.23)	(9.71)	(15.05)
18 November 2021	Starrise Media Holdings Limited	1616	0.158	0.00	(1.25)	(1.25)	(1.25)	5.33
			Average	4.70	5.04	6.71	8.90	9.24
			Median	(2.53)	(5.51)	(1.25)	0.00	5.27
			Maximum	79.37	88.33	91.53	82.26	73.85
			Minimum	(19.84)	(18.00)	(18.00)	(18.00)	(24.07)
The Consideration Shares			4.46	0.00	3.96	3.24	(3.25)	(8.04)

The Issue Price is equal to the closing price of the Shares on the Last Trading Day. The premiums represented by the Issue Price over the last 5- and 10-trading day average closing Share prices are approximately 3.96%, and 3.24%, respectively. The discounts represented by the Issue Price to the last 30- and 60-trading day average closing Share price are approximately 3.25% and 8.04%, respectively. Although the premiums and discounts of the Issue Price over/to the Share price on the various benchmarking date/periods above are below the average premium of the issue prices of the Comparable Share Issues, the premiums of the Issue Price over the closing Share price on the Last Trading Day and the last 5- and 10- trading day average closing Share prices are higher than the median of that of the Comparable Share Issues.

7. Financial effects of the Acquisition on the Group

Upon Completion, the Company will increase its shareholding in the Target Company from approximately 48.89% to approximately 60.39%. Prior to Completion, the Company has already taken control of the Target Company and hence the accounts of the Target Group have been consolidated into that of the Group. Upon Completion, the Target Company will continue to be controlled by the Company and accordingly the accounts of the Target Group will continue be consolidated into that of the Group.

(i) Earnings

For the year ended 31 December 2020, the Company's consolidated net profit and consolidated net profit attributable to the Shareholders were approximately RMB114.3 million and approximately RMB39.7 million, respectively. As advised by the Management, assuming Completion took place at the beginning of 2020 and excluding any gain on the valuation of investment in the Target Company Shares, the consolidated net profit of the Group for the year ended 31 December 2020 would remain unchanged but the consolidated net profit attributable to the Shareholders for the year ended 31 December 2020 would increase by approximately RMB14.6 million or 36.8% from approximately RMB39.7 million to approximately RMB54.3 million. The improvement of the consolidated net profit attributable to the Shareholders is chiefly due to the increase in the percentage of the profit of the Target Group shared by the Company. Based on the 1,098,850,000 Shares in issue upon Completion, the earning per Share would increase from approximately RMB0.040 per Share to approximately RMB0.049 per Share.

(ii) NAV

The consolidated NAV of the Company attributable to the Shareholders as at 30 June 2021 was approximately RMB587.5 million. As advised by the Management, assuming Completion took place on 30 June 2021, the Group's total assets would decrease by approximately RMB233.7 million from approximately RMB1,396.4 million to approximately RMB1,162.7 million. The decrease is mainly due to the payment of the Cash Consideration. As a result, the consolidated NAV of the Company attributable to the Shareholders as at 30 June 2021 would decrease to approximately RMB432.6 million from approximately RMB587.5 million, representing a decrease of approximately 26.4%. The decrease is mainly due to the excess of the Consideration over the book value of the non-controlling interests within equity of the Target Company. Based on the 1,098,850,000 Shares in issue upon Completion, the consolidated NAV per Share would decrease from approximately RMB0.59 per Share to approximately RMB0.39 per Share.

(iii) Gearing

The Group's gearing ratio, being calculated as total liabilities divided by total assets, was approximately 32.9% as at 30 June 2021. As advised by the Management, assuming Completion took place on 30 June 2021, due to the decrease in cash and cash equivalents for the payment of the Cash Consideration, the gearing ratio of the Group would increase by approximately 6.6% to approximately 39.5%.

(iv) Liquidity

As at 30 June 2021, the Group had cash and cash equivalents of approximately RMB607.6 million and net current assets of approximately RMB506.0 million. As advised by the Management, assuming Completion took place on 30 June 2021, the cash and cash equivalents of the Group would decrease by approximately RMB233.7 million from approximately RMB607.6 million to approximately RMB373.9 million for payment of the Cash Consideration. Correspondingly, the net current assets of the Group would also decrease to approximately RMB272.3 million. Furthermore, the Group generated net cash inflow from operating activities of approximately RMB175.5 million, approximately RMB295.7 million and approximately RMB161.0 million for the year ended 31 December 2020 and 2019 and for the six months ended 30 June 2021 respectively, evidencing the Group's healthy cashflow. Also, we have reviewed a cashflow forecast for the period up to 31 December 2022 prepared by the Management and we note that the Group shall continue to have sufficient working capital to satisfy its present requirement after taking into account the payment of the Cash Consideration.

8. Effects on shareholding structure of the Company

The shareholding structure of the Company as at the Latest Practicable Date and immediately after Completion (assuming there is no change in the issued share capital of the Company prior to Completion) are set out below:

Shareholder	As at the Latest Practicable Date		Immediately after Completion	
	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding
Spriver Tech Limited (*Note 1*)	235,806,646	23.61%	235,806,646	21.46%
Parallel World Limited (*Note 2*)	73,121,774	7.32%	73,121,774	6.65%
Phoenix Auspicious FinTech Investment L.P. (*Note 3*)	89,210,948	8.93%	89,210,948	8.12%
The Vendor (*Note 4*)	–	–	100,000,000	9.10%
Public Shareholders	600,710,632	60.14%	600,710,632	54.67%
Total	**998,850,000**	**100%**	**1,098,850,000**	**100%**

Notes:

1. Spriver Tech Limited is directly and wholly owned by Mr. Liu Chunhe who is a Director. Mr. Liu Chunhe is therefore deemed to be interested in all the Shares held by Spriver Tech Limited under the SFO.

2. Parallel World Limited is directly and wholly owned by Mr. Li Ping who is a Director. Mr. Li Ping is therefore deemed to be interested in all the Shares held by Parallel World Limited under the SFO.

3. Phoenix Auspicious FinTech Investment L.P. is indirectly controlled by Mr. Du Li. Mr. Du Li is therefore deemed to be interested in all the Shares held by Phoenix Auspicious FinTech Investment L.P. under the SFO.

4. The Vendor 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 Limited under the SFO.

As shown in the table above, the shareholding of the public Shareholders in the Company will decrease from approximately 60.14% to approximately 54.67% immediately after Completion (representing a dilution of approximately 5.47%). Although the shareholding interest of the public Shareholders will be diluted, having taken into account (i) the benefits which can bring forth by the Acquisition; (ii) the fairness and reasonableness of the Consideration; and (iii) the fairness and reasonableness of the Issue Price, we are of the opinion that the dilution effect on shareholding of the public Shareholders in the Company to be acceptable.

DISCUSSION AND ANALYSIS

The Company focuses on the global open social networking sector, as well as emerging modes in social networking including video and audio formats, creating a range of diversified social networking products including video social networking, audio social networking and live-streaming social networking.

The Target Company is the foreign corresponding entity of Beijing Mico upon reorganisation and operates a social network platform with users from over 150 countries and regions. The core applications of the Target Group include MICO and YoHo, creating a range of diversified social networking products including audio social networking and live-streaming social networking, which are highly popular in areas such as Middle East, North America, Southeast Asia and South Asia. The Group increased its stake in Beijing Mico, the predecessor of the Target Company, from approximately 8.85% to approximately 48.89% after completing the Beijing Mico Acquisitions in 2020. Beijing Mico has been controlled by the Company upon completion of the First Beijing Mico Acquisition and hence a subsidiary of the Company since then.

The performance of the Target Group was pretty impressive. The Target Group has not only registered significant growths in certain of the key operating metrics but also able to monetise these growths into considerable increases in profits. Gross profit of the Target Group jumped by approximately 5 times in 2020 and grew another approximately 122.4% in the first half of 2021. Net profit after tax also surged by approximately 7 times and 133.1% in 2020 and the first half of 2021, respectively. As the Group has consolidated the results of Beijing Mico (i.e. the Target Group now) since the First Beijing Acquisition in the middle of 2020, the growth in the profit of the Target Group has also contributed a significant profit to the Group.

Having considered the recent rapid growth of the Target Group, the Company was of the view that it was the suitable time for the Group to further increase its shareholding in the Target Company. The Group intends to further increase its shareholding in the Target Company to capture more economic benefits from the Target Company, while further increases the profit attributable to the Shareholders arising from the Target Group. Having taken into account, among other factors, the recent financial performance of the Target Group, the valuation of the Target Company as well as the acceptable financial effects of the Acquisition on the Group, we are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

We have also reviewed the pricings of the Comparable Companies. The P/E Multiples of the Comparable Companies, including the Company itself, are ranged from approximately 5.90 times to approximately 45.24 times and have an average and a median of approximately 21.07 times and approximately 14.41 times respectively. The implied P/E Multiple of the Acquisition of approximately 15.33 times is lower than the average of the P/E Multiples of the Comparable Companies and it is slightly higher than the median of the P/E Multiples of the Comparable Companies and it is also within range of that of the Comparable Companies.

Payment of the Consideration will only be made subject to Completion, which is considered in line with market practices. Part of the Consideration will be satisfied by the issue of the Consideration Shares. The Issue Price was determined after arm's length negotiation among the parties to the Equity Transfer Agreement with reference to the higher of the closing price on and the average closing price for the last five trading days prior to the date of entering into the Equity Transfer Agreement. Consequently, the Issue Price represents a slight premium over the then prevailing market prices before the date of the Equity Transfer Agreement. Furthermore, the Issue Price represented a premium of over 5 times of the latest NAV per Share. Last but not least, although the premiums and discounts of the Issue Price over/to the Share price on the various benchmarking date/periods above are below the average premium of the issue prices of the Comparable Share Issues, the premiums of the Issue Price over the closing Share price on the Last Trading Day and the last 5- and 10- trading day average closing Share prices are higher than the median of that of the Comparable Share Issues. Having considered above, we are of the view that the Issue Price is acceptable.

Upon Completion, the Company will increase its shareholding in the Target Company from approximately 48.89% to approximately 60.39%. Prior to Completion, the Company has already taken control of the Target Company and hence the accounts of the Target Group have been consolidated into that of the Group. Upon Completion, the Target Company will continue to be controlled by the Company and accordingly the accounts of the Target Group will continue be consolidated into that of the Group. The financial performance and financial position of the Target Group have been improving during the period under review. In the event that the Target Group's financial performance continues to improve, the Acquisition will bring additional earnings to the Group attributable to the Shareholders in both total and on per Share basis. Although the NAV of the Group attributable to the Shareholders is expected to reduce as a result of the Acquisition, it is considered acceptable given the principal business and asset-light nature of the Group. The gearing and working capital position of the Group will inevitably deteriorate since the Cash Consideration will be paid upon Completion and the Target Group has been consolidated into that of the Group prior to the Acquisition. Nevertheless, they are still within acceptable ranges. Furthermore, the Group is also expected to have sufficient working capital to satisfy its present requirement after taking into account the payment of the Cash Consideration.

The shareholding of the public Shareholders in the Company will decrease from approximately 60.14% to approximately 54.67% immediately after Completion (representing a dilution of approximately 5.47%). Although the shareholding interest of the public Shareholders will be diluted, having taken into account (i) the benefits which can bring forth by the Acquisition; (ii) the fairness and reasonableness of the Consideration; and (iii) the fairness and reasonableness of the Issue Price, we are of the opinion that the dilution effect on shareholding of the public Shareholders in the Company to be acceptable.

OPINION AND RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the Acquisition, though not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole, and that the terms of the Equity Transfer Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to approve the relevant resolutions to be proposed at the EGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Danny Cheng
Director

Mr. Danny Cheng is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Somerley to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in corporate finance industry.

Valuation Report **Report No.: R2021-3023-BJAL**

9 October 2021

Newborn Town Inc.

Dear Madam or Sir,

RE: VALUATION ANALYSIS OF 100% EQUITY INTEREST OF NBT SOCIAL NETWORKING INC.

Executive Summary

In accordance with your instructions, as confirmed in our letter of engagement between Newborn Town Inc. (the "Client" or the "Company" or"you") and Beijing PG Advisory Co., Ltd. ("PG Advisory", "we" or "us"), we have performed an indicative valuation analysis of the market value of the 100% equity interest of NBT Social Networking Inc. (the "NBT" or the "Target Company") as of 31 August 2021 (the "Valuation Date").

This report has been prepared solely for your internal reference purpose.

We understand that the Company will conduct independent consideration and assessment before making any business decision and will not solely rely on our report, and the report issued by us will not replace other analysis and investigation work that should be carried out by the Client in reaching the business decision. Our report does not include specific purchase and sale recommendations.

To the fullest extent permitted by law, we accept no duty of care to any third party in connection with the provision of this report and/or any related information or explanation (together, the "Information"). Accordingly, regardless of the form of action, whether in contract, tort (including, without limitation, negligence) or otherwise, and to the extent permitted by applicable law, we accept no liability of any kind to any third party and disclaims all responsibility for the consequences of any third party acting or refraining to act in reliance on the Information.

The Information used by us in preparing this report has been obtained from a variety of sources as indicated within the report. Business profiles, historical financial data and the key assumptions used in our analysis and as set out in the report are the responsibility of the management of the Client (the "Management"). Please note that the procedures and enquiries undertaken by us in preparing this report do not include any verification work, nor do they constitute an examination made in accordance with generally accepted auditing standards. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided to us, except where otherwise stated herein, and no assurance is given. We accept no responsibility for the accuracy or completeness of the information provided by the Company, nor express any opinions. Despite our work involved an analysis of financial and accounting information of the Target Company, but for the purpose of this report, we will not conduct audit or other assurance work in accordance with the professional standards issued by the relevant Institute of Certified Public Accountants unless otherwise specified herein. Therefore, we do not provide audit opinions, certifications or other forms of assurance opinions on related services or information we rely on.

The Management have confirmed to us that facts as stated in this report and calculation are accurate in all material respects and that they are not aware of any material matters relevant to our engagement which have been excluded.

No investigation has been made of, and no responsibility was assumed for, the legal description of the assets being valued or legal matters, including title or encumbrances. Title to the assets was assumed to be good and marketable unless otherwise stated. The assets are assumed to be free and clear of any liens, easements, encroachments, or other encumbrances unless otherwise stated.

We hereby certify that we have neither present nor prospective interests in the Target Company, the Client or the value reported.

Based on our analysis and the information provided by the Management, having regard to the work procedures we performed (Section 2.2), and subject to the limitations in the scope, the key assumptions as well as the general assumptions and limiting conditions described in Section 2.3, Section 2.4 and appendix hereof, the result of our analysis indicates that the market value of 100% equity interest of NBT Social Networking Inc. as of the Valuation Date is as follows:

31 August 2021	**100% equity interest of NBT (RMB'000)**	
	Range	**Median**
NBT Social Networking Inc.	4,597,500 ~ 5,898,500	5,250,000

1. Purpose of Valuation

In accordance with your instructions, as confirmed in our letter of engagement between Newborn Town Inc. (the "Client" or the "Company" or"you") and Beijing PG Advisory Co., Ltd. (referred to as "PG Advisory", "we" or "us"), we have performed an indicative valuation analysis of the market value of the 100% equity interest of NBT Social Networking Inc. (the "NBT" or the "Target Company") as of 31 August 2021 (the "Valuation Date"). The basis of our valuation is market value, which is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". As the Client is contemplating to acquire the minority interest of the Target Company, the premise of our valuation analysis is minority and non-marketability basis.

This report has been prepared solely for your internal reference purpose.

2.1 Valuation Subject and Valuation Date

The subject of this indicative valuation analysis is to determine the market value of the 100% equity interest of NBT Social Networking Inc..

The valuation date has been set at 31 August 2021.

2.2 Work Procedures

Pursuant to the engagement letter, we have performed the following procedures with respect to the valuation analysis:

- Obtained relevant materials and financial information of the Target Company;
- Discussed with your designated personnel to better understand the key financial and operational issues of the Target Company;
- Reviewed and analysed the historical financial information related to the Target Company for the past two years and the latest period;
- Performed research on market data for comparable publicly traded companies observed in the same or similar lines of businesses;
- Analysed and selected the appropriate market multiples under the market approach based on the Target Company's financial and operation positions;
- Obtained the financial and operation information of the comparable companies and calculated the market multiples of the comparable companies as of the Valuation Date;

- Applied appropriate valuation parameters (e.g. the discount for lack of marketability); and

- Calculated the 100% equity interest of the Target Company as of Valuation Date.

2.3 Limitations on the Scope of Work

Whilst we have endeavoured to analyse pertinent operational and financial information provided to us, we have identified or encountered the following limitations during the course of our work. We would like to draw your attention to the limitations described hereunder when considering the results of our work.

- We make no representation regarding the sufficiency of our work either for purposes for which this report has been requested or for any other purpose. The sufficiency of the work we performed is solely the addressee's responsibility, as are any decisions with respect to the analysis results of the Target Company.

- This report is prepared solely based on the financial information provided by and the discussion with the representatives of the Management. We have not performed any audit, due diligence or verification procedures to satisfy ourselves with respect to the accuracy and validity of the information provided, and accordingly make no representations as to the reliability and accuracy of such information.

- Our work composes of telephone discussion with the Management and limited industry research. Our calculation is based on the information provided by the Client.

- Despite we have discussed with the Management about the key operation and financial performance of the Target Company, the use of our work product will not supplant other necessary due diligence which they should conduct in reaching business decisions.

- If we were requested to perform some further work procedures beyond our scope to obtain some further information, our analysis result may be different.

- We understand that you will not rely solely on our deliverables and your use of the results of our analysis shall not supplant other analyses and inquiries which you should conduct. We are not required to make specific purchase or sale recommendations.

- In performing our services, we will not carry out an audit or other assurance engagement in accordance with applicable professional standards. Accordingly, we provide no audit opinion, attestation or other form of assurance with respect to our work or the information upon which our work was based.

2.4 Key Assumptions

Basic Assumptions

- Assume that there will be no significant changes in relevant laws and regulations, industrial policies, fiscal and monetary policies and economic environment during the current and future existence of the Target Company;

- Assume that there will be no significant change in the tax policy applicable to the Target Company's operations.

- Assume that no major changes in the current interest rates or exchange rates.

- The estimation of this valuation analysis is based on the purchasing power of local currency on the Valuation Date.

- Assume that the Target Company has fully complied with the existing national and local laws and regulations on land planning, use, possession, environment, and other relevant issues.

- Assume that the Target Company has no undisclosed actual contingent assets or liabilities, no unusual obligations or substantive commitments, and no pending litigation or threat to have a material impact on the value of the Target Company's shareholders' entire equity.

- In addition to the information provided by the Company, assume that there is no other important information that affects the value analysis of the Target Company.

Specific Assumptions

- Assume that the revenue and net profit of Target Company for the period of 30 June 2020 to 30 June 2021 are maintainable.

- Assume that the market values of comparable companies (i.e., the share price multiplied by the number of shares as of the Valuation Date) can represent the best estimate of the market participants.

2.5 Work not Carried

We have NOT carried out any work in the following areas:

- Financial/tax due diligence;

- Legal due diligence;

- Review of transfer pricing policy;
- Commercial, operational or market due diligence;
- Production technology due diligence;
- Statutory valuation;
- Macroeconomic projections;
- The external marketplace (market size), segmentation, growth trends, the competitive environment (key competitors, market shares) study;
- Audit of the financial/tax information concerned (nor have a review of the accounting/tax principles used in this valuation calculation been carried out);
- Structuring advice relating to the proposed transactions (taxation and/or accounting issues);
- Analysis of the Target Company's strategic positioning strategies;
- IT due diligence; and
- Human resource consultancy.

3. Company Overview

Newborn Town Inc.

Newborn Town Inc. focuses on the global open social networking sector, as well as emerging modes in social networking including video and audio formats, creating a range of diversified social networking products including video social networking, audio social networking and live-streaming social networking. Its representative products include Yumy, MICO and YoHo, which are highly popular in areas such as Middle East, North America, Southeast Asia and South Asia.

NBT Social Networking Inc.

NBT Social Networking Inc. is a company incorporated in the Cayman Islands with limited liability, which is the foreign corresponding entity of Beijing Mico upon reorganization and operates a social network platform with users from over 150 countries and regions. The core applications include MICO and YoHo, creating a range of diversified social networking products including audio social networking and live-streaming social networking, which are highly popular in areas such as Middle East, North America, Southeast Asia and South Asia.

4. Valuation Analysis

Generally, there are three valuation approaches: the cost approach, the market approach and the income approach. The three approaches to value are summarized as follows:

The cost approach is a technique that uses the reproduction or replacement cost as an initial basis for value. The cost to reproduce or replace the subject asset with a new asset, either identical (reproduction) or having the same utility (replacement), establishes the highest amount a prudent investor is likely to pay. To the extent that the asset being valued provides less utility than a new one, due to physical deterioration, functional obsolescence, and/or economic obsolescence, the value of the subject asset is adjusted for those reductions in value. Adjustments may be made for age, physical wear and tear, technological inefficiencies, changes in price levels, and reduced demand, among other factors.

The market approach is a technique used to estimate value from an analysis of actual transactions or offerings for economically comparable assets available as of the Valuation Date. The process is essentially that of comparison and correlation between the subject asset and similar assets that have recently sold or are offered for sale in the market. The transaction or offering prices of the comparable assets are adjusted for dissimilarities in characteristics including location, age, time of sale, size, and utility, among others. The adjusted prices of the comparable assets provide an indication of value for the subject asset.

The income approach explicitly recognizes that the current value of an asset (liability) is premised on the expected receipt (payment) of future economic benefits (obligations) generated over its remaining life. These benefits can be in the form of earnings, net income, cash flow, or other measures of profitability and should include the proceeds from final disposition as well as cost savings and tax deductions. Value indications are developed by discounting expected benefits to their present value at the required rate of return that incorporates the time value of money and risks associated with the particular asset. The discount rate selected is generally based on expected rates of return available from alternative investments of similar type, quality, and risk as of the Valuation Date.

In this valuation exercise, and based on our communication with the Management, our understanding of the Target Company's business model, revenue composition, financial conditions and business plan, we have adopted the market approach to perform the 100% equity interest of the Target Company. We consider the income approach to be inadequate given that income approach relies to a great extent of profit projection, and the Management consider profit projection is subject to high uncertainty. We consider the cost approach to be inadequate given that this approach fails to consider the going concern of the Target Company.

4.1 Market Approach

In this valuation analysis, we adopted the guideline public company method under the market approach by analyzing certain listed companies engaged in operating interactive entertainment platform which enable hosts or performers and users to interact with each other in live streaming and other interactive products, and whose revenues are mainly generated from sales of virtual items to users.

4.2 Market Multiples

The market approach estimates the indicative value of the Target Company by applying estimated market multiples, generally including earning multiple, assets multiple, revenue multiple and other specific multiples. When selecting, calculating and applying value multiples, we usually consider:

- The selected multiples are reasonable;
- The appropriate valuation parameters (e.g. the discount for lack of marketability) are applied; and
- The multiple calculated is apple to apple.

We analysed and selected the appropriate market multiples based on the Target Company's industry and financial positions. Considering the Target Company is a light asset company, assets multiple is not appropriate. Based on our discussion with the Management, we understand the revenue and earnings of the Target Company are maintainable and increase gradually. Therefore, the multiples of enterprise value-to-sales ("EV/S") and price-to-earnings ("P/E") are selected. The calculation of Enterprise Value ("EV") is described as follows:

EV = Market Capitalization + Debt + Preferred Shares + Minority Interest – Cash and Short-term Investment.

The selected period for revenue and net profit is the 12 months from 1 July 2020 to 30 June 2021.

All relevant data above are sourced from Capital IQ.

4.3 Selection of Comparable Companies

Upon the discussion with the Management and widely research on publicly available information, we have identified the following comparable listed companies that have similar business model of the Target Company and operate in interactive entertainment platform which enable hosts or performers and users to interact with each other in live streaming and other interactive products, and whose revenues are mainly generated from sales of virtual items to users.

Such comparable companies are adopted with consideration of the factors such as business model, business stage, operational risks, financial risks, and so on.

Descriptions of selected comparable companies are as follows:

JOYY Inc. (stock code: NasdaqGS: YY): JOYY Inc., through its subsidiaries, operates social media platforms that offer users engaging and experience across various video and audio-based social platforms. The company operates Bigo Live, a live streaming platform that allows users to live stream specific moments, such as live talk with other users, make video calls, and watch trend videos; Likee, a short-form video social platform that focuses on enabling users to create short-form video; Hago, a casual game-oriented social platform; and imo, a chat and instant messaging application with functions, including video calls, text messages, and photo and video sharing. It operates in the People's Republic of China, the United States, the Great Britain, Japan, South Korea, Australia, the Middle East, and Southeast Asia and others. The company was formerly known as YY Inc. and changed its name to JOYY Inc. in December 2019. JOYY Inc. was founded in 2005 and is headquartered in Singapore.

HUYA Inc. (stock code: NYSE: HUYA): HUYA Inc., through its subsidiaries, operates game live streaming platforms in the People's Republic of China. Its platforms enable broadcasters and viewers to interact during live streaming. The company's live streaming content also covers other entertainment content, such as talent shows, anime, outdoor activities, live chats, online theatre, and other genres. In addition, it operates Nimo TV, a game live streaming platform primarily in Southeast Asia, the Middle East, and Latin America. Further, the company provides online advertising, software development, internet value added, and cultural and creative services. As of December 31, 2020, its live streaming content covered approximately 4,000 games. The company was founded in 2014 and is headquartered in Guangzhou, the People's Republic of China. HUYA Inc. is a subsidiary of Tencent Holdings Limited.

Tencent Music Entertainment Group (stock code: NYSE: TME): Tencent Music Entertainment Group operates online music entertainment platforms that provides music streaming, online karaoke, and live streaming services in the People's Republic of China. It offers QQ Music, Kugou Music, and Kuwo Music that enable users to discover and listen to music in personalized ways; and WeSing, which enables users to have fun by singing and interacting with friends, sharing their singing performances with friends, and discovering songs that others have sung. The company also operates Kugou Music, Kuwo Music, WeSing, QQ Music, Kugou Live, and Kuwo Live that provides an interactive online stage for performers and users to showcase their talent and engage with those interested in their performance; and Kuwo Changting, an audio platform that offers users various audio content, including audio books, cross-talks, radio dramas, and other entertainment. In addition, it sells music-related merchandise, including Kugou headsets, smart speakers, WeSing karaoke microphones, and Hi-Fi systems; and offers online music event ticketing services, as well as services to smart device and automobile makers to build and operate music services on devices and vehicles. Tencent Music Entertainment Group has a strategic partnership with China Literature. The company was formerly known as China Music Corporation. The company was incorporated in 2012 and is headquartered in Shenzhen, China. Tencent Music Entertainment Group is a subsidiary of Tencent Holdings Limited.

Kuaishou Technology (stock code: SEHK:1024): Kuaishou Technology, an investment holding company, provides live streaming, online marketing, and other services. It offers Kuaishou Flagship, a short video and content based social networking platform; Kuaishou Express; Kuaishou Concept; Yitian Camera, an app to create photographs, videos, and vlogs; Kmovie, a shooting, editing, and production tool; AcFun, a video sharing website; and Kuaikandian, an information content aggregator. The company also develops and sells in-house mobile games, as well as games developed by third party game developers; and provides online knowledge content through its platform. In addition, it develops software, hardware, and network technology; and offers programming and advertising, internet information, and multimedia information services, as well as provides technology development, promotion, and other services. Kuaishou Technology was founded in 2011 and is headquartered in Beijing, China.

Yalla Group Limited (stock code: NYSE: YALA): Yalla Group Limited operates a voice-centric social networking and entertainment platform under the Yalla name primarily in the Middle East and North Africa region. The company's platform sells virtual items, as well as provides upgrade services. It also offers group chatting and games services. The company was formerly known as FYXTech Corporation. Yalla Group Limited was founded in 2016 and is headquartered in Dubai, the United Arab Emirates.

Match Group, Inc. (stock code: NasdaqGS: MTCH): Match Group, Inc. provides dating products worldwide. The company's portfolio of brands includes Tinder, Match, Meetic, OkCupid, Hinge, Pairs, PlentyOfFish, and OurTime, as well as a various other brands. The company was incorporated in 1986 and is based in Dallas, Texas.

Bumble Inc. (stock code: NasdaqGS: BMBL): Bumble Inc. provides online dating and social networking platforms in North America, Europe, internationally. It owns and operates websites and applications that offers subscription and credit-based dating products. The company operates two apps, Bumble and Badoo with approximately 40 million users on monthly basis. Bumble Inc. was founded in 2014 in and is headquartered in Austin, Texas.

Bilibili Inc. (stock code: NasdaqGS: BILI): Bilibili Inc. provides online entertainment services for the young generations in the People's Republic of China. Its platform offers a range of content, including video services, mobile games, and value-added service, as well as ACG-related comic and audio content. The company's video services include professional user generated videos, occupationally generated videos, and live broadcasting. Bilibili Inc. was founded in 2009 and is headquartered in Shanghai, the People's Republic of China.

4.4 Market Multiples of the Comparable Companies

The market multiples of the comparable companies as of the Valuation Date are shown below:

Comparable Companies	EV/S	P/E
JOYY Inc.	0.54x	13.94x
HUYA Inc.	0.50x	13.46x
Tencent Music Entertainment Group	2.51x	20.45x
Kuaishou Technology	3.64x	NA[1]
Yalla Group Limited	5.39x	13.98x
Match Group, Inc.	15.66x	54.11x
Bumble Inc.	10.09x	17.00x
Bilibili Inc.	11.67x	NA[2]
Maximum	15.66x	54.11x
Minimum	0.50x	13.46x
Average	6.25x	22.16x
Median	4.51x	15.49x
Selected multiples	***4.51x***	***15.49x***

1 Kuaishou Technology has not yet been profitable for the 12 months prior to 30 June 2021.

2 Bilibili Inc. has not yet been profitable for the 12 months prior to 30 June 2021.

Source: Capital IQ

4.5 Discount for Lack of Marketability (referred to as "DLOM")

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in a closely held corporation. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. According to the data published by Stout Risius Ross, LLC in the 2020 edition of the Stout Restricted Stock Companion guide, the median discount observed is 15.8%. We adopted 15.8% as the DLOM in this valuation analysis.

4.6 Calculation of 100% Equity Interest of NBT

We adopted the median of the EV/S and P/E to determine the 100% equity interest of the NBT as of the Valuation Date. The valuation analysis of the 100% equity interest of NBT as of the Valuation Date is as follows:

RMB'000	**EV/S**	**P/E**	
Selected multiples	4.51x	15.49x	*a*
Revenue/net profit of NBT from 1 July 2020 to 30 June 2021	1,391,550	352,386	*b*
Enterprise value (before DLOM)	6,278,419	–	*c=a*b*
Equity value (before DLOM)	–	5,460,144	*d=a*b*
Adjustment: DLOM	15.8%	15.8%	*e*
Enterprise value	5,286,429	–	*f=c*(1-e)*
Adjustment: cash and short-term investments	612,204	–	*g*
Adjustment: short-term and long-term borrowings	–	–	*h*
Range of 100% equity interest of NBT	5,898,500 ^{i_1}	4,597,500 ^{i_2}	i_1=sum(f:h) / i_2=d*(1-e)
Median of 100% equity interest of NBT (rounded)		5,250,000	f=median (i_1, i_2)

Based on the above analysis, the range of 100% equity interest of NBT as of the Valuation Date is RMB4.60 billion to RMB5.90 billion, with the median of RMB5.25 billion.

4.7 Sensitivity Analysis

As the DLOM applied is based on statistics, we have illustrated below the impact to the value of the 100% equity interest in different DLOM:

DLOM	10.8%	13.3%	15.8%	18.3%	20.8%
100% equity interest of NBT (RMB'000)	5,540,000	5,390,000	5,250,000	5,100,000	4,950,000

5. Conclusion

Based on our analysis and the information provided by the Management, having regard to the work procedures we performed (Section 2.2), and subject to the limitations in the scope, the key assumptions as well as the general assumptions and limiting conditions described in Section 2.3, Section 2.4 and appendix hereof, the results of our analysis indicate that the market value of 100% equity interests of NBT Social Networking Inc. as of the Valuation Date is as follows:

31 August 2021	100% equity interest of NBT (RMB'000)	
	Range	Median
NBT Social Networking Inc.	4,597,500 ~ 5,898,500	5,250,000

Yours faithfully,

For and on behalf of PG Advisory
Thomas Yan
CFA, MsC
Managing Partner

Beijing PG Advisory Co., Ltd.
9 October 2021

Note: PG Advisory is a leading financial advisory firm which provides valuation, due diligence, transaction advisory, financial and tax consulting services. Founded in 2014, PG Advisory owns over 120 experienced professionals based in Beijing, Shanghai, Hangzhou and Wuhan.

Thomas Yan is a managing partner at PG Advisory. He has dedicated himself to the business valuation over 10 years. He developed plenty of valuation projects across a wide range of industries in support of financial reporting, tax planning and compliance, strategic planning, financing, mergers and acquisition purpose. He has led teams to conduct valuation services for more than 50 companies listed in NYSE, NASDAQ,and HKEx.

Assumption and Limiting Conditions

This report was prepared based on the following general assumptions and limiting conditions:

All data, including historical financial data, which we relied upon in reaching opinions and conclusions or set forth in this report are true and accurate to our best knowledge. Whilst reasonable care has been taken to ensure that the information contained in this report is accurate, no guarantee is made nor liability assumed for the truth or accuracy of any data, opinions, or estimates furnished by others that have been used in this analysis.

We also assume no responsibilities in the accuracy of any legal matters. No investigation has been made of the title to or any liabilities against the property appraised. Unless otherwise stated in the report, we have assumed that the owner's interest is valid, the titles are good and marketable, and there are no encumbrances that cannot be identified through normal processes.

We have not verified particulars of property, including their areas, sizes, dimensions, and descriptions, which we have used or have referred to in connection with the preparation of this report, unless otherwise stated in this report. Any information regarding areas, sizes, dimensions, and descriptions of property mentioned in this report are for identification purposes only, and no one should use such information in any conveyance or other legal document. Any plans or graphical illustrations presented in this report are intended only for facilitating the visualization of the property and its surroundings and such plans or graphical illustrations should not be regarded as a survey or a scale for size.

The value opinion presented herein is based on the status of the economy and on the purchasing power of the currency stated in the report as of the date of value. The date of value on which the expressed conclusions and opinions apply is stated in this report.

This report has been prepared solely for the use or uses stated. It is not intended for any other use or purpose or use by any third parties. We hereby disclaim that we are not liable for any damages and/or loss arisen in connection with any such unintended use.

Prior written consent must be obtained from us for publication of this report. No part of this report (including without limitation any conclusion, the identity of any individuals signing or associated with this report or the firms/companies with which they are connected, or any reference to the professional associations or organizations with which they are affiliated or the designations awarded by those organizations) shall be disclosed, disseminated or divulged to third parties by any means of publications such as prospectus, advertising materials, public relations, news.

No environmental impact study has been carried out, unless otherwise stated in this report. We assume all applicable laws and governmental regulations are being complied with unless otherwise stated in this report. We have also assumed responsible ownership and that all necessary licenses, consents, or other approval from the relevant authority or private organizations have been or to be obtained or renewed for any use that is relevant to analysis in this report.

Unless otherwise stated in this report, the value estimate set out in this report excludes the impact of presence of any harmful substances such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, or other potentially hazardous materials or of structural damage or environmental contamination. For purposes of evaluating potential structural and/or environmental defects, where their existence could have a material impact on value of the property, we would recommend that advices from the relevant experts, such as a qualified structural engineer and/or industrial hygienist, should be sought.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. 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)	235,806,646	23.61%
	Concert party(5)	338,928,420	33.93%
	Beneficial owner(6)	24,000,000	2.40%
Mr. Li Ping(4)(5)	Interest in a controlled corporation(4)	73,121,774	7.32%
	Concert party(5)	338,928,420	33.93%
	Beneficial owner(6)	6,000,000	0.60%
Mr. Su Jian	Beneficial owner(7)	9,000,000	0.90%
Mr. Ye Chunjian	Beneficial owner(8)	6,000,000	0.60%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 998,850,000 Shares in issue as at 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) and form part of the Controlling Shareholders Group. Accordingly, Mr. Liu Chunhe, Spriver Tech Limited, Mr. Li Ping, Parallel World Limited are each deemed to be interested in the Shares held by other members of the Controlling Shareholders Group 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 "**Share Option Scheme**"). The grant of 24,000,000 share options to Mr. Liu Chunhe and 6,000,000 share options to Mr. Li Ping are subject to the approval by the independent Shareholders at an extraordinary general meeting to be convened in due course.

(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.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company nor their associates had any interest or short positions in the shares, underlying shares or debentures of the Company, its specified undertakings or any of its other associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO and the Companies Ordinance (Cap. 622), to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

3. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

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

Name of Shareholder	Capacity/Nature of interest	Number of Shares[(1)]	Approximate percentage of shareholding[(2)]
Phoenix Auspicious FinTech Investment L.P.[(3)]	Beneficial owner[(4)]	89,210,948	8.93%
Phoenix Wealth (Cayman) Asset Management Limited[(3)]	Interest in a controlled corporation[(4)]	89,210,948	8.93%
Phoenix Wealth (Hong Kong) Asset Management Limited[(3)]	Interest in a controlled corporation[(4)]	89,210,948	8.93%
Mr. Du Li[(3)]	Interest in a controlled corporation[(4)]	89,210,948	8.93%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 998,850,000 Shares in issue as at the Latest Practicable Date.

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

Save as disclosed above, as at 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.

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

4. OTHER INTERESTS OF DIRECTORS

Save as disclosed in this circular and as at the Latest Practicable Date,

(a) Interests in service contracts

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(b) Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have, since 31 December 2020, being the date to which the latest published audited consolidated accountants of the Company were made up, been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to, any member of the Group.

(c) Interests in contracts or arrangements

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group.

(d) Competing interest

As at the Latest Practicable Date, save as disclosed above, none of the Directors or their associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group other than those businesses to which the Directors and their associates were appointed to represent the interests of the Company and/or the Group.

5. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, there was no litigation or claim of material importance pending or threatened against any member of the Enlarged Group.

6. EXPERTS AND CONSENT

The following is the qualification of the experts who have been named in this circular or have provided its opinion, letter or advice, which are contained in this circular:

Name	**Qualification**
Somerley	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Beijing PG Advisory Co., Ltd.	an independent valuer qualified in the PRC

Each of the expert mentioned above has given and has not withdrawn its written consent to the issue of this circular, with the inclusion therein of its letter and the references to its name in the form and context in which they appear respectively.

As at the Latest Practicable Date, the experts mentioned above did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

As at the Latest Practicable Date, the experts mentioned above did not have, nor had, any direct or indirect interest in any assets which had been since 31 December 2020, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within two years immediately preceding the date of this circular and up to the Latest Practicable Date and are or may be material:

(a) the deed of indemnity dated 11 December 2019 entered into between Liu Chunhe, Li Ping and the Company in relation to the provision of certain indemnities by Liu Chunhe and Li Ping in favour of the Company and its subsidiaries;

(b) the deeds of non-competition dated 11 December 2019, 14 April 2020 and 24 March 2021 entered into between Liu Chunhe, Li Ping and the Company in respect of the non-competition undertaking given by Liu Chunhe and Li Ping in favour of the Company;

(c) the deed of settlement constituting Three D Partners Trust dated 7 November 2019 and entered into between the Company and TMF Trust (HK) Limited, pursuant to which the Company made the settlement for its employee incentive scheme;

(d) the deed of settlement constituting Bridge Partners Trust dated 7 November 2019 and entered into between the Company and TMF Trust (HK) Limited, pursuant to which the Company made the settlement for its employee incentive scheme;

(e) the Hong Kong Public Offer Underwriting Agreement;

(f) the cornerstone investment agreement dated 13 December 2019 entered into among the Company, Huobi Capital Inc., SBI China Capital Financial Services Limited, CMBC International Capital Limited, CMBC Securities Company Limited and Haitong International Securities Company Limited, pursuant to which Huobi Capital Inc. agreed to subscribe for the Shares at the Offer Price, with an aggregate consideration of US$1,000,000;

(g) the cornerstone investment agreement dated 13 December 2019 entered into among the Company, LC ELEC TRADE CO., LIMITED, SBI China Capital Financial Services Limited, CMBC International Capital Limited, CMBC Securities Company Limited and Haitong International Securities Company Limited, pursuant to which LC ELEC TRADE CO., LIMITED agreed to subscribe for the Shares at the Offer Price, with an aggregate consideration of US$2,000,000;

(h) the equity transfer agreement dated 17 April 2020 entered into among NewBornTown Network Technology, a subsidiary of the Company by virtue of the Contractual Arrangements, and Phoenix Fortune, pursuant to which Phoenix Fortune has agreed to sell to NewBornTown Network Technology approximately 8.85% equity interest of Beijing Mico for the consideration of RMB100 million;

(i) the convertible loan investment agreement dated 17 April 2020 entered into among NewBornTown Network Technology and Beijing Mico, pursuant to which NewBornTown Network Technology has conditionally agreed to provide Beijing Mico with a convertible loan of RMB50 million;

(j) the CMB wealth management agreement dated 13 May 2020 entered into between the Company and CMB Beijing Dongzhimen Sub-branch. Pursuant to the CMB wealth management agreement, the Company agreed to purchase wealth management product of RMB150 million, using self-owned funds of the Company;

(k) the equity transfer agreement dated 17 August 2020 entered into among NewBornTown Network Technology and Mr. Ye Chunjian, pursuant to which Mr. Ye Chunjian has conditionally agreed to sell and NewBornTown Network Technology has conditionally agreed to acquire approximately 23.27% equity interest of Beijing Mico for the consideration of RMB262,997,528; and

(l) the Equity Transfer Agreement.

8. MISCELLANEOUS

(i) The joint company secretaries are Mr. SONG Pengliang and Mr. Mr. AU-YEUNG Wai Ki, Joseph (Mr. AU-YEUNG). Mr. AU-YEUNG is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

(ii) The registered office of the Company is at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

(iii) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(iv) The English language text of this circular shall prevail over the Chinese language in case of inconsistency.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Company since 31 December 2020 (being the date to which the latest published audited financial statements of the Group were made up).

10. DOCUMENT AVAILABLE FOR PRESENTATION

The Equity Transfer Agreement will be posted on the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (https://www.newborntown.com/en/) for at least 14 days since the date of this circular.

NEWBORN TOWN INC.
赤 子 城 科 技 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9911)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the first extraordinary general meeting of 2021 (the "**Meeting**") of Newborn Town Inc. (the "**Company**") will be held at 12/F, Tower A, CEC Development Building, Sanyuanqiao, Chaoyang District, Beijing, PRC on Friday, 17 December 2021 at 10:00 a.m. for considering and, if thought fit, passing, with or without amendments, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. To consider and, if thought fit, to approve the Company entering into the Equity Transfer Agreement with BGFG Limited and the transactions contemplated thereunder;

2. Conditional upon the Stock Exchange having granted the listing of and permission to deal in the Consideration Shares on the Stock Exchange, the grant of the Specific Mandate to the Directors to allot and issue the Consideration Shares to the Vendor (or its nominee) pursuant to the Equity Transfer Agreement be and is hereby approved. The Specific Mandate is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the Shareholders prior to the passing of this resolution; and

3. The Directors (or a duly authorised committee thereof) be and are hereby generally and unconditionally authorised to do all such further acts and things and to sign and execute all such other or further documents or agreements and to take all such steps which, in the opinion of the Directors (or a duly authorised committee thereof), may be necessary, appropriate, desirable or expedient to implement and/or give effect to the terms of, or the transactions contemplated by, the Equity Transfer Agreement and the allotment and issue of the Consideration Shares to the Vendor (or its nominee), and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of the Directors (or a duly authorised committee thereof), in the interests of the Company.

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

Beijing, 26 November 2021

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

Principal place of business in Hong Kong:
Room 1903-4, Floor 19
Hong Kong Trade Centre
161 Des Voeux Road Central
Hong Kong

Notes:

(i) A shareholder entitled to attend and vote at the Meeting is entitled to appoint another person as his/her proxy to attend and vote instead of him/her; a proxy need not be a shareholder of the Company. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the Meeting. On a poll, votes may be given either personally or by proxy.

(ii) In the case of joint holders, any one of such joint holders may vote at the Meeting, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

(iii) In order to be valid, a form of proxy must be deposited at the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting (i.e. before 10:00 a.m. on 15 December 2021) or any adjournment thereof. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.

(iv) The transfer books and register of members of the Company will be closed from Tuesday, 14 December 2021 to Friday, 17 December 2021, both days inclusive, during which period no share transfers can be registered. In order to qualify for attending the Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 13 December 2021.

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