THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about 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.

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

赤子城

newborntown

NEWBORN TOWN INC.

赤子城科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9911)

MAJOR AND CONNECTED TRANSACTIONS ENTERING INTO SHARE PURCHASE AGREEMENT INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; PROPOSED ADOPTION OF THE NBT RSU SCHEME; AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company

华泰国际

HUATAI INTERNATIONAL

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 6/F, Tower B, Xiaoyun Road 33rd Building, Chaoyang District, Beijing, PRC on 12 December 2024 at 10:00 a.m. is set out on pages EGM-1 to EGM-4 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. 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 10 December 2024) 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.

25 November 2024

CONTENTS

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

"Acceptance Confirmation"	any acceptance form, reply slip, agreement or other documents in such form or manner as prescribed by the Notice of Grant (as may be attached thereto) to be signed by the Selected Participant to confirm his/her acceptance of the Award and to undertake to hold such Award on the terms to which it is to be granted and be bound by the terms of the NBT RSU Scheme
"Acquisition"	the proposed acquisition of the Sale Shares of NBT Social Networking by the Company pursuant to the Share Purchase Agreement
"Adoption Date"	the date on which the NBT RSU Scheme is approved and adopted by ordinary resolutions to be passed by the Shareholders at the EGM
"Articles"	the articles of association of the Company as adopted or amended from time to time
"Award(s)"	collectively and singly, award of RSUs granted to an Eligible Participant pursuant to the NBT RSU Scheme, an award may include, if so specified by the Board in its absolute discretion, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares from the Grant Date to the Vesting Date
"Award Share(s)"	means Share(s) underlying the applicable RSUs provisionally awarded to a Grantee pursuant to an Award
"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
"BGFG"	BGFG Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
"Board"	the board of directors of the Company
"CAGR"	compound annual growth rate

"Cause" with respect to a Grantee, such event as will entitle the Company and/or the Group and/or any Related Entity to terminate the employment, service or engagement of the Grantee with immediate notice without compensation and shall be construed as defined in (i) the employment, consulting, services or similar agreement or terms of engagement entered into between the Grantee and the Company and/or any member of the Group and/or any Related Entity if such agreement and/or terms of engagement includes a definition of "*Cause*" or (ii) in any other case, "*Cause*" means any of the following: (A) the Grantee's commission of an act of theft, embezzlement, fraud, dishonesty, ethical breach or other similar acts of serious misconduct (B) the Grantee's conviction of a felony (or plea of *nolo contendere* thereto) whether or not related to the business or property of the Company and/or the Group and/or any Related Entity, the Grantee's commitment of any crime involving moral turpitude whether or not related to the business or property of the Company and/or the Group and/or any Related Entity, or the Grantee's commitment of a crime that impacts negatively the brand or public image of the Company and/or the Group and/or any Related Entity's ability to do business; (C) the Grantee's commitment of any act or omission against the Company and/or the Group and/or any Related Entity which is intended to enrich the Grantee or which actually enriches the Grantee in derogation of his/her duties or responsibilities to the Company and/or the Group and/or any Related Entity; (D) the Grantee's willful refusal to perform his/her duties or responsibilities, or the Grantee's failure to perform his/her material duties or responsibilities, to the Company and/or the Group and/or any Related Entity (other than as a result of disability or illness); (E) the Grantee's willful engagement in misconduct that is injurious, or the Grantee's engagement in misconduct that is materially injurious, to the Company and/or the Group and/or any Related Entity; (F) the Grantee's *wilful* violation of a code of conduct or policy, or the Grantee's violation of a material code of conduct or policy of the Company and/or the Group and/or any Related Entity; or (G) the Grantee's willful violation of a term or condition, or the Grantee's violation of a material term or condition, of any employment, consulting, services or similar agreement, non-competition agreement, confidentiality agreement, intellectual property agreement, and/or other agreement and terms of engagement with the Company and/or the Group and/or any Related Entity. Notwithstanding the foregoing, the Board shall have the sole and absolute discretion to determine whether the employment, service, engagement or office of a Grantee has or has not been terminated on one or more of the grounds specified herein

"Companies Ordinance"	the Companies Ordinance of Hong Kong (Cap. 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Companies (WUMP) Ordinance"	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong)
"Company" or "Purchaser"	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
"Competitor"	any corporation, partnership, joint venture, trust, individual, proprietorship, firm, governmental unit or other enterprise (including any of their respective affiliates) that carries on activities for profit or is engaged in or is about to become engaged in any activities of any nature that compete (directly or indirectly) with a product, process, technique, procedure, device or service of the Company and/or the Group, as determined by the Board in its sole and absolute discretion
"Completion"	completion of the sale and purchase of the Sale Shares
"Completion Date"	the date which falls on the fifth business day after satisfaction or waiver of all of the conditions precedent set out in the Share Purchase Agreement (other than those conditions precedent that by their terms are to be satisfied as at Completion, but subject to the satisfaction or waiver of such conditions precedent)
"Director(s)"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the resolutions proposed in this circular
"Eligible Participant(s)"	(i) any employee (whether full-time or part-time), executive, officer, directors (including executive, non-executive and independent non-executive directors) of any member of the Group or any Related Entity; (ii) any person/corporate entity who/which is granted Awards under the NBT RSU Scheme as an inducement to enter into employment, consulting, services or similar agreement with the Company and/or any member of the Group; and (iii) any Service Provider of the Group who/which, in the sole opinion of the Board, have contributed or may potentially contribute to the growth and development of the Group

"Employee Participant(s)"	collectively and singly, any employee (whether full-time or part-time), a director (including executive directors, non-executive directors and independent non-executive directors) of any member of the Group, and any persons who are granted Awards under the NBT RSU Scheme as an inducement to enter into employment contracts with the Company and/or any member of the Group, in each case until such employee shall cease to be an employee with effect from (and including) the date of termination of his/her employment, and for the avoidance of doubt, a Selected Participant shall not cease to be an Employee Participant in the case of (a) any leave of absence approved by the Company and/or the relevant member of the Group; or (b) transfer or re-designation amongst any member of the Group or any successors thereof
"Enlarged Group"	the Group immediately after the completion of the Acquisition
"Excluded Participant(s)"	collectively and singly, any person who is resident in a place where the award of the Award Shares and/or the award of the Returned Shares and/or the vesting and transfer of Shares pursuant to the terms of the NBT RSU Scheme is not permitted under the laws and regulations of such place or where in the view of the Board and/or the RSU Administrator or the trustee of the NBT RSU Scheme (as the case may be) compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such person(s)
"Exercise Price"	the price per Share at which a grantee under the Share Option Scheme may subscribe for the Shares on the exercise of an Option as described in paragraph 8 of Appendix III to the circular of the Company dated 14 April 2021
"Grant"	the offer of an Award made in accordance with the NBT RSU Scheme
"Grant Date"	the date of the Notice of Grant
"Grantee(s)"	collectively and singly, any Eligible Participant(s) who accepts or is deemed to have accepted a Grant in accordance with the terms of the NBT RSU Scheme, or (where the context so permits) any person who is entitled to any Award in consequence of the death of the original Grantee or the legal personal representative of such person

"Group"	the Company and its subsidiaries
"HK$" or "Hong Kong dollar(s)"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	IFRS Accounting Standards as issued from time to time by the International Accounting Standards Board
"Independent Board Committee"	the independent board committee of the Board, comprising Mr. GAO Ming, Mr. CHI Shujin and Mr. HUANG Sichen, all being the independent non-executive Directors of the Company
"Independent Financial Adviser" or "Somerley"	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Share Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder
"Independent Shareholders"	the Shareholders who are not required to abstain from voting in favour of the resolution for approving the proposed resolutions under the Listing Rules
"Independent Third Party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not the Company's connected persons and their associates (as defined under the Listing Rules)
"Independent Valuer"	Beijing PG Advisory Co., Ltd. 樸谷諮詢(北京)有限公司, the independent valuer engaged by the Company to prepare the valuation report set out in Appendix V to this circular
"JJQJ"	JJQJ Partners Limited, a company incorporated under the laws of the British Virgin Islands with limited liability

"JZZT"	JZZT Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
"KOL"	key opinion leader(s), being person(s) or organisation(s) armed with expert knowledge and/or influence in a particular field, who/which can exert considerable influence on the relevant interest groups and/or community and impact consumer behaviour
"Latest Practicable Date"	22 November 2024, 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
"MCN"	Multi-Channel Network, the market of which encompasses players of various sizes and differing skills and abilities that engage in, among others, the curating of posts, articles, image, graphics, videos and other content to online or other digital media or platforms (for promotional, marketing or other purposes) and providing complementary services in areas such as product, programming, funding, cross-promotion, partner management, digital rights management, monetisation and sales, audience development and brand partnerships, etc., and "*MCN service(s)*" and "*MCN service provider(s)*" shall be construed accordingly
"NBT RSU Scheme"	the restricted share unit scheme of the Company proposed to be approved and adopted by the Shareholders at the EGM, in its present form or as amended from time to time in accordance with the NBT RSU Scheme Rules
"Notice of Grant"	an offer of Award by way of a grant agreement, letter or any such notice or document in such form as the Board or the RSU Administrator (as the case may be) may from time to time determine
"NBT RSU Scheme Rules"	the rules of the NBT RSU Scheme
"Option(s)" or "Share Option(s)"	a right granted to subscribe for the Shares pursuant to the Share Option Scheme

"Other Distributions"	any dividends and other distributions declared and made in respect of any Award Shares
"other share schemes"	other than the NBT RSU Scheme, (i) all the share schemes involving the grant by the Company of new Shares or options over new Shares to, or for the benefit of, specified participants of such schemes (which includes a grant of any such Shares or options to a trust or similar arrangement for the benefit of a specified participant) and (ii) any arrangement involving the grant of new Shares which, in the opinion of the Stock Exchange, is analogous to a share scheme as described in Chapter 17 of the Listing Rules
"Post-Completion Payment Date"	the date which is the 20th business day after the Completion Date, or such other date as the Sellers and the Purchaser may agree in writing
"PRC"	the People's Republic of China
"Prospectus"	the prospectus of the Company dated 17 December 2019
"Related Entity(ies)"	collectively and singly, the holding companies, fellow subsidiaries or associated companies of the Company
"Related Entity Participant(s)"	collectively and singly, the directors, chief executives and employees of the Related Entity(ies), provided that the Board shall have absolute discretion to determine whether or not one falls within such category
"Related Income"	all income derived from an Share held upon Trust under the NBT RSU Scheme
"Remuneration Committee"	remuneration committee of the Company
"Residual Cash"	cash held in the Trust pursuant to the terms of the NBT RSU Scheme
"Returned Shares"	such Award Shares which are not vested and/or lapsed in accordance with the terms of the NBT RSU Scheme, or such Shares being deemed to be Returned Shares pursuant to the NBT RSU Scheme Rules
"RMB"	Renminbi, the lawful currency in the PRC
"RSU(s)"	restricted share unit(s)

"RSU Award Scheme"	RSU award scheme adopted by the Company on 7 June 2022
"Sale Shares"	collectively, and in each case, the shares of the Target Company to be transferred by the Sellers pursuant to the Share Purchase Agreement
"Securities and Futures Ordinance"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Selected Participant(s)"	collectively and singly, any Eligible Participant(s) selected by the Board to receive the grant of Awards under the NBT RSU Scheme in accordance with the NBT RSU Scheme Rules
"Sellers"	collectively, BGFG, JJQJ and JZZT, and each a "Seller"
"Service Providers"	person(s) or entities who provide services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in relation to, or in support of the Group's principal business or business development and long-term growth of any member of the Group or to support the Group's business activities or on other areas that are desirable and necessary from a commercial perspective and to maintain or enhance the Group's competitiveness, as determined by the Board in its sole and absolute discretion in accordance with the terms of the NBT RSU Scheme
"Share Option Scheme"	the share option scheme adopted by a resolution of the Shareholders at the annual general meeting of the Company held on 31 May 2021
"Share Purchase Agreement"	the Share Purchase Agreement entered into by the Company, the Sellers and the Target Company on 27 June 2024
"Shareholder(s)"	the holder of Share(s)
"Shares"	ordinary share(s) in the share capital of the Company with a par value of US$0.0001 each
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Supplemental Agreement"	the supplemental agreement entered into among the parties to the Share Purchase Agreement on 22 November 2024 to amend and modify certain terms of the Share Purchase Agreement
"Target Company" or "NBT Social Networking"	NBT Social Networking Inc., a company incorporated under the laws of the Cayman Islands with limited liability
"Target Company's Issue and Allotment"	the issue and allotment of 10,000,000 shares to JJQJ at par value, completion of which took place on 22 November 2024
"Target Group"	the Target Company, its subsidiaries, and other entities in the Group which operate the same business
"Target RSU Scheme"	the restricted share unit scheme of the Target Company
"treasury Shares"	the Shares issued and/or repurchased and held by the Company in treasury (if any), as authorised by the applicable laws, regulations, rules and requirements for the time being in force in any relevant jurisdiction, the Articles and the Listing Rules
"Trust"	the trust constituted by the Trust Deed
"Trust Deed"	the trust deed to be entered into between the Company and the trustee of the NBT RSU Scheme (as restated, supplemented and amended from time to time) to service the NBT RSU Scheme
"Trust Fund"	comprises, at all times, (a) any Shares (including treasury Shares) transferred to the trustee of the NBT RSU Scheme for the purpose of the Trust by way of settlement or otherwise contributed by the Company by way of allotment of new Shares; (b) all Residual Cash, Related Income and Other Distributions of, and such other nil-paid rights, options, warrants or scrip dividend (including but not limited to bonus Shares and scrip dividends declared by the Company) derived from, the Shares held by the Trust; and (c) all other property(ies) from time to time representing (a) and (b) above

"U.S." or "the United States"	The United States of America
"U.S. dollars" or "USD" or "US$"	United States dollars, the lawful currency of the United States
"Valuation"	the valuation of the Target Company assessed as at 31 May 2024 prepared by the Independent Valuer
"Valuation Report"	the valuation report set out in Appendix V to this circular
"Vesting Date"	in relation to any Grantee, the date on which the legal and beneficial ownership of the Award Shares are vested in such Grantee pursuant to an Award
"%"	per cent

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

newborntown

NEWBORN TOWN INC.
赤子城科技有限公司

(Incorporated in the 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:
Office 2613, 26th Floor
The Center
No. 99 Queen's Road Central
Hong Kong

25 November 2024

To the Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTIONS
ENTERING INTO SHARE PURCHASE AGREEMENT INVOLVING
ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE;
PROPOSED ADOPTION OF THE NBT RSU SCHEME;
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

References are made to the announcement of the Company dated 27 June 2024 in relation to the entering into the Share Purchase Agreement, the announcement of the Company dated 22 November 2024 in relation to entering into the Supplemental Agreement and the announcement of the Company dated 22 November 2024 in relation to the proposed adoption of the NBT RSU Scheme and the termination of the Share Option Scheme.

The purpose of this circular is to provide you with, among other things, (i) further details of the Share Purchase Agreement and the transactions contemplated thereunder, including, among others, the granting of specific mandate for the allotment and issuance of the Consideration Shares; (ii) the recommendation from the Independent Board Committee and the recommendation from Somerley to the Independent Board Committee and the Independent Shareholders; (iii) the financial information of the Group; (iv) the accountants' report of the Target Group; (v) the unaudited pro forma financial information of the Enlarged Group; (vi) the management discussion and analysis of the Target Group; (vii) the Valuation Report; (viii) the proposed adoption of the NBT RSU Scheme and the termination of the Share Option Scheme; (ix) the general information of the Group; and (x) a notice for convening the EGM to consider and, if thought fit, to approve the resolutions to be proposed at the EGM as set out in this circular.

MAJOR AND CONNECTED TRANSACTIONS

On 27 June 2024 (after trading hours), the Company (as the Purchaser) entered into the Share Purchase Agreement with BGFG, JJQJ and JZZT (together as the Sellers) and the Target Company, pursuant to which (i) the Target Company has conditionally agreed to issue and allot 10,000,000 shares to JJQJ at par value, and (ii) the Sellers have conditionally agreed to sell, and the Company has conditionally agreed to acquire an aggregate of 77,832,740 Sale Shares of the Target Company as held by the Sellers upon completion of the Target Company's Issue and Allotment for a total consideration of approximately HK$1,982,657,556. The consideration comprises of two parts, being a Cash Consideration of HK$993,789,796, and the issuance of 219,748,391 Consideration Shares of the Company to the Sellers at the issue price of HK$4.50 per Share (and a total value of approximately HK$988,867,760) 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 122,167,260 shares of the Target Company, which accounts for approximately 61.08% of its total number of issued shares. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Group will be fully attributable to the equity shareholders of the Company.

On 22 November 2024, completion of the Target Company's Issue and Allotment took place, with 10,000,000 shares being issued to JJQJ (an entity established by the independent trustee of the Target Company's RSU Scheme ("**Target RSU Scheme**") for the holding of shares subject to the rules of the Target RSU Scheme) at a par value of US$0.0001, such that the issued share capital of the Target Company shall be 200,000,000 ordinary shares and that the Company shall acquire from JJQJ all the 19,132,318 shares of the Target Company so held by it which accounts for approximately 9.57% of the total issued shares of the Target Company.

In light of the foregoing, the parties to the Share Purchase Agreement have entered into a Supplemental Agreement on 22 November 2024 (after trading hours), to amend and modify certain terms of the Share Purchase Agreement, pursuant to which, among others, the Target Company's Issue and Allotment shall no longer form part of the Share Purchase Agreement, nor shall it be amongst the transactions contemplated thereunder.

Share Purchase Agreement (as supplemented by the Supplemental Agreement)

The principal terms of the Share Purchase Agreement (as supplemented by the Supplemental Agreement) are set out as follows:

Date

27 June 2024

Parties

Purchaser:

The Company

Sellers, as comprised of:

(i) JZZT

(ii) BGFG

(iii) JJQJ

Target Company:

NBT Social Networking

Subject matter

As at the Latest Practicable Date, the issued share capital of the Target Company comprises 200,000,000 ordinary shares, with the following shareholding structure immediately prior to Completion:

	Immediately prior to Completion	
Name of Shareholder	**Number of Shares**	**Percentage**
The Company	122,167,260	61.08%
JZZT	47,232,662	23.62%
BGFG	11,467,760	5.73%
JJQJ	19,132,318	9.57%
Total	200,000,000	100.00%

Pursuant to the Share Purchase Agreement (as supplemented by the Supplemental Agreement), the Sellers have conditionally agreed to sell, and the Company has conditionally agreed to acquire an aggregate of 77,832,740 Sale Shares of the Target Company as held by the Sellers, which accounts for approximately 38.92% of the total issued shares of the Target Company immediately prior to Completion.

Conditions precedent

Pursuant to the Share Purchase Agreement (as supplemented by the Supplemental Agreement), the obligations of the Company to consummate the Completion shall be subject to the satisfaction, at or prior to the Completion, of each of the following Conditions, any of which may be waived in writing by the Company to the extent permitted by applicable laws:

(1) the representations and warranties, severally but not jointly, given by each Seller being true and accurate in all material respects as at the Completion and each Seller's undertakings contained in the Share Purchase Agreement having been complied with in all material respects;

(2) the transactions contemplated under the Share Purchase Agreement having been approved by the Board and by the Shareholders at the general meeting of the Company;

(3) the necessary resolution(s) having been passed by the shareholders of the Target Company and by the directors of the Target Company approving the execution of the Share Purchase Agreement and any other documents ancillary or incidental to the transactions contemplated thereunder (the "**Transaction Documents**") and all and any transactions contemplated thereunder;

(4) the necessary resolution(s) having been passed by the shareholder(s) of each Seller and by the director(s) of each Seller approving the execution of the Transaction Documents and all and any transactions contemplated thereunder;

(5) the necessary resolution(s) having been passed by the shareholder(s) and director(s) of each of Travelspace Limited, Ho Sheng International Limited and Pixel Perfect Tech Limited approving the execution of the Transaction Documents by JZZT and all and any transactions contemplated thereunder; and

(6) the Stock Exchange having granted approval for the listing of, and permission to deal in, the Consideration Shares and such approval and permission not being subsequently withdrawn or revoked by the Stock Exchange.

As at the Latest Practicable Date, save for conditions (3), (4) and (5) above, no other condition precedent has been fulfiled or waived.

Completion

Completion shall take place on the Completion Date, or on such other date and at such place as the Sellers and Company may mutually agree upon in writing.

On Completion, the Company shall against delivery of the Sale Shares in accordance with the terms in the Share Purchase Agreement, (i) issue and allot the Consideration Shares to the Sellers and (ii) deliver a certified copy of the extract of the register of members of the Company evidencing the Sellers as the registered and beneficial owners of the Consideration Shares.

Consideration and terms of payment

The total consideration is approximately HK$1,982,657,556, which comprises of two parts, being a consideration of HK$993,789,796 in cash (the "**Cash Consideration**"), and the issuance of consideration shares, being 219,748,391 Shares of the Company, to the Sellers at the issue price of HK$4.50 per Share (and a total value of approximately HK$988,867,760) (the "**Consideration Shares**") by the Company.

The Consideration Shares comprises of a total of 219,748,391 Shares which shall be issued in accordance with the specific mandate that will be sought at the extraordinary general meeting. The Consideration Shares account for approximately 18.45% of the existing issued share capital of the Company as at the Latest Practicable Date, and approximately 15.57% 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).

The issue price of HK$4.50 per Consideration Share:

(i) represents a premium of approximately 3.21% to the closing price per Share of HK$4.36 as quoted on the Stock Exchange on 27 June 2024, being the date of the Share Purchase Agreement;

(ii) represents a premium of approximately 1.08% to the average closing price per Share of HK$4.45 as quoted on the Stock Exchange for the last 5 consecutive trading days immediately preceding the date of the Share Purchase Agreement; and

(iii) represents a premium of approximately 23.97% to the closing price of HK$3.63 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Cash Consideration represents the total cash payable to the Sellers, which shall be paid across four instalments in equal proportion, with the amount payable to the Sellers (in aggregate) for each instalment totalling HK$248,447,449.

Details of the number of Sale Shares to be sold by the Sellers, the number of Consideration Shares to be issued by the Company and a breakdown of the cash payable to each of the Sellers for each instalment are set out below:

Sellers	Number of Sale Shares to be sold *(Share)*	Cash Consideration First instalment *(HKD)*	Second instalment *(HKD)*	Third instalment *(HKD)*	Fourth Instalment *(HKD)*	Number of Consideration Shares to be issued *(Share)*
BGFG	11,467,760	43,818,272	43,818,272	43,818,272	43,818,272	25,966,383
JJQJ	19,132,318	73,104,522	73,104,522	73,104,522	73,104,522	43,321,198
JZZT	47,232,662	131,524,655	131,524,655	131,524,655	131,524,655	150,460,810

Subject to the successful Completion, the Company shall pay to the Sellers the Cash Consideration in four equal instalments, subject to the payment schedule as follows:

(1) the first instalment of the Cash Consideration shall be payable on or before the Post-Completion Payment Date;

(2) the second instalment of the Cash Consideration shall be payable on or before the first anniversary following the Post-Completion Payment Date;

(3) the third instalment of the Cash Consideration shall be payable on or before the second anniversary following the Post-Completion Payment Date; and

(4) the fourth instalment of the Cash Consideration shall be payable on or before the third anniversary following the Post-Completion Payment Date.

Any payment to be made pursuant to the Share Purchase Agreement by or on behalf of the Company to each of the Sellers shall be made to each Seller'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.

Until the 6th-month anniversary after the Completion, without prior written consent of the Company, the Consideration Shares shall not be directly or indirectly sold, assigned, transferred, pledged, hypothecated, or otherwise encumbered or disposed of in any way.

An application will be made by the Company 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).

Deferred payment and source of funding

Pursuant to the Share Purchase Agreement, the Cash Consideration is to be paid by the Company in instalments (in accordance with the payment schedule set out above) as funded by internal resources of the Group. The Directors consider that such deferred payment arrangement can promote the Company's financial stability which is essential and conducive to the Enlarged Group's sustainable growth and development, the realisation of its corporate goals and the attainment of its strategical targets going forward, and the reasons therefor are summarised as follows:

(i) *Easing cashflow pressure*: The spreading of payment over years will enable the Company to delay or defer substantial cash outflow upon Completion, which will not only alleviate the immediate pressure on its cash flow in the short run but will also ensure that sufficient working capital be reserved to support the Enlarged Group's daily operations and its business expansion plans going forward.

(ii) *Flexibility in fund management and allocation*: Rather than having to pay a sizable sum upon Completion, the splitting of payment into instalments helps maintain the Company's financial stability and mitigate the potential short-term volatility of its financial indicators and maintain market confidence in the Company's operations. The payment of a smaller sum at separate intervals also affords greater flexibility to the Company with its management of internal funds, which it can then apply to meet other pressing needs and/or to capitalise on investment opportunities in a timely, efficient and effective manner. The amount otherwise payable upfront for the Acquisition (but for the deferred payment arrangement) can also be strategically utilised to meet the Company's growth objectives, boost operational efficiency, and elevate its market competitiveness.

(iii) *Optimal balance of risk and return*: With the financial predictability that comes with the predetermined payment dates, which coupled with the fact that no interest is payable for and during the deferred payment period, the risk posed to the Company by opting for such deferral in the payment of Cash Consideration is minimal at best. Meanwhile, notwithstanding that payment of Cash Consideration would not be made in full upon Completion, the Enlarged Group will be able to reap the full financial benefits of the Acquisition and derive improvements in its overall performance and fuel efficiencies across its operations

After due consideration and careful weighing of various relevant factors, including but not limited to those outlined above, the Directors are of the view that the provisions in the Share Purchase Agreement on deferred payment of Cash Consideration is on better commercial terms which are favourable to the Company, and thus the entering into the Share Purchase Agreement on such deferred payment terms is in the best interests of the Company, the Enlarged Group and the Shareholders as a whole.

Mandate to issue the Consideration Shares

The Consideration Shares will be allotted and issued pursuant to the specific mandate to be sought at the EGM.

Effects on Shareholding Structure of the Company

The shareholding structure 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:

	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)	
Shareholders	**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)	238,706,646	20.04%	238,706,646	16.92%
Parallel World Limited(2)	73,121,774	6.14%	73,121,774	5.18%
Phoenix Auspicious FinTech Investment L.P.(3)	79,958,948	6.71%	79,958,948	5.67%
BGFG(4)	100,000,000	8.39%	125,966,383	8.93%
JJQJ	–	–	43,321,198	3.07%
JZZT	–	–	150,460,810	10.66%
Other public Shareholders	699,428,632	58.72%	699,428,632	49.57%
Total	1,191,216,000	100.00%	1,410,964,391	100.00%

Notes:

(1) Spriver Tech Limited is directly and wholly owned by Mr. LIU Chunhe. 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. 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. LI Yingming. Mr. LI Yingming is therefore deemed to be interested in all the Shares held by Phoenix Auspicious FinTech Investment L.P. under the Securities and Futures Ordinance.

(4) BGFG is directly and wholly owned by Mr. WANG Xinming. Mr. WANG Xinming is therefore deemed to be interested in all the Shares held by BGFG under the Securities and Futures Ordinance.

Completion of the Acquisition will not result in a change of control of the Company.

Basis of Determination of the Consideration

This consideration was agreed by the parties after arm's length negotiations, with reference to an independent Valuation. The independent Valuation adopted the market approach method, assessed as at 31 May 2024, and took into account the following key factors:

- the revenue multiples and earning multiples of comparable Hong Kong and U.S. listed social networking companies that operate diversified social networking products (selected based on, among others, the industry and financial positions of the social networking business, similarities in business model, business stage, and operations); and

- the assumption that historical revenue and earning figures generated by the Target Company for the year 2023 and for the period from 1 January 2024 to 31 May 2024 would be maintainable.

The Board determined that the market approach was the most appropriate valuation method, given that there were a number of comparable listed companies available, which was able to provide an appropriate basis for the valuation, while the other valuation methods would produce less reliable results given inherent challenges in projecting the profitability of the social networking business, particularly within a fluctuating regulatory and economic environment, and failures to take into account other important attributing values.

The total consideration of RMB1.81 billion or HK$1.98 billion equivalent (i.e. HK$1,982,657,556 using the exchange rate of HK$1=RMB0.91) is derived by using the midpoint of the valuation range, which is approximately RMB4.65 billion, multiplied by the acquired shareholding interest, which is 38.92%.

Taking into account the above, the Board considered the independent Valuation to be a fair and reasonable basis to calculate the consideration amount, having reviewed this against, among others, the historical operational and financial performance of the Target Company (including key financial results generated from the Target Company), the general business prospects of the Target Company, and the factors set out in "Reasons and Benefits of Entering into the Share Purchase Agreement" in this circular.

The Board is of the view that the Valuation of the Target Company is within the valuation range given by the Valuer, and the market multiples of the Target Company are also within a reasonable range when compared with comparable companies in the same industry, and none of such market multiples are higher than the median of the comparable companies. Further to the foregoing, after due consideration of the Target Company's strong competitive edge and promising growth potential in the pan-audience social networking market, backed by its consistent solid financial performance in recent years, the Board is of the view that the consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Valuation

The value of the Target Company based on the Valuation is estimated to range between RMB4.04 billion and RMB5.22 billion, with a rounded median RMB4.65 billion for the 100% equity interest as at 31 May 2024 (the "**Valuation Date**").

Valuation approach

In valuing the asset, the Independent Valuer considered three commonly recognised valuation methods: the market approach, the cost approach and the income approach. Based on the characteristics of the Target Company, there are significant limitations to value the relevant assets using the income approach and the cost approach.

The results of the income approach would rely heavily on long-term financial forecasts internally prepared by the management, which are unobservable inputs and require subjective assumptions. The cost approach does not directly incorporate information about the economic benefits contributed by the Target Company. In light of the above, the Independent Valuer has adopted the market approach for the Valuation.

In the valuation analysis, the Independent Valuer adopted the guideline public company method under the market approach by analysing certain listed companies engaged in the social networking business.

The market approach bases the valuation on comparing the Target Company with similar companies for which pricing information is available, making adjustments to account for differences between the comparable companies and the Target Company. The benefits of using this method include its simplicity, clarity and minimal reliance on assumptions. By utilising publicly available data, the market approach also introduces objectivity in its application.

Valuation assumptions

In determining the market value of the equity of the Target Group, the Independent Valuer has made the following key assumptions:

- The Target Group has obtained or will obtain all relevant legal approvals, business certificates or licenses for its current or proposed business operations, and each of which will be renewed upon expiration;

- there will be no significant changes in the political, legal, economic and social environment in which the Target Group operates or plans to operate;

- the interest rates and exchange rates in the regions where the Target Group operates will not differ significantly from current rates;

- the operational and contractual terms specified in relevant contracts and agreements will be complied with;

- the financial and operational information regarding the Target Group is accurate, and this information has been heavily relied upon in reaching the valuation opinion;

- there are no hidden or unexpected circumstances related to the valued assets that could adversely affect the reported value;

- the revenue and earnings of the Target Group for the period of 1 April 2023 to 31 March 2024 are maintainable; and

- the market values of comparable companies (i.e., the share price multiplied by the number of shares) as at 31 May 2024 are representative of the best estimate of the market participants.

Market multiples

The market approach estimates the indicative value of the Target Group 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.

The Independent Valuer analysed the appropriate market multiples based on the industry and financial positions of the Target Group and selected the enterprise value-to-sales ("**EV/S**") and the price-to-earnings ratio ("**P/E**") as the valuation multiples. Considering the Target Company is a light asset company, the asset multiple only captures the tangible assets of a company while it does not capture the intangible company-specific competencies and advantages, thus the assets multiple is not appropriate.

Although Enterprise Value (EV) includes the total market capitalisation and net debt of the company, EBITDA does not consider the company's capital structure (such as the ratio of debt to equity). If different companies have significantly different capital structures, the EV/EBITDA ratio may lead to inaccurate valuations. Moreover, EV/EBITDA focuses on early profitability by ignoring interest, taxes, depreciation, and amortisation, which significantly impact the final net profit. Therefore, the EV/EBITDA ratio is more applicable to capital-intensive industries (such as manufacturing and heavy industries), but may be less suitable for capital-light industries (such as TMT and services), thus EV/EBITDA multiple is not included in this valuation analysis.

EV/S eliminates the difference in capital structure and related risk features by including debt component in valuation analysis. P/E reflects the profitability of a company and how much the market is willing to pay for the company's earnings. At the same time, the revenue and earnings of the Target Group are available in the historical period and assumed to be sustainable in the future. Therefore, the EV/S and P/E multiples were used jointly to provide a more thorough analysis of the Target Company's valuation.

Enterprise value is calculated as the sum of market capitalisation, net debt (total debt minus excess cash and short-term investments), preferred shares, and minority interest.

Selection of Comparable Companies

The Independent Valuer obtained and reviewed relevant materials and financial information regarding the Target Company and conducted extensive research on publicly available information. Recognising the limitations of such data gathering exercise, as well as the need to refine the search scope and ensure the business of each of the comparable companies so identified align with that of the Target Company's in various aspects such that suitable comparable companies can be aptly selected, the Independent Valuer has initiated discussions with the management to gain insights into the Target Company's business, after which the Independent Valuer has accordingly examined the Target Company's business model, revenue drivers, key financial and operational issues, and conducted independent analysis on the relevant market competitors. The Independent Valuer carried out the following procedures to ensure the list of comparable companies is exhaustive and representative:

Firstly, the Independent Valuer screened companies based on the following criteria:

- listed on major stock exchanges such as the Shanghai Stock Exchange (SSE), Shenzhen Stock Exchange (SZSE), Hong Kong Exchanges and Clearing Limited (HKEX), New York Stock Exchange (NYSE), and National Association of Securities Dealers Automated Quotations (NASDAQ);

- primarily engaged in interactive media and services which are based on Capital IQ industry classification (i.e., social media and networking platform); and

- with EV/S ratio or P/E ratio being available as of the Valuation Date.

Subsequently, the Independent Valuer applied additional filters to enhance the comparability;

- able to continue as a going concern;
- more than 50% of its revenue is generated from social networking business;
- whose stock has not been suspended for trading over a year as of the 31 May 2024;
- published 2023 annual financial report;
- financial performance shall be on par with that of the Target Company's (i.e., revenue or revenue growth rate is relatively increasing in 2022 and 2023); and
- with market value not significantly higher than that of the Target Company.

Applying the selection criteria mentioned above and referring to the existing industry standards provided by Capital IQ, the Independent Valuer searched and identified eight comparable companies, i.e. JOYY Inc., Kuaishou Technology, Yalla Group Limited, Bumble Inc., Grindr Inc., Weibo Corporation, Hello Group Inc., and Reddit, Inc.

As mentioned above, in the Independent Valuer's prior discussions with the management, it was confirmed that the Target Company's core revenue sources and operational model have not undergone any material changes since 2021, which was when the Company conducted a similar transaction and engaged the Independent Valuer to perform a market-based valuation of the Target Company (for details, please refer to the circular of the Company dated 26 November 2021, "**2021 Circular**"). The Independent Valuer considered this historical context important in validating that the business had remained stable and comparable over the period. Upon reviewing the Capital IQ search results, the Independent Valuer noted a potential anomaly in the results obtained as certain comparable companies previously listed in the 2021 Circular (i.e. the comparables selected by the Independent Valuer and the Independent Financial Adviser in 2021) did not show up in the search results notwithstanding that there were no material changes to the Target Company's business. Specifically, eight companies that were previously selected in the 2021 Circular were not included in the current Capital IQ search results, including Tencent Music Entertainment Group, Inke Limited (renamed as Inkeverse Group Limited), Match Group, Inc., Bilibili Inc., AfreecaTV Co., Ltd., HUYA Inc., Newborn Town Inc. (9911 HK), and Tian Ge Interactive Holdings Limited. The aforementioned difference in results yielded appears to be attributable to changes in industry categories and sub-classifications within the Capital IQ when compared to those then applicable in 2021. Considering that it is merely the arbitrariness of the categorisation itself which contributed to the aforementioned departure from the previous search results and hence to ensure the comprehensiveness and accuracy of the comparable company list, the Independent Valuer conducted an in-depth review of the current business operations and financial metrics of these companies and ultimately decided to include four of them – Match Group, Inc., Bilibili Inc., Tencent Music Entertainment Group and Inkeverse Group Limited – to supplement the current comparable company list. Not only have the business nature and operations of each of the aforementioned companies remained substantially unchanged since 2021 (a fact ascertained by examining the relevant disclosure in their respective annual reports), but they were also able to meet all the selection criteria applicable to the Valuation, including having a business model similar to that of the Target Company's, with more than 50% of their revenue derived from social networking activities, such as live streaming, value-added services, advertising, and membership fees. For details of the selection process and the relevant factors so considered when applying the selection criteria, please refer to the summary on page V-11.

Further and in light of the foregoing, the Independent Valuer believes that the selection process of the current list of comparable companies, based on thorough review and consistent application of selection criteria, is both reasonable and well-substantiated. The inclusion of the additional comparable companies ensured that completeness, accuracy, and relevance of the comparable company list is preserved by the wider net aptly cast. Therefore, the Independent Valuer consider that the comparable companies currently selected, with four suitable comparable companies identified in the similar transaction in 2021 added to supplement the list, represent a fair and balanced sampling and the thorough selection process and suitability assessment conducted adequately support a robust valuation of the Target Company.

The management has provided, upon the Independent Valuer's request, an overview of the Target Company's operations, including (i) its business scope and nature; (ii) the competitive landscape of the industry it operates in; (iii) its financial performance as supported by key financial indicators; and (iv) confirmation that there has been no material changes in its core business and operating model since the aforementioned similar transaction in 2021.

The Board, upon reviewing the results derived from the Valuer's independent assessments based on thorough analysis and assessment of the foregoing and having taking into account the Target Company's actual circumstances, is of the view that the scope of work carried out by the Independent Valuer is appropriate for the relevant assessments, and the valuation assumptions, approach and methodologies adopted by the Independent Valuer for the relevant assessments are fair and reasonable. As such, the Board considers the Valuation fair and reasonable, and hence reliable as a basis for determining the Consideration.

For further details of the Valuation, please refer to Appendix V to this circular.

Information on the Parties to the Share Purchase Agreement

The Company

The Company is a globalised internet enterprise that has created dozens of high-quality applications targeted at global users in areas such as social networking and gaming, including the general social networking products MICO, YoHo, TopTop, and SUGO, as well as the multicultural social networking product HeeSay, and the niche games product Alice's Dream: Merge Games. These products have served over one billion global users in hundreds of countries and regions. The Company has deep roots in the Middle East and North Africa markets, and is actively expanding into Southeast Asia, Europe, America, Japan, and Korea, striving to become the world's largest social entertainment company.

The Sellers

JZZT

JZZT is an investment holding company incorporated in the British Virgin Islands with limited liability, and holds 23.62% of shares of the Target Company as at the Latest Practicable Date. As at the Latest Practicable Date, JZZT is owned as to 47.69%, 43.81% and 8.50% by Travelspace Limited, Ho Sheng International Limited and other shareholders. Among which, Travelspace Limited is wholly owned by Mr. SU Jian, an executive Director of the Company, and Ho Sheng International Limited is owned as to 33.43%, 33.33%, 32.56% and 0.68% by Mr. ZHENG Linzhou, Mr. HUANG Nailiang, Mr. LI Yongjie, who are Independent Third Parties, and Pixel Perfect Tech Limited (a company wholly-owned by Mr. YE Chunjian, an executive Director of the Company).

With JZZT is being set up in June 2021 for the singular purpose of holding shares of the Target Company for certain key management personnel of the Target Company, the Sale Shares to be acquired from JZZT (being the 11.25% equity interest in the Target Company so held by JZZT) were transferred on 26 July 2021 at nil consideration to JZZT by the then minority shareholders of the Target Company, in recognition of such key management personnel's contribution to the development of the Target Group's business. Accordingly, there is no original acquisition cost in relation to the Sale Shares owned by JZZT. For details, please refer to page 17 of the Company's annual report for the financial year ended 31 December 2021.

BGFG

BGFG is an investment holding company incorporated in the British Virgin Islands with limited liability, and holds 5.73% of shares of the Target Company as at the Latest Practicable Date. Mr. WANG Xinming, an Independent Third Party, holds 100% of shares of BGFG. As at the Latest Practicable Date, BGFG owns 100,000,000 Shares, representing approximately 8.39% of the total issued Shares.

JJQJ

JJQJ is an investment holding company incorporated in the British Virgin Islands with limited liability, and holds 9.57% of shares of the Target Company as at Latest Practicable Date. All shares of JJQJ are held by TMF Trust (HK) Limited, an Independent Third Party, in the capacity of trustee. As the Company intends to achieve, through the Acquisition, ownership over the entirety of the equity interests in the Target Company, thus the shares so held by JJQJ formed part of the shares of the Target Company to be acquired by the Company.

The shareholders of JJQJ, being grantees under the Target RSU Scheme, are made up entirely of the current employees of the Target Company (being Independent Third Parties to the Company), which comprise, at all times, of the Target Company's:

- core management personnel;
- personnel in charge of the respective product's various operating geographical areas; and
- employees who have made outstanding contributions or played a key role in its operations, customer management, product design, innovation and development.

Target Company

The Target Company focuses on providing online social entertainment services and is committed to meeting the diversified social needs of global users. It has launched multiple social entertainment products such as MICO and YoHo, serving nearly 100 million users in over 150 countries and regions worldwide. The Target Company's various applications are popular in regions such as Middle East, North Africa, and Southeast Asia, and it is actively expanding into markets such as Europe, America, Japan, and South Korea.

The table below sets forth a summary of key financial information of the Target Group for the years ended 31 December 2022 and 2023 and six months ended 30 June 2024, which has been derived from the audited combined financial statements of the Target Group prepared in accordance with IFRS:

	For the year ended 31 December 2022 or as at 31 December 2022	**For the year ended 31 December 2023 or as at 31 December 2023**	**For the six months ended 30 June 2024 or as at 30 June 2024**
	RMB'000	*RMB'000*	*RMB'000*
Net profit before taxation	406,932	644,830	395,396
Net profit after taxation	406,954	632,018	395,903
Total assets less current liabilities	1,644,207	2,286,177	2,698,854
Net assets	1,561,761	2,217,312	2,637,712

The Target Group has experienced rapid growth in net profit since 2022, mainly due to such efforts devoted to (i) improve the product line with gradual launches of new social networking applications; (ii) enhance the operational efficiency of products and continuously optimise gross profit margins; and (iii) deepen its presence in emerging high-value markets such as the Middle East and North Africa, and continue to unlock its market potential.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed above, other counterparties and their ultimate beneficial owners are Independent Third Parties.

Reasons and Benefits of Entering into the Share Purchase Agreement

The Board's decision to enter into the Share Purchase Agreement (as supplemented by the Supplemental Agreement) is attributable to its optimism towards the prospects of the business currently conducted under the Target Group which the Acquisition is viewed as a way of further stepping up the Group's presence in markets where the Target Company already has a solid operational base and sound brand identity. The Directors are also of the view that the Acquisition will serve to boost market confidence in the Group in terms of future earning capability and growth potential, especially in emerging overseas markets such as the Middle East and North Africa where demand for the Target Group's products is picking up and where opportunities for business growth are abundant. Thus the Directors consider that the Acquisition presents a good opportunity for the Company to fully reap the financial benefits of the Target Group's business and enhance the intrinsic market value for its Shareholders after due consideration of the following strategic direction and development priorities underpinning the Enlarged Group's growth agenda going forward:

Building rapport and forging connection with the global audience by leveraging thriving demand in the global social networking market

The booming global social networking industry is not close to reaching its full potential, with many markets still remain underpenetrated and industry players of different scales and capabilities being able to achieve consistent growth in recent years, while more and more new entrants have emerged to fill the void. The Acquisition at this juncture thus signals the Group's intention to drive forward structural transformation of its current standalone businesses umbrellaed under the respective business segments of "social networking" and "innovative". With the Target Company's current focus merely trained on the "pan-audience social networking" realm, its integration with the Group's other ventures such as that of "diverse social networking" and "gaming" will enable the Group's businesses to operate under a unified brand and as a synergistically coherent whole. Backed by the Target Company's strong foothold and brand presence in the Middle East and North African markets, such strategic revamp of the Group's operations is seen as a pivotal one that could support the potential growth and access of the Group's other businesses in those markets, which would serve to bolster the Group's position as a whole and facilitate its optimisation of opportunities within the global markets.

Utilising synergies to stimulate innovation, streamline management, drive down costs and accelerate market expansion

The Acquisition would also allow for the optimisation of the Target Company's shareholding structure, contributing to greater synergies with the Group's other operations.

The Target Company's edge in terms of operational efficiency has been manifested in several aspects, namely (i) the consistent increase in user activity and engagement of its products as achieved through innovative, adaptive user-centric upgrades that cater to the local audience and culture preferences such as the inclusion of in-app games and even the launching of online and offline activities; (ii) the lower procurement costs attained through its scalable operations in established markets; and (iii) efficient and scalable training, processes and operations derived from utilisation of emerging advanced technology (such as Artificial Intelligence). Meanwhile, the Target Company has also demonstrated its consistent strength in terms of market expansion as well as its high penetration rate of new markets in Asia in recent years.

On the innovative front, the strategic fusion of the Target Company's proven creative competencies and that of the Group's can drive innovative overhauls that contribute to a more sustainable enterprise. It is also expected that the Target Company's "pan-audience social networking" business can better address specific needs and preferences of audiences from different sectors by adaptively incorporating features and functionalities from the Group's "innovative businesses", such as "gaming" and "traffic diversion" into the Target Company's suite of social networking products post-Completion so as to optimally capture the growing demand in the global social networking scene for the Group's products and effectively extend their reach to a broader community worldwide.

Thus, by embracing the proven efficacy of the Target Company's operating model, it is anticipated that the Enlarged Group can leverage its scale and streamlined cost structure to deliver future growth and create a lasting competitive edge through global branding and marketing initiatives.

Driving financial performance by reaping in full the financial benefits of the Target Group's profitable operations

The Target Group recorded an increase in profit for the year from approximately RMB407.0 million for the year ended 31 December, 2022 to RMB632.0 million for the year ended 31 December, 2023. For the six months ended 30 June 2024, the Target Group recorded profit for the period of approximately RMB395.9 million. Upon Completion, the Target Group's financial results will continue to be consolidated into that of the Group's, but to a greater extent, in terms of the profit attributable to the equity shareholders of the Company. With the Target Group having a few products lined up in its pipeline, it is expected that strategic and well-timed launches of such reserves can further spark growth and profitability. Having considered the consistently satisfactory operating results of the Target Group amidst the current market conditions, the Directors are of the view that with the performance of the

Target Group accounting for a significant part of the Group's overall financial performance, the Acquisition is expected to further improve the results attributable to the equity shareholders of the Company and thereby shoring up overall Shareholders' returns.

Further and in connection with the foregoing, With the result of the Acquisition being that the Target Group will emerge as a wholly-owned subsidiary of the Company, the Group can not only benefit from the full control it can then exert over its operations, but it can also reap the benefits of the Target Company's entire economic interests and the financial results of the Target Group can be fully attributable to the equity shareholders of the Company. Thus, the Acquisition not only aligns with the Company's development strategy, but also facilitates synergy and efficient integration of resources and better utilisation of the Target Group's operating experience and advantages in the Global scene to complement the Group's existing operating infrastructure. The Board (including the independent non-executive Directors) considers that the terms of the Share Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interest of the Company and the Shareholders as a whole.

Financial Effects of the Acquisition

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company. The Target Group's financial results had been consolidated into the Company's consolidated financial statements prior to the Acquisition, and after Completion, the financial results of the Target Group will be fully attributable to the equity shareholders of the Company.

The financial results attributable to the equity shareholders of the Company of the Acquisition are generally positive. On the assumption that Completion had taken place on 30 June 2024, the profit attributable to the equity shareholders of the Company would have increased due to the acquisition of non-controlling interests of the Target Group. The total assets would have decreased by RMB232 million, and the total liabilities would have increased by RMB502 million primarily due to the consideration paid and payable for the acquisition of the non-controlling interests of the Target Group. The net assets of the Group would have decreased accordingly, among which the non-controlling interests would have decreased RMB858 million and the net assets attributable to the equity shareholders of the Company would have increased RMB124 million. Gearing would, nevertheless, have increased and liquidity would have declined but both would have remained at healthy level.

Assets and liabilities

As extracted from the interim report of the Company for the six months ended 30 June 2024, the unaudited consolidated total assets and total liabilities of the Group as at 30 June 2024 were approximately RMB2,999 million and RMB748 million, respectively, and the unaudited consolidated net assets as at 30 June 2024 were approximately RMB2,251 million.

As set out in Appendix III to this circular, the unaudited pro forma total assets of the Enlarged Group would decrease to approximately RMB2,767 million, and the unaudited pro forma total liabilities of the Enlarged Group would increase to approximately RMB1,250 million, and the unaudited pro forma net assets of the Enlarged Group would decrease to approximately RMB1,517 million assuming that Completion had taken place of 30 June 2024.

Listing Rules Implications

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 25% but all such percentage ratios are less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and subject to reporting, announcement and shareholders' approval requirements under the Listing Rules.

Furthermore, as at the Latest Practicable Date, the Target Company was a significant subsidiary of the Company, and JZZT was a substantial shareholder of the Target Company. As such, JZZT is a connected person at the subsidiary level of the Company under the Listing Rules. Meanwhile, without prejudice to the foregoing, as JZZT was owned as to 47.69% by Travelspace Limited, which is in turn wholly-owned by Mr. SU Jian, an executive director of the Company, JZZT is thus an associate (as defined in the Listing Rules) of Mr. SU Jian (by virtue of his indirect control of over 30% or more shareholding interest in JZZT) as at the Latest Practicable Date, and accordingly, a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under the Share Purchase Agreement (as supplemented by the Supplemental Agreement) (including the issue of the Consideration Shares) constitute connected transactions of the Company under Chapter 14A of the Listing Rules and subject to reporting, announcement and independent shareholders' approval requirements under 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 Share Purchase Agreement (as supplemented by the Supplemental 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. In addition, Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

PROPOSED ADOPTION OF THE NBT RSU SCHEME

The Company's existing share schemes

(i) The Existing RSU Schemes

Before listing, the Group adopted the Employee RSU Scheme and the Management RSU Scheme on 11 December 2019 which would be valid and effective for a period of 10 years commencing from 11 December 2019 (details of which were disclosed on pages IV-28 to IV-41 of the Prospectus). Subsequently, on 7 June 2022, the Board has approved the adoption of the RSU Award Scheme (details of which were disclosed in the announcement of the Company dated 9 June 2022). The Employee RSU Scheme, the Management RSU Scheme and the RSU Award Scheme (collectively, the "**Existing RSU Schemes**") were not subject to the provisions of Chapter 17 of the Listing Rules currently in effect as the Existing RSU Schemes do not involve the grant of options to subscribe for Shares or the grant of awards involving issuance of new Shares by the Company. As at the Latest Practicable Date, 3,594,807 Shares, 0 Shares and 1,569,133 Shares underlying the RSUs were held (and set aside) by the relevant trustees of the Employee RSU Scheme, the Management RSU Scheme and the RSU Award Scheme, respectively, for the benefit of the relevant grantees of such schemes, and the remaining 6,745,527 Shares, 10,493,430 Shares and 54,750,936 Shares held by the relevant trustees of the Employee RSU Scheme, the Management RSU Scheme and the RSU Award Scheme, respectively, are reserved for future grants to be made subject to the terms and conditions of the respective Existing RSU Schemes. As at the Latest Practicable Date, no Related Entity Participant or Service Provider had been granted RSUs pursuant to the Existing RSU Schemes.

(ii) The Share Option Scheme

The Share Option Scheme, which was adopted by a resolution of the Shareholders at the annual general meeting of the Company held on 31 May 2021, is subject to the provisions of Chapter 17 of the Listing Rules currently in effect. The Board shall be entitled at any time during the life of the Share Option Scheme (which shall be valid and effective for a period of 10 years commencing from the date of adoption) to make an offer to any participant thereunder as the Board may in its absolute discretion select to take up Options entitling him/her to subscribe for such number of Shares as the Board may determine at the Exercise Price. As at the Latest Practicable Date, the total number of Shares which may be issued under the Share Option Scheme is 99,885,500 Shares, accounting for approximately 10% of the Company's issued Shares (i.e. 998,850,000 Shares) as at the adoption date and approximately 8.39% of the Company's issued Shares as at the Latest Practicable Date. As at the Latest Practicable Date, the Company has granted pursuant to the Share Option Scheme a total of (i) 80,000,000 Options, representing 80,000,000 underlying Shares, among which no Options had been exercised since its adoption date and no Options has been cancelled/has lapsed, 1,770,000 Options have been expired, and 78,230,000 Options remained outstanding. For all Options granted under the Share Option Scheme, the Exercise Price is:

(i) HK$4.81 per Share, which represents the higher of (rounding up to 2 decimal places);

(ii) the closing price of HK$4.67 per Share as stated in the daily quotations sheet of the Stock Exchange on the relevant date of grant; the average closing price of HK$4.81 per Share as stated in the daily quotations sheets of the Stock Exchange for five business days immediately preceding the Date of Grant; and

(iii) the nominal value of US$0.0001 per Share.

As at the Latest Practicable Date, no Related Entity Participant or Service Provider had been granted Options pursuant to the Share Option Scheme. Save for the Existing RSU Schemes as disclosed above, the Company had no other subsisting share schemes which have not been expired as at the Latest Practicable Date.

Termination of the Share Option Scheme

References are made to (i) the circular of the Company dated 14 April 2021, in relation to, among others, the proposed adoption of the Share Option Scheme and a summary of its principal terms, and (ii) the announcement dated 22 November 2024, in relation to, among others, the termination of the Share Option Scheme by the Board.

According to the terms of the Share Option Scheme, the Company by ordinary resolution of the Shareholders, or the Board, may at any time terminate the operation of the Share Option Scheme, and in such event, no further Options will be offered or granted, but in all other respects the Share Option Scheme shall remain in full force and effect. Any granted but unexercised Options shall continue to be exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.

In view of the (i) utilisation of the Share Option Scheme Limit by the aforementioned grant of 80,000,000 Options, (ii) the proposed adoption of the NBT RSU Scheme and (iii) the Company's intention to utilise treasury Shares, as "new Shares" issued under the NBT RSU Scheme, to satisfy Awards granted thereunder (which will be counted towards the Scheme Limit) as discussed above, and (iv) considering that the Shares in issue as at the adoption date of the Share Option Scheme was 998,850,000 as compared to the 1,191,216,000 issued Shares as at the Latest Practicable Date, the Directors consider that in order to avoid administrative inconvenience (as the Scheme Limit under the NBT RSU Scheme is required to apply to all share schemes of the Company that involve the issuance of "new Shares" in accordance with Rule 17.03C(2) of the Listing Rules) and to ensure that the NBT RSU Scheme (if and once adopted) can be fully utilised to achieve its stated purposes and to service the Awards granted thereunder, it would be in the interests of the Company and the Shareholders as a whole that the Share Option Scheme be terminated. For and in view of the foregoing reasons, and given that Shareholders' approval is not required to effect the termination of the Share Option Scheme, the Board has resolved on 22 November 2024 to terminate the Share Option Scheme with immediate effect thereon.

The NBT RSU Scheme

Reference is made to the announcement of the Company dated 22 November, 2024, in relation to, among others, the proposed adoption of the NBT RSU Scheme by the Board on even date.

Having considered that the granting of Options might not be as effective an incentive for talent recruitment and retention as compared to other share-based incentives (that are not contingent upon the payment of any amount before Shares can be vested in the relevant grantees) and that the values of Options could be reduced or diminished upon a decline in the market prices of the Shares, the Directors are of the view that (instead of the granting of Options under the Share Option Scheme), the offering of RSUs provides the Company with more flexible and effective means to reward, retain, attract, incentivise and motivate talents to support the development and growth of the Group as well as aligning the interests of the Grantees with that of the Company, the Group and the Shareholders to motivate value creation. Thus, the Board considers that the adoption of the NBT RSU Scheme which complies with the latest requirements under Chapter 17 of the Listing Rules (in addition to the Existing RSU Schemes) where Awards are offered in the form of RSUs and extended to cover non-employee participants (i.e. Related Entity Participants and Service Providers) shall serve the twin purposes of incentivising a wider cohort of grantees as well as providing such further means of satisfying the grant of an Award (i.e. through the issue of "new Shares" and the transfer of treasury Shares to the Trust). In view of the foregoing, the Board has resolved (i) to propose the adoption of the NBT RSU Scheme, and (ii) that an ordinary resolution be proposed at the EGM for the Shareholders to consider, and if thought fit, to approve the adoption of the NBT RSU Scheme.

Subject to the NBT RSU Scheme taking effect, the Company proposes to appoint TMF Trust (HK) Limited, an Independent Third Party, as trustee of the NBT RSU Scheme (the "**Trustee**"). The Trustee holding unvested Shares of the NBT RSU Scheme, whether directly or indirectly, shall abstain from voting on matters that require shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, none of the Directors is or will be a trustee of the NBT RSU Scheme nor has or will have any direct or indirect interest in the Trustee.

The NBT RSU Scheme shall be subject to the administration of the Board in accordance with the terms and conditions as set forth in the NBT RSU Scheme Rules, under which the Board has the absolute authority to give any direction, instruction or recommendation to the Trustee or from which the Trustee seeks direction, instruction or recommendation with respect to the NBT RSU Scheme and the Trust. Without prejudice to the Board's general power of administration, the Board may from time to time appoint one or more administrators (the "**RSU Administrator**"), who may be independent third-party contractors, to assist in the administration of the NBT RSU Scheme, to whom they, at their sole discretion, may delegate such functions relating to the administration of the NBT RSU Scheme as they may think fit.

In the case where no such administrator is appointed, the RSU Administrator shall mean the Board. The Company shall, for the purposes of satisfying the grant of an Award, (i) issue and allot Shares to the Trustee and/or (ii) transfer to the Trust the necessary funds and/or (iii) instruct the Trustee to purchase existing Shares on-market or off the market at the prevailing market price or at price within a specified price range and/or (iv) transfer Shares (including treasury Shares) to satisfy Awards granted under the NBT RSU Scheme.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Shareholders and any of their respective close associates had any material interest in the adoption of the NBT RSU Scheme. As such, no Shareholder is required to abstain from voting on the resolutions in relation thereto. Subject to the aforementioned approval of the Shareholders by way of ordinary resolution, the NBT RSU Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date.

Conditions precedent to the NBT RSU Scheme

The NBT RSU Scheme will take effect subject to the fulfilment of the conditions as set forth below:

(i) the passing of the necessary resolution by the Shareholders to approve and adopt the NBT RSU Scheme with the Scheme Limit (and the Service Provider Sublimit thereunder) and to authorise the Board to grant Awards pursuant to the NBT RSU Scheme and to allot and issue new Shares, or procure the transfer of and otherwise deal with Shares in connection with the NBT RSU Scheme; and

(ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the new Share(s) that may be issued by the Company to satisfy the Awards which may be granted pursuant to the NBT RSU Scheme.

An application will be made to the Stock Exchange for the approval for the listing of, and permission to deal in, any new Shares which may fall to be issued and allotted pursuant to the Award Shares granted under the NBT RSU Scheme.

Overview of the terms of the NBT RSU Scheme

The full terms of the NBT RSU Scheme will be published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.newborntown.com for a period of 14 days before the date of the EGM and will be made available for inspection at the EGM, and a summary of the principal terms of the NBT RSU Scheme is set out in Appendix VII to this circular. Meanwhile, the Board considers that it might aid the Shareholders in making informed assessments on the appropriateness of the NBT RSU Scheme and its proposed adoption by providing some context and overview of its terms, and thus the same is being set out hereinbelow for the Shareholders' reference:

Purposes of the NBT RSU Scheme

The purposes of the NBT RSU Scheme, as set out in the NBT RSU Scheme Rules, are to:

(i) recognise the past and/or potential contributions by the Selected Participants;

(ii) attract and retain the Selected Participants for the continual operation and development of the Group, and attract suitable personnel for its further development;

(iii) provide additional incentives for the Selected Participants to achieve performance goals;

(iv) motivate the Selected Participants to maximise the value of the Company and/or the Group by aligning their interests directly with that of the Shareholders through ownership of Shares; and

(v) provide the Company with such flexible means of retaining, incentivising, compensating or providing benefits to the Selected Participants.

The NBT RSU Scheme, if and once adopted, shall constitute the only RSU scheme of the Company that (i) involves the issue of "new Shares" under Chapter 17 of the Listing Rules and (ii) permits the utilisation of treasury Shares (and the transfer thereof by the Company into the Trust as "new Shares") to satisfy the grant of Awards thereunder. Thus, the proposed adoption of the NBT RSU Scheme in addition to the Existing RSU Schemes of the Company is intended to allow for greater flexibility and effectiveness in the funding of awards and broader means that the Company may deploy to reward, retain, attract, compensate, incentivise and motivate the Selected Participants by aligning their interests with that of the Company, the Group and its Shareholders. Hence, the Directors consider that the adoption of the NBT RSU Scheme is in the interests of the Company and the Shareholders as a whole.

Eligible Participants

Eligible Participants under the NBT RSU Scheme shall comprise:

(i) any employee (whether full-time or part-time), executive, officer, directors (including executive, non-executive and independent non-executive directors) of any member of the Group or any Related Entity;

(ii) any person/corporate entity who/which is granted Awards under the NBT RSU Scheme as an inducement to enter into employment, consulting, services or similar agreement with the Company, any member of the Group or any Related Entity; and

(iii) any Service Provider of the Company and/or the Group and/or any Related Entity who/which, in the sole opinion of the Board, have contributed or may potentially contribute to the growth and development of the Group and/or any Related Entity,

which fall under the three classes, namely (i) the Employee Participants, (ii) the Related Entity Participants and (iii) the Service Providers, and his/her eligibility shall, in each case, be determined by the Board from time to time on the basis of the Board's opinion as to his/her contribution and/or potential contribution to the development of the Group.

Eligible Participants classed under Employee Participants shall include, collectively and singly, any employee (whether full-time or part-time), a director (including executive directors, non-executive directors and independent non-executive directors) of any member of the Group, and any persons who are granted Awards under the NBT RSU Scheme as an inducement to enter into employment contracts with the Company and/or any member of the Group, in each case until such employee shall cease to be an employee with effect from (and including) the date of termination of his/her employment, and for the avoidance of doubt, a Selected Participant shall not cease to be an Employee Participant in the case of (A) any leave of absence approved by the Company and/or the relevant member of the Group; or (B) transfer or re-designation amongst any member of the Group or any successors thereof.

As at the Latest Practicable Date, the Company has not formulated any concrete plan or present intention to grant any Awards to the independent non-executive Directors under the NBT RSU Scheme. However, having considered that (i) equity-based remuneration is generally perceived as effective means of ensuring alignment between the interests of shareholders and all the directors (which shall include the independent non-executive directors); (ii) it is common to include independent non-executive directors as eligible participants of the share schemes among companies listed on the Stock Exchange or other internationally recognised stock exchanges; and (iii) an independent non-executive director will still be considered independent, under Rule 3.13(2) of the Listing Rules, if such shares or equity interests so received are granted thereto pursuant to share schemes established in accordance with Chapter 17 of the Listing Rules, the Board thus believes the inclusion of independent non-executive Directors as Eligible Participants of the NBT RSU Scheme and the reservation of such right and power and the preservation of flexibility to grant equity-based awards to the independent non-executive Directors in addition to cash-based incentives will allow the Company to (i) keep its remuneration package competitive in order to attract and retain talents for the Groups' continued growth and development and (ii) maintain consistency in treatment of, and fairness across the members of the Board.

The Company is of the view that the independence and impartiality of the independent non-executive Directors will not be impaired by any potential grant of Awards for the following reasons: (i) the independent non-executive Directors will continue to comply with the independence requirement under Rule 3.13 of the Listing Rules; and (ii) the Board will pay heed to the recommended best practice E.1.9 of the corporate governance code set out in

Appendix C1 to the Listing Rules that issuers should generally not grant equity-based remuneration with performance-related elements to independent non-executive directors when considering making any future grants to the independent non-executive Directors.

Eligible Participants classed under Related Party Participants shall include, collectively and singly, the directors, chief executives and employees of the Related Entity(ies), provided that the Board shall have absolute discretion to determine whether or not one falls within such category.

Apart from its employees, the Group has also formed and maintained a close working relationship with the Related Entity Participants in its ordinary and usually course of business. The Related Entity Participants eligible for the grant of Awards under the NBT RSU Scheme are confined to key personnel of the Related Entities who have extensive connections in the industry and overseas markets, and who have been consistently providing support and guidance to the Group, such as advising on the formulating of business strategies, sharing their knowledge, know-how and expertise with the Group's employees, as well as utilising their expertise (technological or otherwise) to assist the Group with project execution and drive improvements in efficiency. The Related Entity Participants may also contribute to the Group's growth by providing specific knowledge on a wide spectrum of related industries in which it operates, providing guidance with respect to potential expansions into new markets, which may enable the Group to capture new opportunities for business development.

In determining the eligibility of an Eligible Participant who is either an Employee Participant or Related Entity Participant, the Board may consider, on a case-by-case basis, the following qualitative and quantitative factors:

In the case of an Employee Participant,

(i) his/her skill sets, knowledge, experience, expertise, leadership or complementary competencies and other relevant personal qualities;

(ii) his/her educational and professional qualifications, industry knowledge and market connections;

(iii) his/er performance, years of service, nature of duties and position within the Group;

(iv) his/her adherence to the Group's culture and values;

(v) the general financial condition of the Group;

(vi) the Group's overall business objectives and future development plan(s);

(vii) his/her contribution (past, present and potential) to the development, performance and growth of the Group; and/or

(viii) any other matters which the Board considers relevant.

In the case of a Related Entity Participant,

(i) his/her actual or potential degree of involvement in and/or cooperation with the Group;

(ii) his/her participation and contribution (past, present and potential) to the development, performance and growth of the Group;

(iii) the general financial condition of the Group;

(iv) the Group's overall business objectives and future development plan(s);

(v) the extent of benefits and synergies brought to the Group; and/or

(vi) any other matters which the Board considers relevant.

Without prejudice to the foregoing, in determining whether a person is qualified to be (or, where applicable, continues to qualify to be) an Employee Participant or a Related Entity Participant, the Board will take into account various factors that it in its absolute discretion considers relevant in assessing his/her contribution to the long-term growth of the Group, including (a) individual performance, (b) time commitment, (c) initiative and commitment in performing his/her duties, (d) responsibilities or employment conditions according to the prevailing market practice and industry standard, (e) the length of service/engagement with any member of the Group and/or any Related Entity and (f) the individual contribution (past, present and potential) to the development, performance and growth of the Group and/or Related Entity.

While the Service Providers are not employees of the Group, their expertise, practical and industry-specific knowledge as well as business connections can provide valuable insights, perspectives and guidance tailored to support the needs and aspirations, which could steer the Group towards its global business expansion goals and strategic priorities. Hence, with the objective of the NBT RSU Scheme being to reward those who contributed to the Group's business development and growth, Service Providers who/that meet the criteria shall be no less eligible for an Award under the NBT RSU Scheme than employees of the Group. For the avoidance of doubt, Service Providers shall exclude placing agents or financial advisers providing advisory services to the Group for fundraising, merger or acquisitions and professional service providers such as auditors or valuers who provider assurance or are required to perform their services to the Group with impartiality and objectively.

The Directors are of the view that the inclusion of certain Service Providers as Eligible Participants under the NBT RSU Scheme (with clearly defined eligibility criteria and reasons for conferring such benefit set out below for each category of Service Providers), in recognition of their contribution (past or potential) towards the sustainable development and growth of the Group's businesses, confers the following advantages:

(a) aligning the interests of the Services Providers and the Group by allowing them the opportunity to partake in the Group's future prospects and benefit from additional rewards through their sustained and long-term contributions;

(b) incentivising the Service Providers to provide high-quality services to the Group by linking their rewards to the Group's financial performance, thereby encouraging optimal performance and efficiency;

(c) enhancing loyalty and foster long-term stable cooperation between the Group and the Service Providers.

While assessing the eligibility of the Service Providers, the Board will consider all relevant factors as appropriate, including, among others:

(i) the actual or potential degree of involvement in or cooperation with the Group in promoting its business and length of collaborative relationship with the Group;

(ii) the continuity, frequency, regularity, length and type of services to the Group;

(iii) the background, experience, expertise, professional qualifications, industry knowledge and network of the Service Provider;

(iv) the performance of the Service Provider and track record of delivering quality services;

(v) the prevailing market fees chargeable by other service providers; and

(vi) the amount of actual or potential support, assistance, guidance, advice, efforts, strategic value (e.g. in terms of business opportunities and connections the Service Provider has introduced or will potentially introduce to the Group) and contribution the Service Provider is likely to be able to give or make towards the development of the Group.

Having given due consideration to the criteria for determining the eligibility of the Service Providers, the Board is of the view that the criteria as set out in the paragraphs headed "3. Determination of Selected Participants" of Appendix VII to this circular, which included both qualitative and quantitative factors, allows a variety of aspects of the collaborative relationship, performance and contributions (past, present and potential) of the Service Providers to be taken into account. For each category of Service Providers, the Board may consider, when determining their eligibility to participate in the NBT RSU Scheme, the relevant qualitative and quantitative factors on a case-by-case basis. A description of the categories of Service Providers and the corresponding criteria are set out below:

Categories of Service Providers	Description of Service Providers and the services provided	Criteria for considering the eligibility of the Service Providers
MCN service providers	Service Providers under this category are agents and consultants, content creators, KOLs, influencers and livestreaming anchors who provide, on a regular or recurring basis, MCN services, comprising advisory services, consultancy services, sales and marketing services and/or other professional services to the Group on areas related to the Group's principal business activities conducted under its social networking business and innovative business and/or other principal business activity(ies) that may be carried out by the Group from time to time, and help maintain or enhance the competitiveness of the Group by way of introducing new customer or business opportunities to the Group and/or applying their specialised skills and/or knowledge in the aforementioned fields.	The Board will take into account, amongst others, (i) individual performance of the relevant MCN service provider (including but not limited to the reliability and quality of the services supplied); (ii) the MCN service provider's knowledge, experience and network in the relevant industry; (iii) the frequency and length of collaborative relationship with the Group; (iv) the materiality and nature of the services provided to the Group (such as whether such services form part of or are directly ancillary to the business conducted by the Group and whether such services could be readily replaced by third parties); (v) the replacement costs of such MCN service providers (including continuity and stability of supply or provision of such services); (vi) the background, reputation and track record of the relevant MCN service provider; (vii) the potential and/or actual contribution to the business affairs of the Group, in particular, whether such MCN service provider could bring positive impacts to the Group's business; (viii) the Service Provider's adherence to the Group's culture and values; and (ix) the capability, expertise, technical know-how and/or business connections of the relevant MCN service provider, and/or the synergy between the services provided by the relevant MCN service provider and the Group's operations.

Categories of Service Providers	Description of Service Providers and the services provided	Criteria for considering the eligibility of the Service Providers
Independent contractors, consultants, agents and advisers	Service Providers under this category are intellectual property agents, content moderator service providers, headhunters and human resources consultants, internet data centre (IDC) providers, cloud solutions providers and payment channel agents, who/which apply their specialised skills and knowledge to provide, on a regular or recurring basis, advisory, consultancy, technical, technological, training, and other supportive services that are ancillary to the Group's global operations and localisation efforts as and when necessary or desirable to facilitate the effective execution of the Group's business plans through efficient deployment of resources on coordinating research and development efforts, mitigating compliance risks, cultivating religious and cultural sensitivity and strategic planning of the Group's expansion into global markets and local communities.	The Board will take into account, amongst others, (i) individual performance of the relevant independent contractor, consultant, agent or adviser (including but not limited to the reliability and quality of the services supplied); (ii) the independent contractor, consultant, agent or adviser's knowledge, experience and network in the relevant industry; (iii) the frequency and length of collaborative relationship with the Group; (iv) the materiality and nature of the services provided to the Group (such as whether such services form part of or are directly ancillary to the business conducted by the Group and whether such services could be readily replaced by third parties); (v) the background, reputation and track record of the relevant independent contractor, consultant, agent or adviser; (vi) the replacement costs of such independent contractor, consultant, agent or adviser (including continuity and stability of supply or provision of such services); (vii) the potential and/or actual contribution to the business affairs of the Group, in particular, whether such independent contractor, consultant, agent or adviser could bring positive impacts to the Group's business; (viii) the independent contractor, consultant, agent or adviser's adherence to the Group's culture and values; and (ix) the capability, expertise, technical know-how and/or business connections of the relevant independent contractor, consultant, agent or adviser, and/or the synergy between the services provided by the relevant independent contractor, consultant, agent or adviser and the Group's operations.

Categories of Service Providers	Description of Service Providers and the services provided	Criteria for considering the eligibility of the Service Providers
Business and/or joint venture partners	Service Providers under this category are business and/or joint venture partners (individuals and/or businesses) who/which help maintain or enhance the competitiveness of the Group by way of introducing new customers or business opportunities to the Group, enhancing the publicity of its products services, assisting the Group in developing its community presence, building its public image and establishing its brand presence, and the cooperation with which would allow the Group to tap into new business opportunities, such as promoting new commercialised products, exploring new markets, devising innovative growth strategies and expanding its scope of services.	The Board will take into account, amongst others, (i) individual performance of the relevant business and/or joint venture partner (including but not limited to the reliability and quality of the services supplied); (ii) the business and/or joint venture partner's knowledge, experience and network in the relevant industry; (iii) the frequency and length of collaborative relationship with the Group; (iv) the materiality and nature of the services provided to the Group (such as whether such services form part of or are directly ancillary to the business conducted by the Group and whether such services could be readily replaced by third parties); (v) the replacement costs of such business and/or joint venture partner (including continuity and stability of supply or provision of such services); (vi) the background, reputation and track record of the relevant business and/or joint venture partner; (vii) the business and/or joint venture partner's potential and/or actual contribution to the business affairs of the Group, in particular, whether such business and/or joint venture partner could bring positive impacts to the Group's business, such as an increase in revenue or profits or a reduction in costs attributable to or brought by services provided by such business and/or joint venture partner; (viii) the business and/or joint venture partner's adherence to the Group's culture and values; and (ix) the capability, expertise, technical know-how and/or business connections of the relevant business and/or joint venture partner, and/or the synergy between the services provided by the relevant business and/or joint venture partner and the Group's operations.

In assessing whether the Service Provider provides services to the Group:

(i) *on a continuing and recurring basis*, the Board shall take into consideration the length and type of services provided and the recurrences and regularity of such services, and will benchmark such metrics against the performance of the employees, officers and directors of the Group to whom the Group provides equity incentives, while taking into account the purpose of the NBT RSU Scheme and the objectives in engaging the Service Provider.

(ii) *in the Group's ordinary and usual course of business*, the Board shall take into consideration the nature of the services provided to the Group by the Service Provider, and whether such services form part of or are directly ancillary to the businesses conducted by the Group, as disclosed in the Company's financial reports.

The Directors (including the independent non-executive Directors) believe that, notwithstanding the fact that the Company has not previously granted any equity-based awards to Related Entity Participants and Service Providers under the existing shares schemes of the Company, for the reasons cited above, it would be in the Company's interest to reserve such means of incentivising and rewarding Related Entity Participants and Service Providers, in recognition of their contribution to the Group's growth and business development where warranted, and in order to secure their continued support and services by providing them with the opportunity to partake in the Group's future prospects.

The Board's decision or determination under the NBT RSU Scheme need not be uniform and may be made by it selectively with respect to persons who are granted, or are eligible to be granted, Awards under it. Hence, armed with the sole discretion to determine the vesting schedule, vesting criteria and vesting conditions, the Board may also impose additional terms and conditions (including but not limited to performance targets and vesting conditions) for any grant of Award to a Selected Participant, which allows the Board the flexibility and versatility to tailor the requirements and impose specific conditions to adapt to the particular circumstances of each Grant.

On the basis that the NBT RSU Scheme gives the Board wide powers and discretion in the determination of Selected Participants and any matter in connection with the Grants thereto, and in view of the foregoing reasons, the Directors (including the independent non-executive Directors) considers that (i) the inclusion of the Related Entity Participants and the Service Providers as non-employee Eligible Participants are in line with the Company's business needs and the industry norm of providing equity based payment to stakeholders in order to align interests and incentivise performance and contribution, as it is desirable and necessary to sustain and foster such business relationships on a long-term basis; and (ii) the criteria for selection of Related Entity Participants and Service Providers as set out above and in the paragraphs headed "3. Determination of Selected Participants" of Appendix VII to this circular and the discretion afforded to the Board to impose, on a case-by-case basis, varying terms and conditions (including but not limited to performance targets and vesting conditions) for such grant of Awards to Selected Participants, are appropriate and in the long term interest of the Company and the Shareholders as a whole, and align with the purposes and objectives of the NBT RSU Scheme.

Pursuant to the Note (1) to Rule 17.03(2) of the Listing Rules, the Company has sought legal advice on the prospectus requirements of the Companies (WUMP) Ordinance in relation to the NBT RSU Scheme proposed to be adopted and understands that whilst the NBT RSU Scheme is not restricted to executives and employees of the Group, the adoption of the NBT RSU Scheme and the grant of the Share Awards thereunder would not constitute an offer to public, and the prospectus requirements under the Companies (WUMP) Ordinance are not applicable.

Scheme Limit and Service Provider Sublimit

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,191,216,000 Shares. Subject to the obtaining of Shareholders' approval with respect to the adoption of the NBT RSU Scheme and assuming that there is no change in the issued Shares between the period from the Latest Practicable Date to the Adoption Date, the maximum number of Shares which may be issued in respect of all Awards that may be granted under the NBT RSU Scheme and all options and/or awards involving issue of new Shares that may be granted under any other share schemes of the Company shall be 119,121,600 Shares, pursuant to Rule 17.03(3) of the Listing Rules, representing 10% of the Shares in issue (excluding treasury Shares) as at the Adoption Date or subsequently as at the most recent date of approval ("**New Approval Date**") of the refreshed limit (as the case may be) ("**Scheme Limit**").

Within the Scheme Limit, the Company also proposes to set a sublimit of the Shares in respect of RSUs that may be granted to Service Providers, assuming that there is no change in the issued Shares between the period from the Latest Practicable Date to the Adoption Date, the maximum number of Shares which may be issued in respect of all Awards that may be granted to the Service Providers under the NBT RSU Scheme and all options and/or awards involving issue of new Shares that may be granted under any other share schemes (including the Share Option Scheme) of the Company shall be approximately 11,912,160 Shares, representing approximately 1% of the Shares in issue (excluding treasury Shares) ("**Service Provider Sublimit**"). Grant of RSUs to any Service Provider will be subject to the adoption of the NBT RSU Scheme and the Service Provider Sublimit.

For avoidance of doubt, if the adoption of the NBT RSU Scheme is not approved by the Shareholders at the EGM, no RSUs shall be granted to any Service Provider under the Existing RSU Schemes. Awards lapsed in accordance with the terms of the NBT RSU Scheme shall not be counted for the purpose of calculating the Scheme Limit and the Service Provider Sublimit. No Award may be granted under the NBT RSU Scheme which will result in the Scheme Limit and the Service Provider Sublimit being exceeded.

The basis for determining the Service Provider Sublimit (namely, 1% of the total number of issued Shares as at the Adoption Date or the relevant date of approval of the refreshment of the Service Provider Sublimit) includes (i) the potential dilution effect arising from grants to the Service Providers, (ii) the importance of striking a balance between achieving the purpose of the NBT RSU Scheme and protecting the Shareholders from the dilution effect from granting a substantial amount of RSUs to the Service Providers, (iii) the nature of the industry, the extent of use of Service Provider in the Group's businesses, the current payment and/or settlement arrangement with the Service Providers, (iv) the expected contribution to the development and growth of the Company attributable to the Service Providers and (v) to ensure sufficient amount of awards would be available for grant to the Employee Participants.

Considering the fact that (i) the individual limit under Rule 17.03D(1) of the Listing Rules is also 1%, hence carving out a sublimit of 1% for grant to Service Providers under the NBT RSU Scheme would not lead to excessive dilution of the existing Shareholders' shareholdings; (ii) certain Service Providers, which provide services on a regular and recurring basis akin to employees of the Group, may be seasoned people in their own fields and professionals with many business connections whom the Group may not be able to recruit as employees; (iii) the offering of RSUs is conducive to the development of long-term and stable relationship with Service Providers who/which has been consistently providing reliable and high-quality services to the Group; and (iv) the Company expects that a majority of the RSUs will be granted to the Employee Participants and Related Entity Participants and as such there is a need to reserve a larger portion of the Scheme Limit for grants to the Employee Participants and Related Entity Participants. In view of the foregoing and the NBT RSU Scheme's overarching objectives of talent recruitment and retention, the Directors consider that a Service Provider Sublimit of 1% would not lead to an excessive dilution of shareholding of the existing Shareholders and in line with the purposes of the NBT RSU Scheme, and the setting of such Service Provider Sublimit is hence appropriate, reasonable and beneficial to the Group's growth and business development.

Refreshment of the Scheme Limit and Service Provider Sublimit

Subject to the terms of the NBT RSU Scheme, the Company may seek Shareholders' approval at general meeting to refresh the Scheme Limit (and/or the Service Provider Sublimit thereunder) on or after the third anniversary of the Adoption Date or the New Approval Date (as the case may be).

Any refreshment within the aforementioned three-year period must be approved by Shareholders subject to the following:

(i) controlling shareholders of the Company and their associates (or if there is no controlling shareholder, Directors (excluding independent non-executive Directors) and the chief executives of the Company and their respective associates) must abstain from voting in favour of the relevant resolution at the general meeting; and

(ii) the Company must comply with the requirements under Rules 13.39(6) and (7), 13.40, 13.41 and 13.42 of the Listing Rules.

Notwithstanding the foregoing, the Company may seek separate Shareholders' approval at general meeting for the granting of any award beyond the Scheme Limit (and/or the Service Provider Sublimit thereunder), or if applicable, the refreshed limit as at the New Approval Date, provided that the Awards in excess of the Scheme Limit (and/or the Service Provider Sublimit thereunder) are granted only to Selected Participants specifically identified by the Company before such approval is sought. In which case, the Company shall send to its shareholders a circular containing (i) the name of each specified Selected Participant who may be granted such Awards, (ii) the number and terms of the Awards to be granted to each specified Selected Participant, (iii) the purpose of granting Awards thereto with an explanation as to how the terms of the Awards serve such purpose, and (iv) any other information as may be required under the Listing Rules. The number and terms of the Award(s) to be granted to such specified Selected Participant shall be fixed before Shareholders' approval.

The total number of Shares which may be issued in respect of all options and/or awards and/or Awards involving new Shares which may be granted under the NBT RSU Scheme or any other share schemes of the Company under the Scheme Limit as "refreshed" shall not in aggregate exceed 10% of the Shares in issue (excluding treasury Shares) as at the New Approval Date. The Company must send a circular to the Shareholders containing the number of Awards that were already granted under the existing Scheme Limit and the existing Service Provider Sublimit thereunder, and the reason for the "refreshment".

Vesting Period

The vesting period for Awards under the NBT RSU Scheme shall not be less than 12 months from the Grant Date. To ensure the practicability of fully attaining the purpose of the NBT RSU Scheme, the Board is of the view that (i) there are certain instances where a strict 12-month vesting requirement would not work or would not be fair to the Selected Participant (especially in cases where awards were granted to Employee Participants in replacement or in substitution of (A) awards from previous employment so forfeited upon joining the Group as inducement for employment or (B) awards granted under the Group's other employee share incentive schemes as prompted by a shift in the Company's administrative, operational and human resources deployment policies or strategic initiatives, where perceived fairness requires that the elapsed vesting period of the original awards be taken into account), such as those set out in the paragraphs headed "12. Vesting of Awards" of Appendix VII to this circular; (ii) there is a need for the Company to retain flexibility in certain cases to provide a competitive remuneration package to attract and retain Employee Participants to provide services to the Group, to provide for succession planning and the effective transition of employee responsibilities, and to reward exceptional performers with accelerated vesting or in exceptional circumstances where justified; and (iii) the Company should be allowed discretions to formulate its own talent recruitment and retention strategies in response to the changing market conditions and industry competition, and thus should be able to retain such flexibility to impose vesting conditions, such as performance-based vesting conditions instead of mere time-based vesting criteria, having due consideration and regard to individual circumstances.

Based on the foregoing, the Board and the Remuneration Committee are of the view that maintaining the ability to grant Awards with a shorter vesting period in the circumstances as prescribed in the paragraphs headed "12. Vesting of Awards" of Appendix VII to this circular is in line with the market practice and aligns with industry norms and will allow the Company the necessary flexibility to adapt to changing market conditions and to provide a competitive remuneration package to reward exceptional performers with accelerated vesting or in exceptional circumstances where justified. Hence, the Board and the Remuneration Committee consider that the reservation of such power for the Board to determine (in its sole and absolute discretion) whether accelerated vesting or a shorter vesting period is necessary or justifiable under specific circumstances is appropriate, reasonable and beneficial to the Group's growth and business development and aligns with the purpose of the NBT RSU Scheme.

Performance milestones or targets

Pursuant to the NBT RSU Scheme, Awards may be granted on such terms and conditions (such as by linking the vesting of the Awards to the attainment or performance of milestones or targets by any member of the Group, the Selected Participants or any group thereof) as the Board or the RSU Administrator (as the case may be) may determine, provided such terms and conditions shall not be inconsistent with any other terms and conditions of the NBT RSU Scheme.

For each Grant made under the NBT RSU Scheme, performance milestones or targets (including but not limited to a certain period of continued employment, engagement and/or service within the Group or other conditions as the Board deems appropriate in its absolute discretion from time to time) that must either be fulfilled, satisfied or waived in order for the Award to vest in whole or in part shall be set out in the Notice of Grant. If the performance milestones or targets and/or other conditions (if any) determined by the Board or the RSU Administrator (as the case may be) are not satisfied, the Award shall automatically lapse on the date on which any such condition ceased to be capable of being satisfied, as determined by the Board or the RSU Administrator (as the case may be) in its sole and absolute discretion.

The performance milestones or targets may comprise a mixture of key performance indicators component to be attained including, without limitation, (i) the business and financial performance of the Group by reference to annual revenue growth rate, gross profit and/or the Group's core competitiveness or corporate targets and/or goals attained, (ii) individual performance based on periodic performance appraisal, assessment or review, which may vary among the Selected Participants considering their different roles, positions and contributions, and/or (iii) non-financial performance measures such as the individual's adherence to the Company's culture and values. The Board shall conduct such periodic performance appraisal, assessment or review to determine whether the agreed performance milestones or targets have been (and the extent to which they have been) met. The Company will evaluate the actual performance and contribution of a Grantee against the performance milestones or targets set and form a view as to whether the relevant performance milestones or targets have been fulfiled. For the avoidance of doubt, the performance milestones or targets are not applicable to Grantees who are independent non-executive Directors.

The Directors are of the view that having in place both financial and non-financial milestones or performance targets as conditions to vesting of Awards can provide clear objectives to help the Grantees stay motivated, as well as leverage strong positive incentives for them to strive for higher performance, which could drive innovation and progress of the Group's growth targets in terms of business development and strategic expansion.

Clawback mechanism

Upon the occurrence of certain events (whether an event is to be regarded as having occurred is subject to the sole determination of the Board) in relation to a Grantee, Awards granted thereto may be clawed back, which such Awards shall lapse accordingly on the date as determined by the Board. For the avoidance of doubt, Awards that have lapsed in accordance with the terms of the NBT RSU Scheme will not be regarded as utilised for the purpose of calculating the Scheme Limit and the Service Provider Sublimit thereunder. An Award under the NBT RSU Scheme shall be subject to a clawback if any of the following events occurs:

(a) if the Grantee ceases to be an Eligible Participant by reason of the termination of his/her employment or engagement with the Group or any Related Entity for *Cause* or on the grounds that (i) he/she has been guilty of fraud or dishonesty or persistent or serious misconduct or commits any wilful disobedience or non-compliance with the terms of such employment or engagement, regardless of whether the Group or any Related Entity suffers any loss therefrom, (ii) for an Employee Participant or Related Entity Participant, where he/she commits any wilful disobedience or non-compliance with instructions given by any member of the Group or engages in any other conduct that results in significant damage to the reputation or standing of the Group or inflict harm in any way (whether monetary or not) to the Group, (iii) he/she appears either to be unable to pay or to have no reasonable prospect of being able to pay his/her debts or has become bankrupt or has made any arrangement or composition with his/her creditors generally, or (iv) for an Employee Participant or Related Entity Participant, he/she has been convicted of any criminal offence involving his/her integrity or honesty or on any other ground on which an employer would be entitled to terminate his/her employment summarily;

(b) if the Grantee (being a Service Provider) commits any serious misconduct, fraud, criminal wrongdoing, wilful misconduct, gross negligence, material breach of the terms of his/her/its consultation, service, engagement or other contract, agreement or arrangement with any member of the Group and/or any Related Entity, which entitles any member of the Group and/or any Related Entity to terminate such contract, agreement or arrangement with such Service Provider on ground(s) for breach of contract(s) (in which case, the Board's determination as to whether such breach is material shall be conclusive);

(c) if there being a material misstatement in the audited financial statements of the Company that requires a restatement; and

(d) if any other clawback event so prescribed in the Notice of Grant so occurs.

For vested Award Shares, the Board or the RSU Administrator (as the case may be) may in its sole discretion (or as otherwise agreed with the Grantee in writing from time to time) determine that a Grantee shall surrender the Award (in Shares or equivalent fair value of cash underlying the Award) to the Company whether by the Grantee effecting such transfer of Shares to the Trustee or by having the Shares forfeited and cease to be transferable (where such transfer has yet to occur), or payment of cash proceeds or deductions from or set offs against any amounts owed to the Grantee by the Company) an amount equal to the fair value of such benefit, calculated on an after-tax basis, received or to be received by the Grantee from such vesting, provided that the Board or the RSU Administrator (as the case may be) may, at its discretion, determine that a lesser amount should be repaid.

In the event the Company exercises its right to claw back the Award Shares from a Grantee pursuant to the terms of the NBT RSU Scheme, such Grantee shall not be entitled to any compensation or damages in consequence of his/her Award Shares having been clawed back by the Company. For details of the clawback mechanism of the NBT RSU Scheme, please refer to the paragraphs headed "16. Clawback" of Appendix VII to this circular.

General

As at the Latest Practicable Date,

(i) Save for the Company's Existing RSU Schemes as disclosed above, the Company had no other subsisting share schemes which have not been expired;

(ii) save for the grants of options and/or awards disclosed above, the Company has no present or concrete intention of granting any further share awards under the Existing RSU Schemes as well as any further share options under the Share Option Scheme;

(iii) none of the Directors is or will be a trustee of the Existing RSU Schemes, the Share Option Scheme and the NBT RSU Scheme nor has or will have any direct or indirect interest in the trustees of the aforesaid share schemes;

(iv) to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Shareholders and any of their respective close associates has any material interest in the adoption of the NBT RSU Scheme; and

(v) no Shareholder is required to abstain from voting on the resolutions in relation to the adoption of the NBT RSU Scheme.

A summary of the principal terms of the NBT RSU Scheme is set out in Appendix VII to this circular. A copy of the NBT RSU Scheme will be made available for inspection at the EGM and will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.newborntown.com for not less than 14 days before the date of the EGM.

An application will be made to the Stock Exchange for the approval for the listing of, and permission to deal in, any new Shares which may fall to be issued and allotted pursuant to the Award granted under the NBT RSU Scheme.

As at the Latest Practicable Date, the Company has no concrete plan or present intention of (and thus the Board will not propose) granting any Award to any Eligible Participant under the NBT RSU Scheme immediately upon its adoption. However, the Board does not rule out the possibility that the Company will grant Awards under the NBT RSU Scheme in future when such need arises in order to reward, incentivise or compensate Selected Participants under the NBT RSU Scheme. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

THE EGM

A notice convening the EGM to be held at 10:00 a.m. on 12 December 2024 at 6/F, Tower B, Xiaoyun Road 33rd Building, Chaoyang District, Beijing, PRC is set out on the pages numbered EGM-1 to EGM-4 in this circular.

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

As at the Latest Practicable Date, BGFG was the substantial shareholder of the Company holding approximately 8.39% equity interest in the total issued share capital of the Company. Pursuant to Rule 14A.70(12) of the Listing Rules, where shareholders' approval is required with regard to a connected transaction, any shareholder with a material interest in such transaction will not vote on such transaction. Accordingly, As BGFG has a material interest in the Share Purchase Agreement and the transactions contemplated thereunder, BGFG shall abstain from voting at the EGM on the resolution in relation thereto to be proposed at the EGM.

As at the Latest Practicable Date, BGFG and its close associates controlled or were entitled to exercise control over the voting rights in respect of 100,000,000 Shares in the Company, representing approximately 8.39% of the entire issued capital of the Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date:

(i) there was no voting trust or other agreement or arrangement or understanding entered into by or binding upon BGFG;

(ii) Mr. WANG Xinming, the sole member of BGFG, was not subject to any obligation or entitlement whereby he had or may have temporarily or permanently passed control over the exercise of the voting right in respect of his Shares to a third party, either generally or on a case-by-case basis; and

(iii) it was not expected that there would be any discrepancy between BGFG's beneficial shareholding interest in the Company and the number of Shares in respect of which BGFG would control or would be entitled to exercise control over the voting right at the EGM.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, save for BGFG and its close associates, no Shareholders and any of their respective close associates has any material interest in the Share Purchase Agreement. and the transactions contemplated thereunder. As such, save for BGFG and its close associates, none of the Shareholders are required to abstain from voting in favour of the resolution approving the Share Purchase Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Shareholders and any of their respective close associates has any material interest in the adoption of the NBT RSU Scheme. As such, none of the Shareholders are required to abstain from voting in favour of the resolutions approving the above matters to be proposed at the EGM.

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. 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 10 December 2024) 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 resolution in respect of the Share Purchase Agreement and the transactions thereunder. Mr. SU Jian and Mr, YE Chunjian were considered interested in the transactions contemplated under the Share Purchase Agreement and have thus abstained from voting on the Board resolutions to approve the Share Purchase Agreement. Save for Mr. SU Jian and Mr. YE Chunjian, none of the other Directors is regarded as having a material interest in the transactions contemplated under the Share Purchase Agreement. Accordingly, none of the other Directors is required to abstain from voting on the resolutions with respect to the Share Purchase Agreement at the Board meeting under the Listing Rules.

The Board has resolved and approved the resolutions in respect of the proposed adoption of the NBT RSU Scheme. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Director has a material interest in the aforesaid matters and accordingly, none of them is required to or has abstained from voting on the relevant Board resolutions.

The Board (including the independent non-executive Directors) considers that (i) the terms of the Share Purchase Agreement and the transactions contemplated thereunder are fair and reasonable, and on normal commercial terms or better, which together with the proposals for (ii) the adoption of the NBT RSU Scheme, are all in the best interests of the Company and the Shareholders as a whole. With the necessary information for seeking Shareholders' approval on the proposed matters being set out herein for consideration, the Board (including the independent non-executive Directors) thus 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 the Cayman Islands with limited liability)
(Stock Code: 9911)

To the Independent Shareholders 25 November 2024

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTIONS
ENTERING INTO SHARE PURCHASE AGREEMENT INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE;
AND
ADOPTION OF THE NBT RSU SCHEME

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 Share Purchase Agreement (as supplemented by the Supplemental 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 the Independent Financial Adviser in relation thereto as set out on pages 54 to 81 of this circular, we consider that the Acquisition though not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole, and that the terms of the Share Purchase Agreement (as supplemented by the Supplemental 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 resolution(s) in relation to (i) the entering into the Share Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated 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

25 November 2024

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

Dear Sirs,

MAJOR AND CONNECTED TRANSACTIONS

ENTERING INTO SHARE PURCHASE 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 letter from the Board contained in the circular of the Company to the Shareholders dated 25 November 2024 (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 27 June 2024 (after trading hours), the Company (as the Purchaser) entered into the Share Purchase Agreement with BGFG, JJQJ and JZZT (altogether as the Sellers) and the Target Company, pursuant to which the Sellers have conditionally agreed to sell, and the Company has conditionally agreed to acquire an aggregate of 77,832,740 Sale Shares as held by the Sellers for a total consideration of approximately HK$1,982,657,556 (the "**Consideration**"). The Consideration will be settled as to HK$993,789,796 by cash (the "**Cash Consideration**"); and the rest by the issuance of 219,748,391 new Shares (the "**Consideration Shares**") to the Sellers at the issue price of HK$4.50 per Share (the "**Share Consideration**"). As at the Latest Practicable Date, the Target Company is a non-wholly owned subsidiary of the Company, in which the Company owns 122,167,260 shares of the Target Company, which accounts for approximately 61.08% of its total number of issued shares. Upon Completion, the

Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Company will continue to be fully consolidated into the consolidated financial statements of the Group.

Since the Target Company is a significant subsidiary of the Company and JZZT is a substantial shareholder of the Target Company, JZZT is a connected person at the subsidiary level of the Company under the Listing Rules. Meanwhile, without prejudice to the foregoing, as JZZT is owned as to 47.69% by Travelspace Limited, which is in turn wholly-owned by Mr. SU Jian, an executive director of the Company, JZZT is thus an associate (as defined in the Listing Rules) of Mr. SU Jian (by virtue of his indirect control of over 30% or more shareholding interest in JZZT), and accordingly, a connected person of the Company under the Listing Rules. 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 (as defined under the Listing Rules) in respect of the Acquisition exceeds 25% but all such percentage ratios are less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and subject to reporting, announcement and 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 and issued an opinion letter contained in the circular dated 30 June 2023 published by the Company in relation to a connected transaction. The past engagement was limited to providing independent advisory services to the Company pursuant to the Listing Rules, for which we received a fixed normal professional fee. 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, JZZT, the Target Company, Mr. SU Jian 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 Acquisition. 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, JZZT, the Target Company, Mr. SU Jian or any of their close associates, associates or core connected persons.

In formulating our opinion and recommendation, we have reviewed, among other things, the Share Purchase Agreement, the annual report of the Company for the year ended 31 December 2023 ("**2023 Annual Report**"), the interim report of the Company for the six months ended 30 June 2024 ("**2024 Interim Report**") 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. Independent Shareholders will be informed as soon as practicable if we become aware of any material change to such information or if there is any change to our opinion thereon up to the date of the EGM. 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.

In this letter, for illustrative purpose, conversions of United States dollars, and HK$ into RMB are based on the exchange rates of US$1 to RMB7.0925, and HK$1 to RMB0.9127 respectively, being the central parity rate on 27 June 2024 quoted from People's Bank of China.

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 is a globalised internet enterprise that has created dozens of high-quality applications targeted at global users in areas such as social networking and gaming, including the general social networking products MICO, YoHo, TopTop and SUGO, as well as the multicultural social networking product HeeSay, and the niche games product Alice's Dream: Merger Games. These products have served over one billion global users in hundreds of countries and regions. The Company has deep roots in the Middle East and North Africa markets, and is actively expanding into Southeast Asia, Europe, America, Japan, and Korea, striving to become the world's largest social entertainment company.

The Company has been listed on the Main Board of the Stock Exchange since 31 December 2019. Since June 2020, the Group completed a series of acquisitions of equity interest in Beijing Mico World Technology Co., Ltd. ("**Beijing Mico**"), a company which had carried out the business of the Target Company. As at the Latest Practicable Date, the Target Company is a non-wholly owned subsidiary of the Company, in which the Company holds as to approximately 61.08% of its total number of issued shares.

(b) Financial performance of the Group

Set out below is a summary of the Group's financial performance for the two years ended 31 December 2022 ("**FY2022**") and 2023 ("**FY2023**") as extracted from 2023 Annual Report and for six months ended 30 June 2023 ("**1H2023**") and 2024 ("**1H2024**") as extracted from 2024 Interim Report:

TABLE 1: FINANCIAL PERFORMANCE OF THE GROUP

(RMB'000)	**1H2024** *(unaudited)*	**1H2023** *(unaudited)*	**FY2023** *(audited)*	**FY2022** *(audited)*
Revenue	**2,271,925**	**1,374,558**	**3,307,799**	**2,799,698**
– Social networking business	2,070,422	1,243,450	2,971,915	2,557,371
– Innovative business	201,503	131,108	335,884	242,327
Gross profit	**1,141,031**	**706,884**	**1,722,083**	**1,057,907**
– Social networking business	1,024,363	593,996	1,429,096	856,616
Gross profit margin	*49.5%*	*47.8%*	*48.1%*	*33.5%*
– Innovative business	116,668	112,888	292,987	201,291
Gross profit margin	*57.9%*	*86.1%*	*87.2%*	*83.1%*
Overall gross profit margin	*50.2%*	*51.4%*	*52.1%*	*37.8%*
Operating profit	**366,585**	**277,468**	**551,113**	**269,261**
Profit for the period/year attributable to the Shareholders	**224,676**	**185,302**	**512,845**	**130,135**

The Company and its subsidiaries are principally engaged in provision of (i) social networking business (mainly through social networking applications such as MICO, SUGO, YoHo and Blued) and (ii) innovative business (mainly through niche games and casual games and social e-commerce business).

FY2023 vs FY2022

The Group's revenue increased by 18.1% from RMB2,799.7 million for FY2022 to RMB3,307.8 million for FY2023, among which social networking business contributed approximately 90% of the revenue and innovative business contributed the rest. Social networking business increased by 16.2% to RMB2,971.9 million for FY2023 as compared to RMB2,557.4 million for FY2022, principally attributable to (i) the pan-audience social networking business' stable performance which benefitted from continuously enriched content ecosystem across various products, technological innovation and product function upgrades, as well as further expanded new user base; and (ii) completion of the acquisition of Chizicheng Strategy Investment ("**Chizicheng**") in August 2023 and starting to consolidate the revenue of BlueCity Holdings Limited and Land of Glory Ltd. Innovative business increased by 38.6% to RMB335.9 million for FY2023 as compared to RMB242.3 million for FY2022, principally attributable to the successful product incubation and development by gaming team of the Company.

The gross profit for FY2023 amounted to RMB1,722.1 million, representing an increase of 62.8% from RMB1,057.9 million for FY2022, mainly attributable to continuous enrichment of pan-audience social networking product portfolio and development of diverse-audience social networking business as well as improved commercialisation efficiency. The gross profit margins in both social networking business and innovative business improved with social networking business' gross profit margin from 33.5% for FY2022 to 48.1% for FY2023 and innovative business' gross profit from 83.1% for FY2022 to 87.2% for FY2023. As a result, the overall gross profit margins of the Group were 37.8% and 52.1% for FY2022 and FY2023, respectively. The Group's operating profit doubled in FY2023 as compared to FY2022, mainly attributable to the increase in gross profit as aforementioned partially offset by the increase in selling and marketing expenses and research and development expenses. The profit for the year attributable to the Shareholders increased approximately fourfold, from RMB130.1 million for FY2022 to RMB512.8 million for FY2023, largely due to (i) increase in operating profit as discussed above; and (ii) gain on revaluation of equity method investee of RMB158.8 million arising from the acquisition of Chizicheng.

1H2024 vs 1H2023

For 1H2024, the revenue of social networking business amounted to RMB2,070.4 million, representing a year-on-year increase of 66.5% as compared to RMB1,243.5 million for 1H2023. The increase was primarily attributable to (i) the Group's more streamlined pan-audience social networking business product matrix and continuous optimisation of the operations and commercialisation strategies; and (ii) completion of acquisition of Chizicheng in August 2023 and starting to consolidate the revenue of BlueCity Holdings Limited and Land of Glory Ltd. The revenue of innovative business amounted to RMB201.5 million for 1H2024, representing a 53.7% increase from RMB131.1 million for 1H2023. The increase was mainly attributable to the steady development of the Group's existing casual game business and traffic diversion business, as well as the progress made by the social e-commerce business that the Group has been actively investing in and developing. Overall, the Group recorded a total revenue of RMB2,271.9 million for 1H2024, representing a year-on-year increase of 65.3% compared to RMB1,374.6 million in 1H2023.

The gross profit for 1H2024 amounted to RMB1,141.0 million, representing an increase of 61.4% from RMB706.9 million for 1H2023. The increase in the Group's gross profit was mainly contributed by a 72.5% increase in social networking business' gross profit. The gross profit margin of the social networking business was slightly improved, rising from 47.8% for 1H2023 to 49.5% for 1H2024, which was mainly attributable to the enhanced brand influence and the successful commercialisation of social networking products through continuous optimisation of operations and strategies. In contrast, the gross profit margin of the innovative business decreased from 86.1% for 1H2023 to 57.9% for 1H2024, which was mainly because the increase in cost of revenue (especially the increased cost of inventories as well as substantial increase in employee benefit expenses incurred by the social e-commerce business which the Group has been actively investing in and developing) outpaced the increase in the revenue. As a result, the Group's gross profit margin was 50.2% for 1H2024, compared to 51.4% for 1H2023. The operating profit increased from RMB277.5 million for 1H2023 to RMB366.6 million for 1H2024, representing an increase of 32.1%. This increase was mainly attributable to the aforementioned increase in the Group's gross profit partially offset by an increase of RMB284.8 million in selling and marketing expenses, research and development expenses and general and administrative expenses. Overall, the profit attributable to the Shareholders for 1H2024 increased by 21.2% to RMB224.7 million. Such increase was primarily attributable to increases in (i) operating profit as discussed above; and (ii) interest income from bank deposits.

(c) Financial position of the Group

Set out below is a summary of the financial position of the Group as at 31 December 2022 and 2023 as extracted from 2023 Annual Report and 30 June 2024 as extracted from 2024 Interim Report.

TABLE 2: FINANCIAL POSITION OF THE GROUP

	As at 30 June	**As at 31 December**	
(RMB'000)	**2024**	**2023**	**2022**
	(unaudited)	*(audited)*	*(audited)*
Total assets	**2,999,135**	**2,790,856**	**1,720,217**
– Cash and cash equivalents	1,489,188	1,386,363	596,729
Total liabilities	**747,666**	**843,361**	**482,207**
Total equity attributable to the Shareholders ("NAV")	**1,296,609**	**1,120,943**	**707,822**
NAV per Share (RMB)*(Note)*	1.09	0.96	0.60

Note: Calculated based on the NAV as at the respective year/period end divided by the number of Shares in issue (excluding treasury shares held by the Company) as at the end of the respective year/period.

The Group's total assets increased from RMB1,720.2 million as at 31 December 2022 to RMB2,790.9 million as at 31 December 2023, representing a 62.2% increase. This positive growth was mainly due to increased cash generated from business operations and the contributions from the business combination resulting from the acquisition of Chizicheng. On the other hand, the Group's total liabilities, primarily comprising accounts payables and other payables, also increased from RMB482.2 million as at 31 December 2022 to RMB843.4 million as at 31 December 2023, representing a 74.9% increase due to the consolidation of Chizicheng's accounts payables and other payables. NAV rose from RMB707.8 million as at 31 December 2022 to RMB1,120.9 million as at 31 December 2023. This increase was primarily driven by profit generated during FY2023.

The Group's total assets edged up from RMB2,790.9 million as at 31 December 2023 to RMB2,999.1 million as at 30 June 2024. This increase was primarily attributable to increased cash generated from business operations. The Group's total liabilities decreased from RMB843.4 million as at 31 December 2023 to RMB747.7 million as at 30 June 2024. Such decrease was primarily due to decrease in lease liabilities and other payables. NAV increased from RMB1,120.9 million as at 31 December 2023 to RMB1,296.6 million as at 30 June 2024, chiefly attributable to the profit generated during 1H2024.

2. Reasons for and benefits of the Acquisition

As advised by the Management and as stated in the letter from the Board of the circular, the Acquisition is stemming from the Board's optimism towards the prospects of the business currently conducted under the Target Group which has a solid operational base and sound brand identity. The Directors are also of the view that the Acquisition will serve to boost market confidence in the Group in terms of future earning capability and growth potential, especially in emerging overseas markets such as the Middle East and North Africa where demand for the Target Group's products is picking up and where opportunities for business growth are abundant. Thus the Directors consider that the Acquisition presents a good opportunity for the Company to fully reap the financial benefits of the Target Group's business and enhance the intrinsic market value for its Shareholders after due consideration of the following strategic direction and development priorities underpinning the Enlarged Group's growth agenda going forward.

Based on the aforementioned, the further integration with the Target Company could (i) build rapport and forge connection with the global audience by leveraging thriving demand in the global social networking market; (ii) utilise synergies to stimulate innovation, streamline management, drive down costs and accelerate market expansion; and (iii) drive financial performance by reaping in full the financial benefits of the Target Group's profitable operations. Upon completion of the Acquisition and the Target Company having become a wholly-owned subsidiary of the Company, the Group can not only benefit from the full control it can then exert over its operations, but can also reap the benefits of the Target Company's entire economic interests and consolidate its entire financial results into that of the Group's. Thus, the Acquisition not only aligns the Company's development strategy, but also facilitates synergy and efficient integration of resources and better utilisation of the Target Group's operating experience and advantages in the Global scene to complement the Group's existing operating infrastructure. The Board considers that the Acquisition presents a good opportunity for the Company to enhance the intrinsic market value for its Shareholders.

In this regard, we have reviewed the historical performance of the Target Company, 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 Company", "5. Analysis of the Consideration" and "6. Financial effects of the Acquisition on the Group" in this letter.

3. Principal terms of the Share Purchase Agreement (as supplemented by the Supplemental Agreement)

Date

27 June 2024

Parties

(i) the Company (as purchaser);

(ii) JZZT (as seller);

(iii) BGFG (as seller); and

(iv) JJQJ (as seller)

Subject matter

77,832,740 Sale Shares, representing 38.92% of the total issued shares of the Target Company immediately prior to Completion.

Consideration and terms of payment

The total consideration is HK$1,982,657,556, which will be settled as to (i) HK$993,789,796 by cash; and (ii) the rest by the issuance of 219,748,391 new Shares to the Sellers at the issue price of HK$4.50 per Share. The Cash Consideration will be financed by the Group's own source of fund in full.

The Cash Consideration represents the total cash payable to the Sellers, which shall be paid across four instalments in equal proportion, with the amount payable to the Sellers (in aggregate) for each instalment totalling HK$248,447,449. Details of the number of Sale Shares to be sold by, and Cash Consideration payable to, each of the Sellers are set out below:

TABLE 3: SALE SHARES AND CASH CONSIDERATION

Seller	Sale Share Number of Sale Shares to be sold	Cash Consideration (in HK$) First instalment *(Note)*	Second instalment *(Note)*	Third instalment *(Note)*	Fourth instalment *(Note)*	Total
BGFG	11,467,760	43,818,272	43,818,272	43,818,272	43,818,272	175,273,088
JJQJ	19,132,318	73,104,522	73,104,522	73,104,522	73,104,522	292,418,088
JZZT	47,232,662	131,524,655	131,524,655	131,524,655	131,524,655	526,098,620
Total	**77,832,740**	**248,447,449**	**248,447,449**	**248,447,449**	**248,447,449**	**993,789,796**

Note: The first, second, third and fourth instalments will be paid on the Post-Completion Payment Date, 1st anniversary following the Post-Completion Payment Date, 2nd anniversary following the Post-Completion Payment Date and 3rd anniversary following the Post-Completion Payment Date, respectively.

In addition to the Cash Consideration, on Completion, the Company shall issue and allot the 25,966,383 Consideration Shares to BGFG, 43,321,198 Consideration Shares to JJQJ and 150,460,810 Consideration Shares to JZZT, pursuant to the specific mandate to be sought at the EGM. Taking into account both the Cash Consideration and Share Consideration, each of BGFG, JJQJ and JZZT will sell their Sale Shares at the same price per share (i.e. approximately HK$25.5 per share) to the Company. The Consideration Shares account for approximately 18.45% of the issued share capital of the Company as at the Latest Practicable Date and approximately 15.57% of the issued share 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).

The Consideration has been agreed by the parties to the Share Purchase 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 appraised by the independent valuer, the business prospects of the Target Company and the reasons for and benefits of entering into the Share Purchase Agreement. Pursuant to the Share Repurchase Agreement, the Cash Consideration is to be paid by the Company in instalments as shown in table 3 above. As stated in the letter from the Board, the deferred payment arrangement would ease cashflow pressure, provide flexibility in fund management and allocation and achieve an optimal balance of risk and return. Given that (i) the Cash Consideration, accounting for approximately 67% of the Group's cash and cash equivalents as at 30 June 2024, being paid in a lump sum would cause substantial cash outflow; and (ii) no interest would be incurred on the part of the Group with respect to the deferred payments, we concur with the Management that the deferred payment arrangement is in the interests of the Company and Shareholders as a whole.

The issue price of the Consideration Shares of HK$4.50 per Share was determined after arm's length negotiation among the parties to the Share Purchase Agreement with reference to the closing price on the date of entering into the Share Purchase Agreement and the average closing price for the last five trading days prior to the date of the Share Purchase Agreement.

Conditions precedent

The Company's obligation to proceed with the Completion and settle the Consideration shall be subject to, among others, (i) the transactions contemplated under the Share Purchase Agreement having been approved by the Board and by the Shareholders at the general meeting of the Company; and (ii) the Stock Exchange having granted approval for the listing of, and permission to deal in, the Consideration Shares and such approval and permission not being subsequently withdrawn or revoked by the Stock Exchange.

Other conditions precedent to the Share Purchase Agreement are set out in the letter from the Board in the Circular. As at the Latest Practicable Date, the above mentioned (i) and (ii) have yet to be fulfilled or waived.

Completion

Completion shall take place on the Completion date, or on such other date and at such place as the Sellers and the Company may mutually agree upon in writing.

For details of the principal terms of the Share Purchase Agreement, please refer to the letter from the Board in the Circular.

4. Information on the Target Group

(a) Business of the Target Group

The Target Company focuses on providing online social entertainment services and is committed to meeting the diversified social needs of global users. It has launched multiple social entertainment products such as MICO and YoHo, serving nearly 100 million users in over 150 countries and regions worldwide. The Target Company's various applications are popular in regions such as Middle East, North Africa, and Southeast Asia, and it is actively expanding into markets such as Europe, America, Japan, and South Korea.

Set out in the table below are the shareholding structures of the Target Company (i) immediately prior to Completion; and (ii) immediately upon Completion.

TABLE 4: SHAREHOLDING STRUCTURES OF THE TARGET COMPANY

	Immediately prior to Completion		**Upon Completion**	
Shareholder	**Number of shares**	**Percentage**	**Number of shares**	**Percentage**
The Company	122,167,260	61.08%	200,000,000	100.00%
JZZT	47,232,662	23.62%	–	–
BGFG	11,467,760	5.73%	–	–
JJQJ	19,132,318	9.57%	–	–
Total	**200,000,000**	**100.00%**	**200,000,000**	**100.00%**

(b) Financial information of the Target Group

Set out below is a summary of key financial information of the Target Group for FY2022 and FY2023 and for 1H2023 and 1H2024 (the "**Track Record Period**") as extracted from the audited combined financial statements of the Target Group prepared in accordance with the IFRS:

TABLE 5: FINANCIAL INFORMATION OF THE TARGET GROUP

	1H2024	**1H2023**	**FY2023**	**FY2022**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Revenue from contracts with customers	1,615,053	1,170,272	2,491,333	2,380,220
Gross profit	820,245	547,214	1,216,932	751,399
Net profit before taxation	395,396	338,077	644,830	406,932
Net profit after taxation	395,903	327,523	632,018	406,954

	As at 30 June	**As at 31 December**	
	2024	**2023**	**2022**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Total assets	2,989,747	2,606,259	1,876,190
Total liabilities	352,035	388,947	314,429
Net assets	2,637,712	2,217,312	1,561,761

Financial performance of the Target Group

For FY2023, the gross profit of the Target Group increased by 62.0% to approximately RMB1,216.9 million as compared with that for FY2022, which was mainly due to (i) the increase in the revenue contributed by the core applications of the Target Group; and (ii) the decline in cost of sales (mainly reduced revenue sharing and commission fees to streamers) as a result of enhanced commercialisation efficiency For 1H2024, the gross profit continued to grow by approximately 49.9% as compared to that for 1H2023. The strong positive growth in 1H2024 was driven by a clearer and more refined matrix of its social networking products, the Target Group's strategic focus on key target markets, and the optimisation of its operation and commercialisation strategies.

The Target Group recorded net profits before and after tax of approximately RMB644.8 million and RMB632.0 million for FY2023, respectively, representing year-on-year increases of 58.5% and 55.3% as compared to those for FY2022. The profits before and after tax of the Target Group for 1H2024 continued to grow by approximately 17.0% and 20.9%, respectively as compared to those for 1H2023. The continuous increases in the profit of the Target Group were mainly attributable to (i) a gradual increase in gross profit resulting from continuous optimisation of the Target Group's market strategy; and (ii) enhanced brand recognition and monetisation ability.

Financial position of the Target Group

Total assets of the Target Group amounted to approximately RMB1,876.2 million, RMB2,606.3 million and RMB2,989.7 million as at 31 December 2022 and 2023 and 30 June 2024, respectively. Assets of the Target Group mainly comprised (i) cash and bank deposits; (ii) accounts and other receivables; (iii) intangible assets; and (iv) goodwill. The increase in the Target Group's total assets in the past two and half years was principally attributable to the increases in cash and bank deposits and accounts and other receivables resulting from continuous business development and increase in revenue of the Target Group. The continuing decrease in the intangible assets during the Track Record is mainly due to the amortisation over time. Goodwill remained at approximately RMB197.3 million during the Track Record Period, which mainly arose from Beijing Mico acquired in 2020.

The Target Group did not have any borrowings. Accounts payable and other payables, which mainly comprised employee benefits payable, accounted for the majority of the liabilities of the Target Group during the Track Record Period. The increase in liabilities in FY2023 was due to the increase in employee benefits payable which mainly comprised bonuses to be distributed, while the decrease in 1H2024 was mainly due to decrease in employee benefits payable after bonuses were distributed in early 2024.

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 2023 and six months ended 30 June 2024, the net assets of the Target Group had strengthened and surged by approximately 42.0% from approximately RMB1,561.8 million as at 31 December 2022 to approximately RMB2,217.3 million as at 31 December 2023, and further increased by approximately 19.0% to approximately RMB2,637.7 million as at 30 June 2024.

5. Analysis of the Consideration

(a) Basis of Consideration – Business valuation

The Consideration, which is HK$1,982.7 million, valued the Target Company at HK$5,094.8 million (equivalent to RMB4,650 million) on 100% basis. As stated in the letter from the Board, the Consideration was agreed by the parties after arm's length negotiations, with reference to an independent valuation. A valuation report on the Target Company (the "**Valuation Report**") prepared by Beijing PG Advisory Co., Ltd (the "**Independent Valuer**") is set out in appendix V to the Circular. The Target Company is valued in a range of RMB4,036 million (equivalent to HK$4,422.0 million) to RMB5,220 million (equivalent to HK$5,719.3 million) with a median of RMB4,650 million (equivalent to HK$5,094.8 million) after rounding up as of 31 May 2024 (the "**Valuation Date**"). The Consideration is equal to the median of such valuation.

To assess the independence and competence of the Independent Valuer, we have obtained and reviewed the engagement letter signed between the Company and the Independent Valuer and the credentials of the Independent Valuer, and noted that (i) the scope of work set out in the engagement letter is appropriate for conducting the valuation of the Target Company and there were no limitations on the scope of the work which might adversely affect the degree of assurance given by the Valuation Report; and (ii) the Independent Valuer is a professional firm and the person in-charge of the valuation has over 15 years' experience in provision of valuation services to a wide range of clients in various industries. The Independent Valuer also confirmed that it was independent from the Company, JZZT, the Target Company and their respective related parties.

(i) Valuation methodology

We have discussed with the Independent Valuer as well as reviewed the Valuation Report and understand that market approach is considered to be an appropriate approach to arrive at the appraisal value of the Target Company given its simplicity, clarity, and less reliance on unobservable and subjective assumptions. The market approach refers to determining the appraised value of a company by comparing it with public companies with similar principal business activities. This is consistent with the approach adopted by the Independent Valuer in valuing the Target Company when the Company acquired 11.5% in such company back in 2021 (the "**Previous Valuation**"), details of which are set out in the Company's circular dated 26 November 2021 (the "**2021 Circular**").

(ii) Peer selection and choice of valuation multiples

The principal activity of the Target Group is operation of a social networking platform. The Independent Valuer has then employed Capital IQ (a market intelligence platform providing research, data and analysis on private and listed companies designed by Standard & Poor's) to identify comparables (a) listed on major stock exchanges (i.e. Hong Kong, the PRC and the United States); (b) primarily engaged in interactive media and services; (c) having either enterprise value-to-sales multiple (the "**EV/S multiple**") or price-to-earnings multiple (the "**P/E multiple**") available as of the Valuation Date; (d) able to continue as a going concern; (e) generating more than 50% of their revenue from social networking business; (f) have not been suspended from trading for more than a year as of 31 May 2024; (g) having published 2023 financial reports; (h) having financial performance on par with that of the Target Company's (i.e. revenue or revenue growth rate is relatively increasing in 2022 and 2023); and (i) with a market value not significantly higher than that of the Target Company. The markets chosen is the same as those in the Previous Valuation except for the PRC. We have discussed with and are advised by the Independent Valuer that given the fast-growing live streaming sector in the PRC in the last couple of years, they consider it appropriate to also include listed companies in the PRC in the current valuation. However, no suitable listed companies in the PRC have been identified.

The Independent Valuer has found a total of 8 comparable companies based on "Social media and networking platform" industry of Capital IQ. Our results on Capital IQ are the same as the Independent Valuer based on the same selection criteria as those set out in the Valuation Report. Given, as advised by the Management, the Target Company's business has not undergone significant changes since 2021 and with reference to the comparable companies mentioned in the 2021 Circular (the "**2021 Comparable Companies**"), the Independent Valuer supplemented 4 more comparable companies (together with the aforesaid, "**Comparable Companies**") meeting the selection criteria, business models of which are considered to be similar to the Target Company. Details of the additional 4 Comparable Companies are as follows:

No.	Company Name	Stock code	Principal activities
1	Match Group, Inc	NasdaqGS: MTCH	A US-based company mainly engaged in the provision of online dating products
2	Bilibili Inc	NasdaqGS: BILI 9626 HK	A China-based company mainly engaged in the Internet and other related businesses.
3	Tencent Music Entertainment Group	NYSE: TME 1698 HK	A China-based company operates online music entertainment platforms to provide music streaming, online karaoke, and live streaming services
4	Inkeverse Group Limited	3700 HK	A China-based company mainly engaged in mobile live broadcast platform business.

We have reviewed the annual reports of 2021 Comparable Companies since 2021 and noted that the Comparable Companies include all the 2021 Comparable Companies, except for AfreecaTV Co., Ltd ("**ATV**"), HUYA Inc. ("**HUYA**"), Tian Ge Interactive Holdings Limited ("**Tian Ge**") and the Company, which are considered unfit the selection criteria either being traded on the non-major stock exchanges (ATV), or having a decreasing revenue and revenue growth rate in 2022 – 2023 (HUYA and Tian Ge), or having its EV/S multiple and P/E multiple both being negative as of the Valuation Date) (Tian Ge) or being the Company itself.

We have reviewed the latest annual reports of all the Comparable Companies including the additional 4 Comparable Companies listed in the table above and noted that (i) each of them had more than 50% of revenue derived from social networking business (e.g. live streaming, value-added services, advertising, membership fees and etc.); and (ii) their core revenue sources and operational models have no material changes since 2021. The selection process by the Independent Valuer, which is largely the same as that in the Previous Valuation, is, in our view, largely in line with the market practice.

Given the Target Company mainly runs a light-asset business and is profitable, the Independent Valuer considers the EV/S multiple and P/E multiple to be appropriate valuation multiples. As advised by the Independent Valuer, (i) EV/S multiple evaluates a company based on its sales while taking into account both the company's equity and debt; (ii) P/E multiple reflects the profitability of a company and how much the market is willing to pay for the company's earnings; and (iii) adoption of two valuation multiples provides a more comprehensive analysis on the Target Company's value. Based on the aforementioned and given this is also consistent with the Previous Valuation, we consider the adoption of EV/S multiple and P/E multiple to be appropriate.

Set out below are the EV/S multiple and P/E multiple of each Comparable Companies and their market capitalisation as at the Valuation Date as extracted from the Valuation Report:

TABLE 6: COMPARABLE COMPANIES

Comparable Companies	**Market Cap**[1] *USD'million*	**EV/S (times)**	**P/E (times)**
JOYY Inc. (NasdaqGS: YY)	1,771	N/A[2]	4.83
Kuaishou Technology (1024 HK)	30,741	1.56	19.49
Yalla Group Limited (NYSE: YALA)	747	0.80	5.81
Match Group, Inc. (NasdaqGS: MTCH)	8,137	3.25	12.44
Bumble Inc. (NasdaqGS: BMBL)	1,477	2.33	67.07
Bilibili Inc. (NasdaqGS: BILI/9626 HK)	5,993	1.53	N/A[2]
Tencent Music Entertainment Group (NYSE:TME/1698 HK)	22,524	5.21	31.31
Inkeverse Group Limited (3700 HK)	221	N/A[2]	4.05
Grindr Inc. (NYSE: GRND)	1,669	7.04	N/A[3]
Weibo Corporation (NasdaqGS: WB/9898 HK)	2,153	0.94	7.39
Hello Group Inc. (NasdaqGS: MOMO)	1,044	0.34	4.79
Reddit, Inc. (NYSE: RDDT)	8,869	8.18	N/A[3]
	Max	**8.18**	**67.07**
	Min	**0.34**	**4.05**
	Average	**3.12**	**17.46**
	Median	**1.94**	**7.39**
Applied multiple		**1.94**	**7.39**

Source: Capital IQ

Notes:

1. Market capitalisation of the Comparable Companies as of the Valuation Date.

2. The enterprise value of JOYY Inc. and Inkeverse Group Limited were negative, so their EV/S multiples are not available.

3. Bilibili Inc., Grindr Inc. and Reddit, Inc were not yet profitable for the past 12 months prior to 31 March 2024, so their P/E multiples are not available.

The EV/S multiples of the Comparable Companies range from approximately 0.34 times to approximately 8.18 times with an average and a median of approximately 3.12 times and approximately 1.94 times, respectively. The P/E multiples of the Comparable Companies range from approximately 4.05 times to approximately 67.07 times with an average and a median of approximately 17.46 times and approximately 7.39 times, respectively. Given the ranges of the EV/S multiples and P/E multiples of the Comparable Companies are rather wide and exhibit a skewed distribution, the Independent Valuer considered and we concur that, as compared to the averages which are commonly used in normally distributed data, it is more appropriate to use the medians which reflect the central tendency of a skewed distribution as the applied multiples for the valuation.

(iii) DLOM

The Target Company is a private company whose shares are not readily marketable compared to those of a listed company. With reference to the Stout Restricted Stock Companion Guide published by Stout Risius Ross, LLC in 2023, the Independent Valuer therefore applied a discount of 20.5% for lack of marketability (the **"DLOM"**) to the estimated value of the Target Company to reflect the reduced level of marketability as compared to the Comparable Companies. We have reviewed "Control Premium & Discount for Lack of Marketability Study (Issue 3 – August 2024)" issued by Moore Hong Kong (a member firm of Moore Global Network Limited which is a global accounting and consulting network) which has summarised the DLOMs adopted and disclosed in the circulars issued by Hong Kong listed Companies in the past twelve months and noted that those DLOMs ranged from 2.6% to 42.9% with an average of 19.6%. Given the DLOM of 20.5% falls within the range of and close to the average of the DLOMs adopted by other Hong Kong listed companies in the past twelve months, we consider the DLOM adopted by the Independent Valuer to be fair and reasonable.

(iv) Valuation

The appraised value of the 100% equity interest of the Target Company has been arrived based on (i) the medians of the EV/S multiples and the P/E multiples of the Comparable Companies; (ii) the revenue and the net profit of the Target Company for the period from 1 April 2023 to 31 March 2024; (iii) the DLOM of 20.5%; and (iv) add back cash and short term investment less borrowings (if any) in case of EV/S multiple as shown below, the calculation of which is set out as follows:

TABLE 7: VALUATION

	EV/S multiple	**P/E multiple**
Median of the valuation multiple (a)	1.94×	7.39×
Revenue/net profit for the period from 1 April 2023 to 31 March 2024 *(RMB million)* (b)	2,651.4	687.3
Estimated value *(RMB million)* (a) × (b)	5,156.8	5,076.4
DLOM (d)	20.5%	20.5%
Adjustment: Cash and short-term investments *(RMB million)* (e)	1,120.3	–
Adjustment: Long-term and short-term borrowings *(RMB million)* (f)	–	–
Appraised value *(RMB million)* (a) × (b) × (1-d) + (e) – (f)	**5,220.0**	**4,035.7**

As shown above, the appraised value of 100% equity interest of the Target Company as of the Valuation Date ranges from RMB4,036 million (equivalent to HK$4,422.0 million) to RMB5,220 million (equivalent to HK$5,719.3 million). The Independent Valuer reached the conclusion of approximately RMB4,650 million (equivalent to HK$5,094.8 million) by rounding up the median between RMB4,036 million (equivalent to HK$4,422.0 million) and RMB5,220 million (equivalent to HK$5,719.3 million).

Apart from (i) re-performing comparable companies search by adoption of the same set of selection criteria and employing the same equity screening tool to assess the selection process conducted by the Independent Valuer; and (ii) review of annual reports of the Comparable Companies identified by the Independent Valuer to check if the Comparable Companies' principal business is social networking business, we have also researched completed comparable transactions announced within one year prior to and including the Valuation Date, which could, in our view, reflect recent pricing of transactions, involving the sale and purchase of equity interests in private companies which were principally engaged in social networking business and whose financials are publicly available, on the website of MergerMarket (a M&A market intelligence provider). We have only been able to identify one comparable transaction based on the aforementioned selection criteria, which, however, may not be representative or provide meaningful reference for the valuation purpose given such sample size. In contrast, there are 12 Comparable Companies under the comparable company approach adopted by the Independent Valuer, which we consider to be more appropriate.

Given that the value of the Target Company as valued by the Consideration on 100% basis (i.e. HK$5,094.8 million or RMB4,650 million) falls within the range of the appraised values and is equal to the median of appraised values of the Target Company prepared by the Independent Valuer, we consider it to be fair and reasonable.

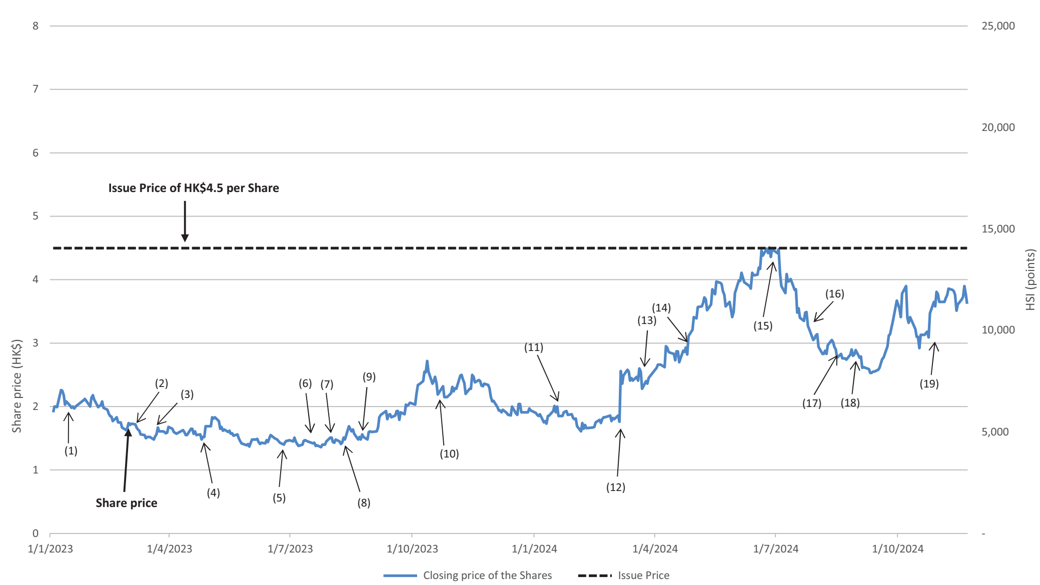
(b) Consideration Shares

The Consideration will be settled partly by cash and partly by Consideration Shares at the issue price of HK$4.50 per Share. Set out below is our analysis on the Issue Price:

(i) Historical Share prices

Set out below are the movements of the closing prices of the Shares during the period from 1 January 2023 up to and including the Latest Practicable Date (the "**Review Period**"), which covers recent major announcements published by the Company during the Review Period. The Review Period, which covers the period since the beginning of 2023, represents, in our view, sufficient time to provide a fair overview of the recent market performance of the Shares. The Share price performance during the Review Period is illustrated as follows:

FIGURE 1: SHARE PRICE PERFORMANCE COMPARED TO ISSUE PRICE



Source: The website of the Stock Exchange

The Company published a number of announcements during the Review Period, which have been summarised as follows:

Reference No.	Date	Details of the announcements
(1)	17 January 2023	Unaudited operating data and unaudited revenue information for FY2022
(2)	8 March 2023	Positive profit alert
(3)	23 March 2023	(i) Annual results for FY2022 and (ii) entering into the sale and purchase agreement and the first deed of amendment of the partnership agreement of the fund
(4)	27 April 2023	Unaudited operating data for the first quarter of 2023
(5)	26 June 2023	Entering into the sale and purchase agreement and the second deed of amendment of the partnership agreement of the fund
(6)	21 July 2023	Unaudited operating data for 1H2023
(7)	2 August 2023	Completion of the acquisition of Chizicheng
(8)	11 August 2023	Positive profit alert
(9)	24 August 2023	Interim results for 1H2023
(10)	20 October 2023	Unaudited operating data for the first three quarters of 2023
(11)	16 January 2024	Unaudited operating data and unaudited revenue information for FY2023
(12)	5 March 2024	Positive profit alert
(13)	21 March 2024	Annual results for FY2023
(14)	24 April 2024	Unaudited operating data for the first quarter of 2024
(15)	27 June 2024	The announcement in relation to the Share Purchase Agreement (the "**Announcement**")
(16)	25 July 2024	Unaudited operating data for the first half of 2024
(17)	15 August 2024	Positive profit alert
(18)	29 August 2024	Interim results for 1H2024
(19)	24 October 2024	Unaudited operating data for the first three quarters of 2024

The Company has been announcing quarterly operating data as well as the interim and annual results. During the Review Period, the Share closed between HK$1.36 to HK$4.51, with an average closing price of HK$2.37. The Issue Price of HK$4.50 has been higher than the closing prices of the Shares in 463 trading days out of a total of 464 trading days during the Review Period.

From January 2023 to mid August 2023, the Share closed between HK$1.36 and HK$2.26. On 11 August 2023, the Company issued a positive profit alert and announced an increase of 92.8% – 141.0% in the profit attributable to the Shareholders for 1H2023 as compared to 1H2022, which was primarily attributable to the rapid expansion of the Group's social networking business in markets such as the Middle East and North Africa as well as continuous improvement in the content ecosystem of the Group's social networking products. Afterwards, the closing price of the Shares saw an uptick from HK1.48 on 11 August 2023 to reach a peak of HK$2.72 on 12 October 2023. The closing price of the Shares then, however, erased the previous gain and retreated to HK$1.76 in early March 2024. The decline in the Share price was generally in line with the movement of the Hang Seng Index, which dropped from 18,238 points to 16,163 points over the same period.

On 5 March 2024, the Company issued another positive profit alert and announced an increase of 285% – 331% in the profit attributable to the Shareholders for FY2023 as compared to FY2022, which was primarily due to the Group's further market expansion in the Middle East and North Africa and other regions, the rapid growth of its newly launched social networking products, and the contribution from Chizicheng. The closing price of the Shares then surged by 45.5% to HK$2.56 on the next trading day. On 24 April 2024, the Company announced a significant year-on-year increase in revenue from the Group's social networking business for the first quarter of 2024, following which the closing price of the Shares got lifted again and reached its highest of HK$4.51 during the Review Period on 26 June 2024.

After the release of the Announcement and up to the Latest Practicable Date, the Share price was on a downward trend and closed between HK$2.53 and HK$4.48, with an average of HK$3.30. The Share closed at HK$3.63 as at the Latest Practicable Date.

(ii) Comparison with the Issue Price

The Issue Price of HK$4.50 represents:

		Closing/ average closing price of the Shares *(HK$)*	**Premium over the closing or average closing Share price**
(1)	Last Trading Day (i.e. 27 June 2024)	4.36	3.21%
(2)	Last 5 trading days immediately prior to and including the Last Trading Day	4.43	1.53%
(3)	Last 10 trading days immediately prior to and including the Last Trading Day	4.31	4.34%

		Closing/ average closing price of the Shares *(HK$)*	Premium over the closing or average closing Share price
(4)	Last 30 trading days immediately prior to and including the Last Trading Day	3.99	12.76%
(5)	Last 60 trading days immediately prior to and including the Last Trading Day	3.54	27.29%
(6)	Latest Practicable Date	3.63	23.97%
		NAV per Share *(HK$)*	**Premium over the NAV per Share**
(8)	NAV attributable to the Shareholders per Share as at 30 June 2024 *(Note)*	1.19	278.2%

Note: Calculated based on (i) the Group's NAV as at 30 June 2024 of RMB1,296,609,000; and (ii) the number of Shares in issue (excluding the treasury shares held by the Company) of 1,191,216,000 Shares as at 27 June 2024.

As set out in the letter from the Board in the Circular, the Issue Price was determined with reference to the closing price on the date of entering into the Share Purchase Agreement and the average closing price for the last five trading days prior to the date of the Share Purchase Agreement. Based on the table above, the Issue Price represented a premium of 1.53% – 27.29% over the closing Share price on the Last Trading Day or average closing Share price for the 5, 10, 30 and 60 trading days up to and including the Last Trading Day. Lastly, the Issue Price represented a premium of approximately 278.2% over the NAV per Share as at 30 June 2024.

(iii) Comparison with recent issues of consideration shares

To assess the fairness and reasonableness of the Issue Price, we have identified share issues involving 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 reverse takeover, share exchange privatisations or share buy-back offers; and (iii) acquisition/issues that have been terminated) during the period from 1 January 2024 up to and including the Latest Practicable Date (the "**Comparable Share Issues**"). The review period, which covers the period since the beginning of 2024, in our view, represents sufficient time and offers sufficient sample size to provide a fair overview of the recent transactions of this type for the purpose of this analysis.

TABLE 8: COMPARABLE SHARE ISSUES

				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$)	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*
23 January 2024	International Genius Company	33	5.624	5.32	0.00	(6.50)	(8.67)	(4.37)
2 February 2024	Meitu, Inc.	1357	2.6237	14.57	11.65	9.41	1058	(13.54)
19 February 2024	China Youran Dairy Group Limited	9858	1.60	31.95	32.61	33.49	27.97	18.47
21 February 2024	V.S. International Group Limited	1002	0.28	191.67	192.89	191.67	225.58	233.66
29 February 2024	Pak Tak International Limited	2668	0.336	(4.00)	3.07	(0.44)	3.86	28.77
22 March 2024	Unity Enterprise Holdings Limited	2195	0.126	(16.00)	(18.39)	(19.69)	(22.56)	(30.11)
9 April 2024	XD Inc.	2400	14.2	00.00	2.07	(5.51)	(5.47)	15.27
24 May 2024	Hans Energy Company Limited	554	0.7961	124.25	103.09	127.13	207.49	253.06
27 May 2024	New City Development Group Limited	456	0.768	56.73	0.00	2.26	20.13	25.15
21 June 2024	Eagle Nice (International) Holdings Limited	2368	4.65	2.20	0.04	(0.70)	(2.60)	(1.72)
25 June 2024	Huili Resources (Group) Limited	1303	0.48	(12.73)	(15.79)	(12.65)	(2.31)	5.86
26 June 2024	Future World Holdings Limited	572	0.70	0.00	2.94	4.95	2.24	(3.49)
5 July 2024	China Health Group Limited	673	0.80	(14.89)	(15.25)	(16.05)	(16.17)	(13.53)
24 July 2024	Ruicheng (China) Media Group Limited	1640	0.60	(18.92)	(19.79)	(19.25)	(15.41)	(11.50)
26 July 2024	ESR Group Limited	1821	11.66	0.00	(1.52)	(2.56)	3.35	5.38
31 July 2024	Capital Realm Financial Holdings Group Limited	204	0.47	(9.62)	(2.69)	(2.39)	(6.78)	(10.83)

				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$)	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*
9 August 2024	Wanguo Gold Group Limited	3939	8.12	7.98	12.56	12.05	8.93	8.45
12 August 2024	Ocumension Therapeutics	1477	9.20	25.51	26.10	29.71	32.30	33.85
12 August 2024	Yoho Group Holdings Limited	2347	1.00	66.67	63.40	63.13	56.17	45.74
16 August 2024	Sinohope Technology Holdings Limited	1611	2.18	14.14	13.90	19.06	12.18	(0.67)
23 August 2024	SY Holdings Group Limited *(Note)*	6069	5.20	(5.97)	(4.59)	(2.64)	2.34	9.10
23 August 2024	GoFintech Innovation Limited	290	0.89	0.00	(0.89)	(1.33)	(8.78)	(3.75)
11 September 2024	Auto Italia Holdings Limited	720	0.13	(10.34)	(9.09)	(8.90)	(9.45)	(10.63)
11 September 2024	CMGE Technology Group Limited	302	1.68	140.00	139.32	139.32	127.54	102.41
20 September 2024	Kindstar Globalgene Technology, Inc.	9960	1.42	16.39	22.63	32.09	25.70	13.09
24 September 2024	Kingkey Financial International (Holdings) Limited	1468	0.423	(7.03)	(1.86)	2.30	75.64	159.48
15 October 2024	YSB Inc.	9885	12.00	63.04	62.47	56.15	66.68	61.06
			Average	23.63	21.45	22.44	28.86	32.87
			Median	1.42	1.95	2.28	3.61	7.16
			Highest	191.67	192.89	191.67	225.58	253.06
			Lowest	(18.92)	(19.79)	(19.69)	(22.56)	(30.11)
The Consideration Shares			**4.50**	**3.21**	**1.53**	**4.34**	**12.76**	**27.29**

Source: The website of the Stock Exchange.

Note: SY Holdings Group Limited initially announced the issue price to be HK$4.70 on 9 July 2024 but then announced on 23 August 2024 to revise the issue price to HK$5.20. The last trading day thus is 23 August 2024.

The premiums represented by the Issue Price over closing Share price on the Last Trading Day and last 5-, 10-, 30- and 60-trading day average closing Share price are approximately 3.21%, 1.53%, 4.34%, 12.76% and 27.29%, respectively, all of which fall within the ranges of those of the issue prices of the Comparable Share Issues. In particular, the premiums represented by the Issue Price over the closing Share price on the Last Trading Day and the average closing Share prices over 10-, 30- and 60- trading day periods are higher than the medians of those of the Comparable Share Issues.

6. Financial effects of the Acquisition on the Group

Upon Completion, the Company will increase its shareholding in the Target Company from 61.08% of its total number of issued shares to 100%. Prior to Completion, the Company has already taken control of the Target Company and hence the accounts of the Target Group have been consolidated with that of the Group. Upon Completion, the accounts of the Target Group will continue to be consolidated with those of the Group and the financial results of the Target Group will be fully attributable to the equity shareholders of the Company.

(i) Financial performance

For the six months ended 30 June 2024, the Group's profit attributable to the Shareholders was RMB224.7 million.

As advised by the Management, assuming Completion had taken place on 1 January 2024, the Group's profit attributable to the Shareholders for six months ended 30 June 2024 would increase due to the acquisition of non-controlling interest of the Target Group.

(ii) Financial position

The consolidated total assets, consolidated total liabilities and consolidated net assets of the Group as at 30 June 2024 were RMB2,999.1 million, RMB747.7 million and RMB2,251.5 million, respectively.

As advised by the Management, assuming Completion had taken place on 30 June 2024, the Group's total assets would decrease by RMB231.9 million to RMB2,767.3 million and total liabilities would increase by RMB502.3 million to RMB1,250.0 million, primarily due to the Cash Consideration paid and payable for the acquisition of the non-controlling interests of the Target Group. As a result, the Group's consolidated net assets would decrease to RMB1,517.3 million, among which, the non-controlling interests would have decreased by RMB857.9 million while NAV would have increased by RMB123.7 million. Gearing would, nevertheless, have increased from 24.9% to 45.2% and net current assets would have declined to RMB1,138.4 million. We have discussed with the Management and they are of the view that the Enlarged Group, after taking into account the cash flows generated from the operating activities, the financial resources available to the Enlarged Group and the effects of the Acquisition, would still have sufficient working capital to meet its requirements in the next 12 months.

7. Effects on shareholding structure of the Company

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

TABLE 9: SHAREHOLDING STRUCTURES OF THE COMPANY

Shareholders	As at the Latest Practicable Date		Immediately upon Completion (assuming there will not be any other issue or repurchase of Shares prior to the Completion)	
	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding
Spriver Tech Limited (*Note 1*)	238,706,646	20.04%	238,706,646	16.92%
Parallel World Limited (*Note 2*)	73,121,774	6.14%	73,121,774	5.18%
Phoenix Auspicious FinTech Investment L.P. (*Note 3*)	79,958,948	6.71%	79,958,948	5.67%
BGFG (Note 4)	100,000,000	8.39%	125,966,383	8.93%
JJQJ	–	–	43,321,198	3.07%
JZZT	–	–	150,460,810	10.66%
Other public shareholders	699,428,632	58.72%	699,428,632	49.57%
Total	**1,191,216,000**	**100%**	**1,410,964,391**	**100%**

Notes:

1. Spriver Tech Limited is directly and wholly owned by Mr. Liu Chunhe who is a 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 a 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. Li Yingming. Mr. Li Yingming is therefore deemed to be interested in all the Shares held by Phoenix Auspicious FinTech Investment L.P. under the Securities and Futures Ordinance.

4. BGFG is directly and wholly owned by Mr. Wang Xinming. Mr. Wang Xinming is therefore deemed to be interested in all the Shares held by BGFG under the Securities and Futures Ordinance.

As shown in the table above, the shareholding of other public Shareholders in the Company will decrease from approximately 58.72% to approximately 49.57% immediately upon Completion (representing a dilution of approximately 9.15%). Having taken into account (i) the benefits to be brought 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 is 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, reorganised from Beijing Mico and incorporated in the Cayman Islands, operates a global social network platform serving users from over 150 countries. Its main applications, MICO and YoHo, offer diverse social networking services including audio and live-streaming in Europe, the Middle East, North America, Southeast Asia, and South Asia. The Target Company, which is a non-wholly owned subsidiary of the Company, has been a major revenue contributor to the Group. It contributed nearly 75% of the Group's revenue in 2023 and 71% in the first half of 2024. The Acquisition, which is to wholly own the Target Company, could enable them to further align product and marketing strategies, better leverage intra-group resources and improve intra-group operation efficiency, and thus achieve enhanced synergies between them.

As discussed in section 4 above, the Target Group had been profitable and did not carry any borrowings. The Target Group's gross profit increased by 62.0% in FY2023 and 49.9% in 1H2024. In view of strong growth momentum of the Target Group, the Management considers that further increasing its shareholding in the Target Company from 61.08% to 100% would enable the Group to capture more economic benefits from the Target Company and thus further increase the profit attributable to the Shareholders.

The Consideration has been determined with reference to the appraised value of the Target Company as set out in the Valuation Report. We discussed with the Independent Valuer on the market approach they adopted to arrive at the appraised value, which is, in our view, in line with market practice. We also discussed with the Independent Valuer the selection process of the Comparable Companies which is largely the same as that in the Previous Valuation, including using Capital IQ to screen the comparable companies and with reference to 2021 Comparable Companies. Based on our work done to cross-check the valuation process, we consider this is also largely in line with the market practice and reasonable for valuation purpose. Given that the Target Company is a privately held company, the DLOM of 20.5% has been applied before arriving at the appraised value of the Target Company, which falls within the range of and close to the average of the DLOMs adopted by other Hong Kong listed companies in the past twelve months. The Target Company is valued in a range of RMB4,036 million (equivalent to HK$4,422.0 million) to RMB5,220 million (equivalent to HK$5,719.3 million) with a median of RMB4,650 million (equivalent to HK$5,094.8 million) as of 31 May 2024. The Consideration is equal to the median of such valuation.

The Consideration comprising both Cash Consideration and Share Consideration. The Cash Consideration will be paid in several instalments after Completion, which is considered in line with market practices. The remaining 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 Share Purchase Agreement with reference to the last closing price and the average closing price for the last five trading days prior to the date of entering into the Share Purchase Agreement. The Issue Price of HK$4.50 represents premiums of 1.53% – 27.29% over the then prevailing market prices prior to and including the date of the Share Purchase Agreement and has been higher than the closing prices of the Shares in 463 trading days out of a total of 464 trading days during the Review Period. Furthermore, the Issue Price represents a premium of 2.78 times over the latest NAV per Share as at 30 June 2024. Last but not least, the premiums represented by the Issue Price over historical Share price over various periods fall within the range of those of the Comparable Share Issues. In particular, the premiums represented by the Issue Price over the closing Share price on the Last Trading Day and the average closing Share prices on the 10-, 30-, 60-trading day are higher than the median of those of the Comparable Share Issues. Having considered above, we are of the view that the Issue Price is fair and reasonable.

Upon Completion, the Company will increase its shareholding in the Target Company from approximately 61.08% to 100%. Prior to Completion, the accounts of the Target Company have been consolidated with those of the Group. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company, and accordingly, the Shareholders will be entitled to all economic benefits arising from the operations of the Target Company without sharing with minorities. While NAV would have increased by RMB124 million, the Group's gearing and working capital position would slightly deteriorate as a result of the Acquisition due to instalment payments of the Cash Consideration and payables to professional parties after the Acquisition. Given there would be an immediate boost to the Group's profit attributable to the Shareholders brought by the Acquisition, we consider the impact on the Group's gearing and liquidity to be acceptable.

The shareholding of the public Shareholders in the Company will decrease from approximately 58.72% to approximately 49.57% immediately after Completion (representing a dilution of approximately 9.15%). Nonetheless, having taken into account (i) the benefits to be brought about by the Acquisition; and (ii) the fairness and reasonableness of the Consideration as well as the Issue Price, we consider the dilution effect on shareholding of the public Shareholders 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 Share Purchase 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
Jenny Leung
Director

Ms. Jenny Leung is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Somerley to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance and has over 20 years of experience in corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for each of the three years ended 31 December 2021, 2022 and 2023, and the unaudited interim accounts for the six months ended 30 June 2024 are disclosed in the following documents which have been published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.newborntown.com:

(1) Annual report of the Company for the year ended 31 December 2021 published on 26 April 2022 (pages 101 to 196):
https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0426/2022042601030.pdf

(2) Annual report of the Company for the year ended 31 December 2022 published on 27 April 2023 (pages 76 to 171):
https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042704402.pdf

(3) Annual report of the Company for the year ended 31 December 2023 published on 24 April 2024 (pages 85 to 193):
https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0424/2024042401506.pdf

(4) Interim report of the Company for the six months ended 30 June 2024 published on 26 September 2024 (pages 36 to 56):
https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0926/2024092600755.pdf

2. INDEBTEDNESS

Borrowings

As at 30 September 2024, the Enlarged Group did not have any bank borrowings or bank facilities, whether guaranteed or secured.

Lease Liabilities

The Enlarged Group's lease liabilities represent the obligation to make future payments in relation to the lease of our office buildings. Lease contracts are typically made for fixed periods with fixed lease payments. Lease terms are negotiated on an individual basis and do not impose any covenants, while leased assets may not be used as security for borrowing purposes. As at 30 September 2024, the Enlarged Group recorded lease liabilities of RMB87.9 million. None of the lease liabilities of the Enlarged Group is secured or guaranteed.

Contingent Liabilities

As at 30 September 2024, the Enlarged Group did not have any contingent liabilities or guarantees.

Off-balance Sheet Commitments and Arrangements

As at 30 September 2024, the Enlarged Group did not have any off-balance sheet commitments or arrangements.

Save as disclosed, the Enlarged Group did not have any bank loans or other borrowings, or any loan capital issued and outstanding or agreed to be issued, borrowings or similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchases or finance lease commitments, guarantees or other contingent liabilities as at 30 September 2024, being the latest practicable date for our statement of indebtedness.

3. WORKING CAPITAL SUFFICIENCY

The Directors are of the opinion that taking into account the cash flows generated from the operating activities, the financial resources available to the Enlarged Group including internally generated funds, the effects of the Acquisition, the working capital available to the Enlarged Group is sufficient for the Enlarged Group's requirements for at least 12 months from the date of this circular.

4. 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 Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS 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 the Middle East, North America, Southeast Asia and South Asia.

The Target Company operates the "pan-audience social networking" segment of the Group's business. Being a major player in the Middle East and North African markets, the business scale of its core products has attained a period-on-period increase of 44% in the first half of 2024. Meanwhile, the Target Company has consistently demonstrated its ability to innovate and develop new products that captivate users and generate consistent returns for the

Group. Since the beginning of its venture into the Middle East and North African markets, the Target Company has established local operating centres which facilitated the building of deep trust and rapport with users, creators, and communities locally, and nurturing numerous networking talents from within the local community. Following the successful launches of applications such as TopTop and SUGO, backed by consistent improvements in product capabilities and increasingly mature operating systems, the Target Company has managed to replicate its success in markets such as South East Asia.

According to market research firm Grand View Research, the size of the global social networking applications market is expected to exceed USD310.37 billion by 2030, with a CAGR of 26.2% from 2023 to 2030, sustaining a rapid expansion trend and an optimistic growth outlook for the industry. Users of social networking applications have also demonstrated a high acceptance of and willingness to pay for the use and enjoyment of the content, services and features provided by such applications, with monthly user payment scale of social networking applications being consistently on the rise in overseas markets. Riding on this trend, the monthly recharge amount of the Target Company's core products such as MICO and SUGO have managed to reach the USD10 million mark.

Benefiting from the enduring presence and continued growth in markets such as the Middle East and North Africa, in the first half of 2024, the Group's total revenue amounted to RMB2,271.9 million, representing a period-on-period increase of approximately 65.3%. Profit for the period amounted to RMB387.6 million, representing a period-on-period increase of approximately 28.2%. Profit attributable to equity shareholders of the Company amounted to RMB224.7 million, representing a period-on-period increase of 21.3%. Adjusted EBITDA amounted to RMB448.5 million, representing a period-on-period increase of approximately 29.2%. Amongst which, the social networking business, comprising mainly of the Target Company's "pan-audience social networking" business, has achieved high-quality growth, with revenue reaching RMB2,070.4 million, representing a period-on-period increase of 66.5%.

Upon Completion, the Enlarged Group will continue to train its focus on the Middle East and North African markets by continuously optimising its products and services, deepening its localisation strategies, proactively working towards unleashing the growth potential of such markets through a diversified product matrix and refined localised operations, whilst taking lead in terms of market share. The Enlarged Group is also looking to benefit from the Target Company's strong brand presence and sound technological expertise which shall complement the Group's other operations such as the diverse audience social networking business and innovative business through synergistic collaboration, unified strategic planning and knowledge sharing. Looking ahead, the Enlarged Group will press on tapping into the Middle East and North African markets where it intends to further its penetration, whilst actively extending its presence in Southeast Asia, Japan, South Korea, Europe and the United States.

The Acquisition would benefit financial results of the Enlarged Group attributable to the equity shareholders of the Company. After the Acquisition, the profit attributable to the equity shareholders of the Company would increase and the non-controlling interests would decrease. The total assets of the Enlarged Group would decrease and the total liabilities of the Enlarged

Group would increase primarily due to the consideration paid and payable for the acquisition of the non-controlling interests of the Target Group. The net assets of the Enlarged Group would decrease accordingly, among which the non-controlling interests would decrease and the net assets attributable to the equity shareholders of the Company would have increased. Gearing would, nevertheless, increase and liquidity would decline but both would remain at healthy level. The Board is of the view that operational efficiency of the Enlarged Group will be further boosted through centralised management and control made possible by the Acquisition across all its operations as the Enlarged Group will then be able to leverage its enterprise-wide collaboration and synergistic capabilities to drive improvements in terms of resource allocation and operations coordination, which would in turn strengthen the Enlarged Group's future financial performance.

The Directors are thus of the view that the Enlarged Group will be in a healthy financial position, being able to reap in full the synergistic benefits of its streamlined operations and costs whilst delivering high-quality products and services that appeal to the global social networking audience.

The following is the text of a report set out on pages II-1 to II-55, received from the Target Group's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP TO THE DIRECTORS OF NEWBORN TOWN INC.

Introduction

We report on the historical financial information of NBT Social Networking Inc. (the "Target Company"), Beijing Mico World Technology Co., Ltd. ("Beijing Mico") and their subsidiaries conducting social networking business (together, the "Target Group") set out on pages II-4 to II-55, which comprises the combined balance sheets of the Target Group as at 31 December 2021, 2022 and 2023, and 30 June 2024 and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows, for each of the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024 (the "Relevant Periods"), and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-4 to II-55 forms an integral part of this report, which has been prepared for inclusion in the circular of Newborn Town Inc. (the "Company") dated 25 November 2024 (the "Circular") in connection with the proposed acquisition of the non-controlling interests of the Target Group.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Target Group's financial position as at 31 December 2021, 2022 and 2023 and 30 June 2024 and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Target Group which comprises the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the six months ended 30 June 2023 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

25 November 2024

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The combined financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

(Expressed in Renminbi ("RMB"))

	Note	Year ended 31 December 2021 RMB'000	2022 RMB'000	2023 RMB'000	Six months ended 30 June 2023 RMB'000 (unaudited)	2024 RMB'000
Revenue from contracts with customers	*4*	1,962,722	2,380,220	2,491,333	1,170,272	1,615,053
Cost of revenue		(1,274,478)	(1,628,821)	(1,274,401)	(623,058)	(794,808)
Gross profit		688,244	751,399	1,216,932	547,214	820,245
Selling and marketing expenses		(145,651)	(163,455)	(299,300)	(105,037)	(297,187)
Research and development expenses		(80,268)	(149,637)	(199,698)	(93,931)	(83,809)
General and administrative expenses		(643,035)	(45,490)	(87,498)	(45,051)	(39,420)
Net impairment losses on financial assets		(4,114)	(2,895)	(2,328)	(2,103)	(12,342)
Other income	*5*	362	389	819	199	1,835
Other (loss)/gain – net	*5*	(16,109)	17,657	7,704	37,401	(11,878)
Operating (loss)/profit	*6*	(200,571)	407,968	636,631	338,692	377,444
Finance income		420	454	17,332	3,507	19,074
Finance costs	*6(a)*	(2,208)	(1,490)	(2,443)	(1,307)	(1,104)
Finance (cost)/income – net		(1,788)	(1,036)	14,889	2,200	17,970
Share of net loss of associates and joint ventures accounted for using the equity method		–	–	(6,690)	(2,815)	(18)
(Loss)/profit before income tax		(202,359)	406,932	644,830	338,077	395,396
Income tax credits/(expenses)	*7*	5,056	22	(12,812)	(10,554)	507
(Loss)/profit for the year/period		(197,303)	406,954	632,018	327,523	395,903

COMBINED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

(Expressed in Renminbi ("RMB"))

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
(Loss)/profit attributable to:					
Net parent investment	(96,462)	249,754	399,329	210,552	256,003
Non-controlling interests	(100,841)	157,200	232,689	116,971	139,900
Other comprehensive income, net of tax effect					
Item that may be subsequently reclassified to profit or loss:					
Currency translation differences arising from translation of oversea entities financial statements	(9,432)	30,527	(10,683)	(8,726)	2,044
Total comprehensive income for the year/period	(206,735)	437,481	621,335	318,797	397,947
Total comprehensive income attributable to:					
Net parent investment	(101,073)	278,027	391,211	206,711	257,323
Non-controlling interests	(105,662)	159,454	230,124	112,086	140,624

The accompanying notes form part of the Historical Financial Information.

COMBINED BALANCE SHEETS

(Expressed in RMB)

	Note	As at 31 December 2021	As at 31 December 2022	As at 31 December 2023	As at 30 June 2024
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property and equipment	8	11,537	65,230	60,105	56,453
Intangible assets	9	224,078	184,101	151,957	139,997
Goodwill	10	197,287	197,287	197,287	197,287
Deferred tax assets	16(a)	248	208	36	478
Investments accounted for using the equity method		–	–	21,845	25,908
Other receivables	12	7,650	8,901	8,019	6,639
Other non-current assets		5,000	1,210	–	–
Total non-current assets		445,800	456,937	439,249	426,762
Current assets					
Accounts receivable	11	113,543	121,422	146,424	180,304
Other receivables	12	190,780	805,991	966,457	1,152,926
Other current assets		1,531	3,194	5,281	7,425
Financial assets measured at fair value through profit or loss	18(e)	33,082	63,110	21,995	20,706
Cash and cash equivalents	13	648,986	425,177	1,026,487	1,201,254
Restricted bank deposits		328	359	366	370
Total current assets		988,250	1,419,253	2,167,010	2,562,985
TOTAL ASSETS		1,434,050	1,876,190	2,606,259	2,989,747

COMBINED BALANCE SHEETS (CONTINUED)

(Expressed in RMB)

	Note	As at 31 December 2021 RMB'000	As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000	As at 30 June 2024 RMB'000
LIABILITIES					
Current liabilities					
Accounts payable	*14*	150,769	116,768	120,991	150,282
Contract liabilities	*4(a)*	11,231	14,011	21,910	25,285
Income tax payable		–	4,934	14,667	3,637
Lease liabilities	*8(b)*	4,683	14,476	13,432	16,048
Other payables	*15*	111,526	81,794	149,082	95,641
Total current liabilities		278,209	231,983	320,082	290,893
Net current assets		710,041	1,187,270	1,846,928	2,272,092
Total assets less current liabilities		1,155,841	1,644,207	2,286,177	2,698,854
Non-current liabilities					
Deferred tax liabilities	*16(b)*	43,963	38,967	34,083	33,048
Lease liabilities	*8(b)*	3,229	43,479	34,782	28,094
Total non-current liabilities		47,192	82,446	68,865	61,142
TOTAL LIABILITIES		325,401	314,429	388,947	352,035
NET ASSETS		1,108,649	1,561,761	2,217,312	2,637,712
EQUITY					
Net parent investment		745,358	1,031,573	1,464,261	1,779,778
Equity attributable to non-controlling interests		363,291	530,188	753,051	857,934
TOTAL EQUITY		1,108,649	1,561,761	2,217,312	2,637,712

The accompanying notes form part of the Historical Financial Information.

COMBINED STATEMENTS OF CHANGES IN EQUITY
(Expressed in RMB)

	Note	**Net parent investment** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
Balance as at 1 January 2021		431,135	250,536	681,671
Loss for the year		(96,462)	(100,841)	(197,303)
Other comprehensive income		(4,611)	(4,821)	(9,432)
Total comprehensive income		(101,073)	(105,662)	(206,735)
Transaction with non-controlling interests		105,474	(105,474)	–
Share-based compensations	*17*	309,822	323,891	633,713
Balance as at 31 December 2021 and 1 January 2022		745,358	363,291	1,108,649
Profit for the year		249,754	157,200	406,954
Other comprehensive income		28,273	2,254	30,527
Total comprehensive income		278,027	159,454	437,481
Share-based compensations	*17*	11,827	7,443	19,270
Others		(3,639)	–	(3,639)
Balance as at 31 December 2022 and 1 January 2023		1,031,573	530,188	1,561,761
Profit for the year		399,329	232,689	632,018
Other comprehensive income		(8,118)	(2,565)	(10,683)
Total comprehensive income		391,211	230,124	621,335
Transaction with non-controlling interests		28,268	(28,268)	–
Share-based compensations	*17*	13,209	21,007	34,216
Balance as at 31 December 2023		1,464,261	753,051	2,217,312

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
(Expressed in RMB)

	Note	**Net parent investment** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
Balance as at 1 January 2023		1,031,573	530,188	1,561,761
Profit for the period (unaudited)		210,552	116,971	327,523
Other comprehensive income (unaudited)		(3,841)	(4,885)	(8,726)
Total comprehensive income (unaudited)		206,711	112,086	318,797
Transaction with non-controlling interests (unaudited)		28,268	(28,268)	–
Share-based compensations (unaudited)	*17*	14,628	8,265	22,893
Balance as at 30 June 2023 (unaudited)		1,281,180	622,271	1,903,451
Balance as at 1 January 2024		1,464,261	753,051	2,217,312
Profit for the period		256,003	139,900	395,903
Other comprehensive income		1,320	724	2,044
Total comprehensive income		257,323	140,624	397,947
Transaction with non-controlling interests		43,691	(43,691)	–
Share-based compensations	*17*	14,503	7,950	22,453
Balance as at 30 June 2024		1,779,778	857,934	2,637,712

The accompanying notes form part of the Historical Financial Information.

COMBINED STATEMENTS OF CASH FLOWS
(Expressed in RMB)

	Note	Year ended 31 December 2021 RMB'000	2022 RMB'000	2023 RMB'000	Six months ended 30 June 2023 RMB'000 (unaudited)	2024 RMB'000
Cash flows from operating activities						
Cash generated from operations	13(b)	518,493	451,134	718,603	186,554	191,296
Interest received		420	454	17,332	3,507	19,074
Payment of income tax		–	–	(7,791)	(4,981)	(11,985)
Net cash inflow from operating activities		518,913	451,588	728,144	185,080	198,385
Cash flows from investing activities						
Purchase of Wealth Management Products ("WMPs") measured at fair value through profit or loss	18(e)	(96,700)	(125,000)	(50,000)	(35,216)	(90,000)
Maturity of WMPs measured at fair value through profit or loss	18(e)	92,900	96,351	91,412	60,947	91,673
Investments in investees accounted for using the equity method		–	–	(28,535)	–	(10,035)
Purchase of property and equipment		(4,288)	(8,085)	(6,020)	(3,643)	(2,983)
Loans to other parties	12	(111,254)	(671,415)	(123,617)	(6,200)	(6,658)
Proceeds of loans repayments from other parties		–	41,024	2,210	1,500	2,477
Net cash (outflow)/inflow from investing activities		(119,342)	(667,125)	(114,550)	17,388	(15,526)
Cash flows from financing activities						
Repayment of lease liabilities (including interest paid)	13(c)	(3,877)	(7,553)	(16,987)	(8,674)	(9,652)
Extinguishment of a convertible loan	13(c)	–	(50,000)	–	–	–
Net cash outflow from financing activities		(3,877)	(57,553)	(16,987)	(8,674)	(9,652)
Net increase/(decrease) in cash and cash equivalents		395,694	(273,090)	596,607	193,794	173,207
Cash and cash equivalents at the beginning of the year/period	13(a)	265,991	648,986	425,177	425,177	1,026,487
Effects of exchange rate changes on cash and cash equivalents		(12,699)	49,281	4,703	(8,276)	1,560
Cash and cash equivalents at the end of the year/period	13(a)	648,986	425,177	1,026,487	610,695	1,201,254

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

(a) Background

NBT Social Networking Inc. (the "Target Company") was incorporated in the Cayman Islands on 16 June 2021 as an exempted company with limited liability under the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands.

Beijing Mico World Technology Co., Ltd. (the "Beijing Mico") was incorporated in the People's Republic of China (the "PRC") on 30 May 2014 under the laws of the PRC with limited liability.

The Target Company, Beijing Mico and their subsidiaries (together, the "Target Group") are principally engaged in providing social networking business (mainly through social networking Apps such as MICO, YoHo, Sugo and Toptop) (the "Social Networking Business").

(b) Reorganisation and basis of presentation of Historical Financial Information

Prior to the incorporation of the Target Company, the Social Networking Business was carried out through Beijing Mico and its subsidiaries established in the PRC and Hong Kong.

On 17 April 2020, NewBornTown Network Technology (Beijing) Co., Ltd. (the "NewBornTown Network Technology"), a subsidiary of Newborn Town Inc. (the "Company"), entered into the Equity Transfer Agreement with Beijing Phoenix Fortune Interconnection Investment Fund (Limited Partnership) ("Phoenix Fortune"), pursuant to which NewBornTown Network Technology has conditionally agreed to acquire, and Phoenix Fortune has conditionally agreed to sell, approximately 8.85% equity interest of Beijing Mico for a cash consideration of RMB100,000,000. On the same date, NewBornTown Network Technology entered into the Convertible Loan Investment Agreement with Beijing Mico, pursuant to which NewBornTown Network Technology has conditionally agreed to provide Beijing Mico with a convertible loan of RMB50,000,000.

On 29 June 2020, NewBornTown Network Technology completed the acquisition of Beijing Mico upon the completion of the Equity Transfer Agreement and Convertible Loan Investment Agreement.

On 17 August 2020, NewBornTown Network Technology, entered into an Equity Transfer Agreement with Mr. Ye Chunjian, pursuant to which Mr. Ye Chunjian has agreed to sell and NewBornTown Network Technology has conditionally agreed to acquire approximately 23.27% equity interest of Beijing Mico for a consideration of RMB262,997,528, which has been settled in cash by NewBornTown Network Technology by four instalment in accordance with the payment schedule on Equity Transfer Agreement. Upon completion of the acquisition of the non-controlling interests, NewBornTown Network Technology held approximately 48.89% equity interest of Beijing Mico and approximately 15.97% equity interest of Beijing Mico were owned by Tianjin Tonghe Chuangyuan Enterprise Management Consulting Centre (Limited Partnership) and Ningbo Meishan Bonded Port Tonghe Chuangyuan Enterprise Management Centre (Limited Partnership) (as the platforms for the employee stock ownership plan of Beijing Mico), both of which are directed by NewBornTown Network Technology as the executive partner.

Newborn Town Inc. consolidated the financial statements of Beijing Mico since 2020.

During the year ended 31 December 2021, Beijing Mico underwent a reorganisation (the "Reorganisation"), upon completion of which, the Social Networking Business were carried out by the Target Company and its subsidiaries and Beijing Mico and its subsidiaries.

The Company and its subsidiaries are collectively referred as the Group. The Target Group is composed of the Target Company, its subsidiaries, and other entities in the Group which operate the same business. The Historical Financial Information of the Target Group has been prepared to present the combined balance sheets, the combined statements of comprehensive income, the combined statements of changes in equity and combined statements of cash flows of the Social Networking Business and the notes thereto. The Historical Financial Information has been compiled from the net assets and operating results of the Social Networking Business from the Company's perspective. Equity is the difference between the combined assets and combined liabilities of the Social Networking Business. The Company's share of net assets in the Target Group is presented as "Net Parent Investments" in equity. All inter-company transactions, balances and unrealised gains/losses on transactions and balances within the Target Group have been eliminated on combination.

(c) Basis of preparation of Historical Financial Information

The Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB"). Further details of the material accounting policy information adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing this Historical Financial Information, the Target Group has adopted all applicable new and revised IFRS Accounting Standards to the Relevant Periods, except for any new standards or interpretations that are issued but not yet effective for the accounting period beginning on 1 January 2024. The revised and new accounting standards and interpretations issued but not yet effective for accounting year beginning on 1 January 2024 are set out in Note 21.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

As at the date of this report, the Target Company has direct or indirect interests in the following principal subsidiaries, all of which are private companies:

Company name	Place and date of incorporation/ establishment and business	Particulars of number of issued shares	Proportion of ownership interest	Principal activities	Name of statutory auditor
Directly held					
NBT Social Networking Pte. Ltd.	Singapore/ 6 July 2021	100	100%	Investment holding	–
Mico World Technology FZ-LLC	United Arab Emirates ("UAE")/ 29 March 2023	10	100%	Social networking business	–
Indirectly held					
Mico World Limited	Hong Kong/ 24 September 2015	1	100%	Social networking business	Smart Team CPA Limited
Mobile Alpha Limited	Hong Kong/ 2 March 2016	1	100%	Social networking business	Smart Team CPA Limited
Mind Vana Limited	The British Virgin Islands/ 6 January 2021	50,000	100%	Social networking business	–
MX Innovation Pte. Ltd.	Singapore/ 22 January 2021	10,000	100%	Social networking business	–

As at the date of this report, Beijing Mico has direct or indirect interests in the following principal subsidiaries, all of which are private companies:

Company name	Place and date of incorporation/ establishment and business	Particulars of paid-up capital	Proportion of ownership interest	Principal activities	Name of statutory auditor
Directly held					
Hainan Jidu Kongjian Internet Technology Co., Ltd. (海南幾度空間網絡科技有限公司) (i)	Chinese Mainland/ 15 January 2019	Registered: RMB1,000,000 Paid-up: RMB105,000	100%	Support services to operation	–
Shenzhen Bobi Joy Technology Co., Ltd. ("深圳市波比歡樂科技有限公司") (i)	Chinese Mainland/ 6 March 2020	Registered: RMB1,250,000 Paid-up: Nil	100%	Social networking business	–
Indirectly held					
Shenzhen Leyuyou Internet Technology Co., Ltd. ("深圳樂娛游網絡科技有限公司") (i)	Chinese Mainland/ 27 September 2017	Registered and paid-up: RMB1,000,000	100%	Support services to operation	–
Beijing Mico World Internet Technology Co., Ltd. ("北京米可世界網絡技術有限公司") (i)	Chinese Mainland/ 29 September 2021	Registered: RMB1,000,000 Paid-up: Nil	100%	Support services to operation	–

Note:

(i) The official names of these entities are in Chinese. The English translations of the names are for identification purpose only.

All companies comprising the Target Group have adopted 31 December as their financial year end date.

2 MATERIAL ACCOUNTING POLICY

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except for other investments (see Note 2(i)) which is stated at their fair values.

(b) Use of estimates and judgements

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Principles of consolidation and equity accounting

(i) Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Target Group other than the business combination of entities under common control (see Note 2(d)).

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

Non-controlling interests in the results and equity of the Company from the Company's perspective are shown separately in the combined statements of comprehensive income, statements of changes in equity and balance sheets, respectively.

(ii) Associates

An associate is an entity in which the Target Group has significant influence but not control or joint control, over its management, including participation in the financial and operating policy decisions. Investments in associates are accounted for using the equity method of accounting (see Note 2(c)(iv)), after initially being recognised at cost in the combined balance sheets.

(iii) Joint arrangements

Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Interests in joint ventures are accounted for using the equity method (see Note 2(c)(iv)), after initially being recognised at cost in the combined balance sheets.

(iv) Equity method accounting

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

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

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

The carrying amount of equity-accounted for investments is tested for impairment in accordance with the policy described in Note 2(h).

(v) Changes in ownership interests

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

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

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

(d) Business combinations

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

– fair values of the assets transferred,

– liabilities incurred to the former owners of the acquired entity,

– equity interests issued by the Target Group,

– fair value of any asset or liability resulting from a contingent consideration arrangement, and

– fair value of any pre-existing equity interest in the acquired entity.

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

Acquisition-related costs are expensed as incurred.

The excess of the:

– consideration transferred,

– amount of any non-controlling interests in the acquired entity, and

– acquisition-date fair value of any previous equity interest in the acquired entity

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

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

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

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Target Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Target Company and its subsidiaries incorporated in Cayman Islands, Hong Kong S.A.R., Singapore, Egypt and UAE is United States dollar ("USD"). The functional currency of Beijing Mico and its subsidiaries is Renminbi ("RMB"). The Target Group presents its financial information in RMB to conform with the presentation currency of the Company.

(ii) Transactions and balances

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

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

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

(iii) Group companies

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

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

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

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

(f) Property and equipment

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

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

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

	Estimated useful lives
Electronic equipment	3 years
Furniture, fixtures and equipment	3 – 5 years
Leasehold improvement	2 – 3 years
Right-of-use assets	Over the lease term

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(h)).

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

(g) Intangible assets

(i) Initial recognition

Goodwill

Goodwill is measured as described in Note 2(d). Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

Software

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

– it is technically feasible to complete the software so that it will be available for use,

– management intends to complete the software and use or sell it,

– there is an ability to use or sell the software,

– it can be demonstrated how the software will generate probable future economic benefits,

– adequate technical, financial and other resources to complete the development and to use or sell the software are available, and

– the expenditure attributable to the software during its development can be reliably measured.

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

Research and development

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

(ii) Amortisation methods and periods

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

	Estimated useful lives
Software	5 years
User base	1.67 years
Technology	8 years
Brand name	10 years

(h) Impairment of non-financial assets

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

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Investments and other financial instruments

(i) Classification

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

– those to be measured subsequently at fair value (either through OCI or through profit or loss), and

– those to be measured at amortised cost.

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

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

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

(i) Recognition and derecognition

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

(ii) Measurement

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

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

Debt instruments

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

– Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gain – net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statements of comprehensive income.

– FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gain – net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gain – net and impairment expenses are presented as separate line item in the statements of comprehensive income.

– FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gain – net in the period in which it arises.

Equity instruments

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

Changes in the fair value of financial assets at FVPL are recognised in other (loss)/gain – net in the statements of comprehensive income as applicable.

(iii) Impairment

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

– accounts receivable and

– other financial assets at amortised cost.

Measurement of expected credit losses

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

For accounts receivable, the Target Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3(b) for further details.

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

Significant increases in credit risk

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

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

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating, if available;

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Target Group.

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

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

Write-off policy

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

(iv) Convertible loan that contain an equity component

Compound financial instruments issued by the Target Group comprise convertible loan denominated in RMB that can be converted to registered capital at the option of the holder, when the registered capital to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method. Interest is recognised in profit or loss. The equity component is not remeasured and is recognised in the equity.

(j) Accounts receivable

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

Accounts receivable are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Target Group holds the accounts receivable with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 2(i)(iii) for a description of the Target Group's impairment policies.

(k) Cash and cash equivalents

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

(l) Share capital

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

(m) Accounts and other payables

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

(n) Current and deferred income tax

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

(i) Current income tax

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

(ii) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

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

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

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

(o) Employee benefits

(i) Short-term obligations

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

(ii) Bonus plans

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

(iii) Pension obligations

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

(p) Share-based payments

(i) Equity-settled share-based payment transactions

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

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

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

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

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

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

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

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

(q) Provisions

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

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

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

(r) Revenue recognition

The Target Group provides social networking business mainly through social networking apps such as MICO.

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

(i) Social networking business

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

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

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

(s) Leases

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

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

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

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

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

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

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

(t) Interest income

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

(u) Government grants

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

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

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

(v) Related parties

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

– has control or joint control of the Target Group;

– has significant influence over the Target Group; or

– is a member of the key management personnel of the Target Group or the Target Group's parent.

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

– The entity and the Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

– One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

– Both entities are joint ventures of the same third party;

– One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

– The entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group;

– The entity is controlled or jointly controlled by a person; or

– A person has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

3 ACCOUNTING JUDGEMENT AND ESTIMATES

In the process of applying accounting policies, management has made the following accounting judgements.

(a) Revenue recognition

As disclosed in Note 2(r), the Target Group provides social networking business services to its customers, which involve the assessment of revenue recognition on a gross or net basis, i.e., principal versus agent assessment in different business models. The Target Group follows the accounting guidance for principal-agent considerations to assess whether the Target Group controls the specified service before it is transferred to the customer, the indicators of which including but not limited to (a) whether the entity is primarily responsible for fulfiling the promise to provide the specified service; (b) whether the entity has inventory risk before the specified service has been transferred to a customer; and (c) whether the entity has discretion in establishing the prices for the specified goods or service. The management considers the above factors in totality, as none of the factors individually are considered presumptive or determinative, and applies judgement when assessing the indicators depending on each different circumstance.

(b) Impairment of accounts receivable and other financial assets

The Target Group follows the guidance of IFRS 9 when assessing the expected credit losses of accounts receivable and other financial assets. This determination requires significant judgement and estimation. In making this judgement and estimation, the Target Group evaluates, among other factors, the duration of accounts receivable and the financial health collection history of debtors and expected future change of credit risks, including the consideration of factors such as general economy measure, changes in macroeconomic indicators etc. Further details are included in Note 18(a) to the combined financial statements.

(c) Current and deferred income tax

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

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

(d) Useful lives and amortisation of intangible assets

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

(e) Impairment of goodwill

The Target Group performs the impairment test for goodwill on an annual basis, by comparing the recoverable amount to the carrying amount. The recoverable amount is determined based on the value-in-use calculations by using the discounted cash flow method, which requires significant estimates and judgements relating to the growth rate, the gross margin and the discount rate. Additional information for the impairment assessment of goodwill is disclosed in Note 10.

4 REVENUE FROM CONTRACTS WITH CUSTOMERS

The principle activities of the Target Group are to operate a portfolio of social networking platforms with a global user base.

Disaggregation of revenue

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Recognised at a point in time	1,961,084	2,377,663	2,486,001	1,168,034	1,610,423
Recognised over time	1,638	2,557	5,332	2,238	4,630
	1,962,722	2,380,220	2,491,333	1,170,272	1,615,053

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

Revenues from contracts with customers are generated in oversea markets.

(a) Details of contract liabilities

Contract liabilities represent advance payments received from customers for goods or services that have not yet been transferred to the customers. As at 31 December 2021, 2022 and 2023 and 30 June 2024, the contract liabilities mainly included with the advances for the purchase of virtual items. All of the balance of contract liabilities arising from purchased virtual items as at 1 January 2021, 2022 and 2023 and 1 January 2024 were recognised as revenue to the customers within the respective years/period.

5 OTHER INCOME AND OTHER (LOSS)/GAIN – NET

Other income

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Government grants	94	151	509	8	1,533
Others	268	238	310	191	302
	362	389	819	199	1,835

Other (loss)/gain – net

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Exchange gains and losses	(16,027)	12,744	7,536	37,434	(6,144)
Fair value change of financial assets measured at FVPL	205	1,379	297	55	384
Donation	(183)	(45)	(109)	(87)	–
Impairment loss on equity method investment	–	–	–	–	(5,954)
Others	(104)	3,579	(20)	(1)	(164)
	(16,109)	17,657	7,704	37,401	(11,878)

6 (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived at after charging:

(a) Finance costs

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Interests on lease liabilities	(358)	(864)	(2,443)	(1,307)	(1,104)
Interests on convertible loan	(1,850)	(626)	–	–	–
	(2,208)	(1,490)	(2,443)	(1,307)	(1,104)

(b) Staff costs

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Salaries, wages and other benefits	153,226	277,758	371,632	165,485	195,468
Contributions to defined contribution retirement plan	8,695	7,563	22,040	9,814	13,919
Share-based compensation expenses *(Note 17)*	633,713	19,270	34,216	22,893	22,453
	795,634	304,591	427,888	198,192	231,840

The employees of entities in the Target Group established in the PRC (excluding Hong Kong) participate in defined contribution retirement schemes managed by the local government authorities, whereby the Target Group is required to contribute to the schemes based on certain percentages of the employees' salaries. Contributions to the plan vest immediately, there is no forfeited contributions that may be used by the Target Group to reduce the existing level of contribution.

The Target Group has no further obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue sharing and commission fees	1,083,754	1,361,485	998,430	487,621	590,759
Promotion and marketing expenses	139,820	155,187	259,100	100,510	286,429
Server capacity expenses	32,529	55,492	53,847	27,008	31,242
Technical and other service fee	17,985	27,074	34,381	13,274	27,428
Depreciation and amortisation	46,174	51,103	48,667	27,866	23,070
Impairment losses on accounts and other receivables	4,114	2,895	2,328	2,103	12,342

7 INCOME TAX IN THE COMBINED STATEMENTS OF COMPREHENSIVE INCOME

(a) Income tax in the combined statements of comprehensive income represents:

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current taxation:					
Provisions for the year/period	–	(4,934)	(17,524)	(13,051)	(4,025)
Over-provision in prior years	–	–	–	–	3,055
Deferred taxation *(Note 16)*:					
Changes in deferred tax assets/liabilities	5,056	4,956	4,712	2,497	1,477
	5,056	22	(12,812)	(10,554)	507

(b) Reconciliation between income tax and accounting (loss)/profit at applicable tax rates:

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
(Loss)/profit before taxation	(202,359)	406,932	644,830	338,077	395,396
Tax at the PRC statutory tax rate of 25% *(i)*	(50,590)	101,733	161,208	84,519	98,849
Effect of different tax rates in other jurisdictions *(ii)*	–	(7)	(100,257)	(46,977)	(82,312)
Effect of preferential tax rates *(iii)*	(92,264)	(99,899)	(30,593)	(20,939)	(9,190)
Effect of expenses not deductible for income tax purposes	152,400	9,306	7,194	5,341	5,516
Effect of tax losses for which no deferred income tax assets were recognised	2	28	467	322	303
Tax effect of non-taxable of income	(5)	(105)	(2,099)	(86)	(141)
Effect of super deduction of research and development expenses *(iv)*	(14,393)	(10,709)	(22,841)	(11,359)	(10,477)
Tax effect of utilisation of previously unrecognised tax losses	(206)	(369)	(267)	(267)	–
Over-provision in prior years	–	–	–	–	(3,055)
Income tax	(5,056)	(22)	12,812	10,554	(507)

Notes:

(i) PRC Enterprise Income Tax ("EIT")

The income tax provision of the Target Group in respect of its operations in Chinese Mainland was subject to statutory tax rate of 25% on the assessable profits for the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2024, based on the existing legislation, interpretations and practices in respect therefore.

(ii) Cayman Islands Income Tax

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

UAE Tax

Mico World Technology FZ-LLC is incorporated in Dubai on 28 April 2023 as a Free Zone Company with limited liability. According to the Taxation of Corporations and Businesses ("CT Law") in the United Arab Emirates ("UAE"), the businesses registered in Free Trade Zones ("FZ") is subject to CT Law at a rate of 0% for the year ended 31 December 2023 and six months ended 30 June 2024.

Hong Kong Profits Tax

The applicable profits tax rate of the Target Group's subsidiaries incorporated in Hong Kong is 16.5% for the Relevant Periods.

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

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

(iv) According to the relevant laws and regulations promulgated by the State Council of the PRC, enterprises engaging in research and development activities were entitled to claim 175% of their research and development expenses as Super Deduction in determining their taxable profits from 1 January 2018 to 31 December 2022. The State Taxation Administration of the PRC announced in September 2022, that enterprises engaging in research and development activities would be entitled to claim 200% of their research and development expense as Super Deduction from 1 October 2022 to 31 December 2022 and as further announced in 2023, that enterprises engaging in research and development activities would continuously be entitled to claim 200% of their research and development expenses as Super Deduction from 1 January 2023. The Target Group has made its best estimate for the Super Deduction to be claimed for the Target Group's PRC operating entities in ascertaining their taxable profits for the Relevant Periods.

(c) Pillar Two income taxes

The Target Group operates in multiple tax jurisdictions which will enact tax laws to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The Target Group is in the process of making an assessment of what the impact of Pillar Two model rules is expected to be on the income taxes.

8 PROPERTY AND EQUIPMENT

(a) Property and equipment

	Electronic equipment *RMB'000*	Furniture, fixture and equipment *RMB'000*	Leasehold improvement *RMB'000*	Right-of-use assets *RMB'000*	Total *RMB'000*
Cost:					
As at 1 January 2021	2,622	742	588	1,072	5,024
Additions	1,773	327	2,187	10,989	15,276
Disposals	–	–	–	(419)	(419)
As at 31 December 2021	4,395	1,069	2,775	11,642	19,881
Accumulated depreciation:					
As at 1 January 2021	(1,209)	(293)	(300)	(765)	(2,567)
Charge for the year	(765)	(146)	(1,554)	(3,731)	(6,196)
Written back on disposals	–	–	–	419	419
As at 31 December 2021	(1,974)	(439)	(1,854)	(4,077)	(8,344)
Net book value:					
As at 31 December 2021	2,421	630	921	7,565	11,537
Cost:					
As at 1 January 2022 and 31 December 2021	4,395	1,069	2,775	11,642	19,881
Additions	5,139	355	2,592	57,695	65,781
Disposals	–	–	–	(4,392)	(4,392)
As at 31 December 2022	9,534	1,424	5,367	64,945	81,270
Accumulated depreciation:					
As at 1 January 2022 and 31 December 2021	(1,974)	(439)	(1,854)	(4,077)	(8,344)
Charge for the year	(1,898)	(158)	(734)	(8,335)	(11,125)
Written back on disposals	–	–	–	3,429	3,429
As at 31 December 2022	(3,872)	(597)	(2,588)	(8,983)	(16,040)
Net book value:					
As at 31 December 2022	5,662	827	2,779	55,962	65,230
Cost:					
As at 1 January 2023	9,534	1,424	5,367	64,945	81,270
Additions	2,883	628	2,509	5,378	11,398
Disposals	–	–	–	(6,649)	(6,649)
As at 31 December 2023	12,417	2,052	7,876	63,674	86,019

	Electronic equipment RMB'000	Furniture, fixture and equipment RMB'000	Leasehold improvement RMB'000	Right-of-use assets RMB'000	Total RMB'000
Accumulated depreciation:					
As at 1 January 2023	(3,872)	(597)	(2,588)	(8,983)	(16,040)
Charge for the year	(2,785)	(242)	(1,148)	(12,348)	(16,523)
Written back on disposals	–	–	–	6,649	6,649
As at 31 December 2023	(6,657)	(839)	(3,736)	(14,682)	(25,914)
Net book value:					
As at 31 December 2023	5,760	1,213	4,140	48,992	60,105
Cost:					
As at 1 January 2024	12,417	2,052	7,876	63,674	86,019
Additions	2,094	20	666	4,476	7,256
As at 30 June 2024	14,511	2,072	8,542	68,150	93,275
Accumulated depreciation:					
As at 1 January 2024	(6,657)	(839)	(3,736)	(14,682)	(25,914)
Charge for the period	(1,592)	(165)	(780)	(8,371)	(10,908)
As at 30 June 2024	(8,249)	(1,004)	(4,516)	(23,053)	(36,822)
Net book value:					
As at 30 June 2024	6,262	1,068	4,026	45,097	56,453

(b) Leases

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

(i) Amounts recognised in the combined balance sheets

The combined balance sheets show the following amounts relating to leases:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Right-of-use assets				
Buildings	7,565	55,962	48,992	45,097
Lease liabilities				
Current	4,683	14,476	13,432	16,048
Non-current	3,229	43,479	34,782	28,094
	7,912	57,955	48,214	44,142

(ii) Amounts recognised in the combined statements of comprehensive income

The combined statements of comprehensive income show the following amounts relating to leases:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Depreciation charge of right-of-use assets	3,731	8,335	12,348	6,679	8,371
Interest expense (included in finance cost)	358	864	2,443	1,307	1,104
Expense relating to short-term leases	5,961	4,869	4,301	1,465	3,896
Expense relating to leases of low-value assets that are not shown above as short-term leases	6	–	187	7	–

The total cash outflow for leases for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024 were RMB9,844,000, RMB12,422,000, RMB21,475,000 and RMB10,146,000 (unaudited) and RMB13,548,000, respectively.

9 INTANGIBLE ASSETS

	Software	User base	Technology	Brand name	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
As at 1 January 2021 and at 31 December 2021	62	47,000	6,000	231,000	284,062
Accumulated amortisation:					
As at 1 January 2021	(23)	(7,833)	(600)	(11,550)	(20,006)
Charge for the year	(11)	(15,667)	(1,200)	(23,100)	(39,978)
As at 31 December 2021	(34)	(23,500)	(1,800)	(34,650)	(59,984)
Net book value:					
As at 31 December 2021	28	23,500	4,200	196,350	224,078
Cost:					
As at 1 January 2022 and 31 December 2022	62	47,000	6,000	231,000	284,062
Accumulated amortisation:					
As at 1 January 2022	(34)	(23,500)	(1,800)	(34,650)	(59,984)
Charge for the year	(10)	(15,667)	(1,200)	(23,100)	(39,977)
As at 31 December 2022	(44)	(39,167)	(3,000)	(57,750)	(99,961)
Net book value:					
As at 31 December 2022	18	7,833	3,000	173,250	184,101

	Software	User base	Technology	Brand name	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
As at 1 January 2023 and 31 December 2023	62	47,000	6,000	231,000	284,062
Accumulated amortisation:					
As at 1 January 2023	(44)	(39,167)	(3,000)	(57,750)	(99,961)
Charge for the year	(11)	(7,833)	(1,200)	(23,100)	(32,144)
As at 31 December 2023	(55)	(47,000)	(4,200)	(80,850)	(132,105)
Net book value:					
As at 31 December 2023	7	–	1,800	150,150	151,957
Cost:					
As at 1 January 2024	62	47,000	6,000	231,000	284,062
Addition	202	–	–	–	202
As at 30 June 2024	264	47,000	6,000	231,000	284,264
Accumulated amortisation:					
As at 1 January 2024	(55)	(47,000)	(4,200)	(80,850)	(132,105)
Charge for the period	(12)	–	(600)	(11,550)	(12,162)
As at 30 June 2024	(67)	(47,000)	(4,800)	(92,400)	(144,267)
Net book value:					
As at 30 June 2024	197	–	1,200	138,600	139,997

10 GOODWILL

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost and carrying amount:				
Beginning and ending balance	197,287	197,287	197,287	197,287

Impairments tests for cash-generating units containing goodwill

As at 31 December 2021, 2022, 2023 and 30 June 2024, the goodwill was generated from acquisition of the Target Group by the Company in 2020, which was presented from the Company's perspective as disclosed in Note 1(b). The Target Group has one cash generating unit which is Beijing Mico CGU. The annual impairment test of goodwill was performed by comparing the recoverable amount to the carrying amount. For the period ended 30 June 2024, there was no indicator of impairment of goodwill.

The recoverable amount of the cash-generating unit is determined based on the value-in-use calculations by using the discounted cash flow method. The calculation used pre-tax cash flow projections based on financial budgets approved by management covering a five-year period with a terminal value related to the future cash flows extrapolated using the estimated growth rates stated below beyond the five-year period.

For the impairment tests performed for the goodwill at 31 December 2021, 2022 and 2023, the key assumptions used in impairment test including growth rates which are estimated 10%, 10%, and 3% to 5% while for the years beyond the five-year period, the estimated continued growth rate to perpetuity is 3%, 3% and 2%. The gross margins are estimated around 33%, 30% and 46% with reference to the historical average gross margin of the Company. The present value of cash flows is calculated by discounting the cash flow using pre-tax discount rate of 25%, 25% and 25% which were estimated by using the Weighted Average Cost of Capital ("WACC") method. The WACC was calculated by referring to public market date including risk-free rate, market return, beta of comparable public companies, and the specific risk of the Group's social networking business. A reasonably possible change in key assumptions used in the impairment test of goodwill would not likely cause the carrying amount to exceed its recoverable amounts as at 31 December 2021, 2022 and 2023.

Based on the result of the goodwill impairment testing, the recoverable amount of Beijing Mico CGU amounted to RMB2.53 billion, RMB1.95 billion and RMB2.75 billion which exceeded the carrying amount of Beijing Mico with a headroom available amounted to approximately RMB1.38 billion, RMB1.02 billion and RMB1.80 billion as at 31 December 2021, 2022 and 2023. As the recoverable amount was above the carrying amount, no impairment was resulted in respect of the goodwill as at 31 December 2021, 2022 and 2023.

A reasonably possible change in key assumptions used in the impairment test of goodwill would not likely cause the carrying amount to exceed its recoverable amounts as at 31 December 2021, 2022 and 2023.

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

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Revenue growth rate decreases by 10%	1,304,040	972,327	1,750,890
Terminal value decreases by 10%	1,122,236	939,547	1,671,735
Discount rate increases by 10%	1,110,281	809,751	1,542,725

11 ACCOUNTS RECEIVABLE

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accounts receivable from third parties	117,766	129,066	156,049	192,064
Less: loss allowance	(4,223)	(7,644)	(9,625)	(11,760)
	113,543	121,422	146,424	180,304

An ageing analysis of the gross accounts receivable as at 31 December 2021, 2022 and 2023, and 30 June 2024, based on date of recognition, is as follows:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Up to 6 months	113,951	122,375	147,810	181,266
6 months to 1 year	153	2,904	906	3,884
1 year to 2 years	3,662	302	3,661	2,626
2 years to 3 years	–	3,485	282	712
Over 3 years	–	–	3,390	3,576

The Target Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9. Movement in lifetime expected credit losses that has been recognised for accounts receivable is disclosed in Note 18 (a).

As at 31 December 2021, 2022 and 2023, and 30 June 2024, substantial all of the carrying amounts of accounts receivable are denominated in USD.

12 OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from the ultimate holding company *(i)*	–	600,140	716,557	835,145
Amounts due from fellow subsidiaries of the Target Group *(i)*	158,254	185,000	185,000	255,276
Amounts due from an associate of the Target Group *(i)*	–	3,800	8,000	9,798
Loans to employees *(ii)*	18,672	11,327	12,103	8,555
Deposits placed at foreign licensed platforms *(iii)*	21,969	10,391	48,747	47,321
Rental deposits	1,962	6,881	7,407	8,726
Others	494	415	248	7,669
Less: loss allowance	(2,921)	(3,062)	(3,586)	(12,925)
	198,430	814,892	974,476	1,159,565
Including:				
current portion	190,780	805,991	966,457	1,152,926
non-current portion	7,650	8,901	8,019	6,639

Notes:

(i) Amounts due from the ultimate holding company, fellow subsidiaries of the Target Group and an associate of the Target Group are unsecured, interest-free and repayable on demand.

(ii) During the Relevant Periods, in order to retain high-performance employees within the Target Group, the Target Group adopted an employee interest-free loan arrangement, under which employees can receive interest-free and unsecured loans from the Target Group and repay such amount over the terms of 1-5 years.

(iii) The balance represents the deposits placed at foreign licensed payment platforms.

13 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank deposits at call	648,986	425,177	1,026,487	1,201,254

For the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2024, the average interest rates of bank deposits at call were 0.45%, 0.33%, 0.29% and 0.34% respectively.

As at 31 December 2021, 2022 and 2023, and 30 June 2024, the analysis of carrying amounts of cash and cash equivalents denominated in different currencies is as follows:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Denominated in RMB	1,553	19,767	28,224	23,140
Denominated in HKD	337,397	22,883	57,275	56,638
Denominated in USD	306,665	379,180	937,131	1,118,914
Others	3,371	3,347	3,857	2,562
	648,986	425,177	1,026,487	1,201,254

(b) Reconciliation of (loss)/profit before income tax to cash generated from operations

		Year ended 31 December			Six months ended 30 June	
	Note	2021	2022	2023	2023	2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Operating activities						
(Loss)/profit before income tax		(202,359)	406,932	644,830	338,077	395,396
Adjustments for:						
Depreciation and amortisation	*6(c)*	46,174	51,103	48,667	27,866	23,070
Impairment on equity investment		–	–	–	–	5,954
Net impairment losses on financial assets	*6(c)*	4,114	2,895	2,328	2,103	12,342
Finance income		(420)	(454)	(17,332)	(3,507)	(19,074)
Finance costs	*6(a)*	2,208	1,490	2,443	1,307	1,104
Exchange gains and losses	*5*	16,027	(12,744)	(7,536)	(37,434)	6,144
Share-based compensation expense	*6(b)*	633,713	19,270	34,216	22,893	22,453
Share of net loss of associates and joint ventures accounted for using the equity method		–	–	6,690	2,815	18
Fair value change of financial assets measured at FVPL	*18(e)*	(205)	(1,379)	(297)	(55)	(384)
Changes in working capital:						
Increase in accounts receivable		(48,144)	(11,300)	(26,983)	(2,497)	(36,015)
Increase in other current assets		(791)	(1,663)	(2,087)	(1,134)	(2,144)
(Increase)/decrease in other receivables		(44,404)	11,374	(37,840)	(119,805)	(193,414)
Decrease/(increase) in restricted bank deposits		864	(31)	(7)	(12)	(4)
Increase/(decrease) in accounts payable		86,823	(34,001)	4,223	(46,470)	29,291
Increase/(decrease) in other payables		24,893	19,642	67,288	2,407	(53,441)
Cash generated from operations		518,493	451,134	718,603	186,554	191,296

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Target Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Target Group's combined statements of cash flows as cash flows from financing activities.

	Convertible loan issued to a fellow subsidiary	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2021	47,524	265	47,789
Changes from financing cash flows:			
Capital element of lease rentals paid	–	(3,519)	(3,519)
Interest element of lease rentals paid	–	(358)	(358)
Total changes from financing cash flows	–	(3,877)	(3,877)
Other changes:			
Interest expenses *(Note 6(a))*	1,850	358	2,208
Increase in lease liabilities from entering into new leases during the year	–	10,989	10,989
Effect of foreign currency exchange rate changes	–	177	177
As at 31 December 2021 and 1 January 2022	49,374	7,912	57,286
Changes from financing cash flows:			
Capital element of lease rentals paid	–	(6,689)	(6,689)
Interest element of lease rentals paid	–	(864)	(864)
Repayment of a convertible loan	(50,000)	–	(50,000)
Total changes from financing cash flows	(50,000)	(7,553)	(57,553)
Other changes:			
Interest expenses *(Note 6(a))*	626	864	1,490
Increase in lease liabilities from entering into new leases during the year	–	57,695	57,695
Effect of foreign currency exchange rate changes	–	(963)	(963)
As at 31 December 2022 and 1 January 2023	–	57,955	57,955
Changes from financing cash flows:			
Capital element of lease rentals paid	–	(14,544)	(14,544)
Interest element of lease rentals paid	–	(2,443)	(2,443)
Total changes from financing cash flows	–	(16,987)	(16,987)

	Convertible loan issued to a fellow subsidiary *RMB'000*	Lease liabilities *RMB'000*	Total *RMB'000*
Other changes:			
Interest expenses *(Note 6(a))*	–	2,443	2,443
Increase in lease liabilities from entering into new leases during the year	–	5,378	5,378
Effect of foreign currency exchange rate changes	–	(575)	(575)
As at 31 December 2023	–	48,214	48,214
As at 1 January 2023	–	57,955	57,955
Changes from financing cash flows:			
Capital element of lease rentals paid *(unaudited)*	–	(7,367)	(7,367)
Interest element of lease rentals paid *(unaudited)*	–	(1,307)	(1,307)
Total changes from financing cash flows *(unaudited)*	–	(8,674)	(8,674)
Other changes:			
Interest expenses *(Note 6(a)) (unaudited)*	–	1,307	1,307
As at 30 June 2023 (unaudited)	–	50,588	50,588
As at 1 January 2024	–	48,214	48,214
Changes from financing cash flows:			
Capital element of lease rentals paid	–	(8,548)	(8,548)
Interest element of lease rentals paid	–	(1,104)	(1,104)
Total changes from financing cash flows	–	(9,652)	(9,652)
Other changes:			
Interest expenses *(Note 6(a))*	–	1,104	1,104
Increase in lease liabilities from entering into new leases during the period	–	4,476	4,476
As at 30 June 2024	–	44,142	44,142

14 ACCOUNTS PAYABLE

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Up to 1 year	150,754	116,751	120,985	150,282
1 year to 2 years	–	–	6	–
More than 2 years	15	17	–	–
	150,769	116,768	120,991	150,282

Accounts payable are usually settled within 1 year of recognition.

As at 31 December 2021, 2022 and 2023, and 30 June 2024, the analysis of carrying amounts of accounts payable denominated in different currencies is as follows:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Denominated in USD	121,145	91,443	105,404	137,625
Denominated in THB	17,489	9,960	4,904	1,314
Denominated in IDR	7,348	9,433	6,398	8,208
Other	4,787	5,932	4,285	3,135
	150,769	116,768	120,991	150,282

15 OTHER PAYABLES

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Employee benefits payable	53,389	71,634	114,794	55,171
Other tax payables	1,585	2,158	23,938	30,403
Refundable advances from customers	–	556	1,876	827
Convertible loan issued to a fellow subsidiary of the Target Group	49,374	–	–	–
Others	7,178	7,446	8,474	9,240
	111,526	81,794	149,082	95,641

16 DEFERRED INCOME TAX

(a) Deferred tax assets

The components of deferred tax assets recognised in the combined balance sheets and the movements during the Relevant Periods are as follows:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The balance comprises temporary differences attributable to:				
Lease liabilities	747	6,890	5,004	4,528
Others	248	137	683	669
Total deferred tax assets	995	7,027	5,687	5,197
Set-off of deferred tax liabilities pursuant to set-off provisions	(747)	(6,819)	(5,651)	(4,719)
	248	208	36	478

	Accumulated tax loss	Restricted shares granted	Lease liabilities	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2021	645	12,344	268	248	13,505
(Credited)/charged to profit or loss	(645)	(12,344)	479	–	(12,510)
As at 31 December 2021	–	–	747	248	995
Charge/(credited) to profit or loss	–	–	6,143	(111)	6,032
As at 31 December 2022	–	–	6,890	137	7,027
(Credited)/charge to profit or loss	–	–	(1,886)	546	(1,340)
As at 31 December 2023	–	–	5,004	683	5,687
Credited to profit or loss	–	–	(476)	(14)	(490)
As at 30 June 2024	–	–	4,528	669	5,197

(b) Deferred tax liabilities

The components of deferred tax liabilities recognised in the combined balance sheets and the movements during the Relevant Periods are as follows:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The balance comprises temporary differences attributable to:				
Intangible assets identified in business combination	43,963	38,967	34,949	33,431
Right-of-use assets	747	6,819	4,785	4,336
Total deferred tax assets	44,710	45,786	39,734	37,767
Set-off of deferred tax liabilities pursuant to set-off provisions	(747)	(6,819)	(5,651)	(4,719)
	43,963	38,967	34,083	33,048

	Intangible assets identified in business combination	**Right-of-use assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Movements			
As at 1 January 2021	62,008	268	62,276
(Credited)/charged to profit or loss	(18,045)	479	(17,566)
As at 31 December 2021	43,963	747	44,710
(Credited)/charged to profit or loss	(4,996)	6,072	1,076
As at 31 December 2022	38,967	6,819	45,786
Credited to profit or loss	(4,018)	(2,034)	(6,052)
As at 31 December 2023	34,949	4,785	39,734
Credited to profit or loss	(1,518)	(449)	(1,967)
As at 30 June 2024	33,431	4,336	37,767

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(n), the Target Group has not recognised deferred tax assets in respect of cumulative tax losses of a subsidiary of RMB9,757,000, RMB9,905,000, RMB11,005,000 and RMB13,944,000 as at 31 December 2021, 2022 and 2023, and 30 June 2024, respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

(d) Deferred tax liabilities not recognised

Except for deferred tax liabilities recognised in Note 16(b), taxable temporary differences relating to the undistributed profits of the Target Group's subsidiaries established in the Chinese Mainland amounted to RMBNil, RMB280,996,000, RMB937,626,000 and RMB1,351,947,000 as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively, where deferred tax liabilities in respect of the PRC withholding tax that would be payable on the distributions of these profits, have not been recognised as the Target Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that such profits will not be distributed in the foreseeable future.

17 SHARE BASED PAYMENTS

(a) Target Group's RSUs granted to employees

The Board of Directors of the Target Group resolved and approved the grant of RSUs to certain grantees pursuant to the Target RSU Scheme (the "Grant") prior to the Relevant Periods, subject to acceptance by the grantees. The fair value of RSUs as at the grant date was approximately RMB15.5 million. The vesting is subject to a four-year service schedule, under which an employee earns an entitlement to 25% of total granted shares at the end of each year of complete service from the date of grant.

On 4 January 2022, the Board of Directors of the Target Group resolved and approved the grant of 424,000 RSUs to certain grantees pursuant to the Target RSU Scheme (the "Grant"), subject to acceptance by the grantees. The fair value of RSUs as at the grant date was approximately RMB11.72 million. The first batch of the RSUs (being 25% of the total RSUs granted) vested upon date of grant, and the second to the fourth batches of the RSUs (being 25% of the total RSUs granted respectively) will be vested on 1 January 2023, 2024 and 2025, respectively.

On 1 July 2022, the Board of Directors of the Target Group resolved and approved the grant of 275,000 RSUs to certain grantees pursuant to the Target RSU Scheme (the "Grant"), subject to acceptance by the grantees. The fair value of RSUs as at the grant date was approximately RMB7.60 million. The first batch of the RSUs (being 25% of the total RSUs granted) vested upon date of grant, and the second to the fourth batches of the RSUs (being 25% of the total RSUs granted respectively) will be vested on 1 July 2023, 2024 and 2025, respectively.

On 4 January 2023, the Board of Directors of the Target Group resolved and approved the grant of 859,926 RSUs to certain grantees pursuant to the Target RSU Scheme (the "Grant"), subject to acceptance by the grantees. The fair value of RSUs as at the grant date was approximately RMB23.76 million. The first batch of the RSUs (being 25% of the total RSUs granted) vested upon date of grant, and the second to the fourth batches of the RSUs (being 25% of the total RSUs granted respectively) will be vested on 1 January 2024, 2025 and 2026, respectively.

On 1 July 2023, the Board of Directors of the Target Group resolved and approved the grant of 104,230 RSUs to certain grantees pursuant to the Target RSU Scheme (the "Grant"), subject to acceptance by the grantees. The fair value of RSUs as at the grant date was approximately RMB2.88 million. The first batch of the RSUs (being 25% of the total RSUs granted) vested upon date of grant, and the second to the fourth batches of the RSUs (being 25% of the total RSUs granted respectively) will be vested on 1 July 2024, 2025 and 2026, respectively.

On 4 January 2024, the Board of Directors of the Target Group resolved and approved the grant of 1,301,975 RSUs to certain grantees pursuant to the Target RSU Scheme (the "Grant"), subject to acceptance by the grantees. The fair value of RSUs as at the grant date was approximately RMB31.52 million. The first batch of the RSUs (being 25% of the total RSUs granted) vested upon date of grant, and the second to the fourth batches of the RSUs (being 25% of the total RSUs granted respectively) will be vested on 1 January 2025, 2026 and 2027, respectively.

	Number of RSU
Outstanding as at 1 January 2021	10,750,000
Granted during the year	–
Forfeited during the year	(1,150,000)
Vested during the year	(4,225,000)
Outstanding as at 31 December 2021	5,375,000
Outstanding as at 1 January 2022	5,375,000
Granted during the year	699,000
Forfeited during the year	(1,000,000)
Vested during the year	(4,553,250)
Outstanding as at 31 December 2022	520,750
Outstanding as at 1 January 2023	520,750
Granted during the year	964,156
Forfeited during the year	(21,250)
Vested during the year	(460,132)
Outstanding as at 31 December 2023	1,003,524
Outstanding as at 1 January 2024	1,003,524
Granted during the period	1,301,975
Forfeited during the period	(126,755)
Vested during the period	(736,557)
Outstanding as at 30 June 2024	1,442,187

The fair value of services received in return for restricted shares granted is measured by reference to the fair value of shares granted.

The estimate of the fair value of the RSUs granted is measured based on the valuation of the entire equity of the Target Group using market approach. RSUs were granted under both service and non-vesting conditions. These conditions has not been taken into account in the grant date fair value measurement of the services received.

The total expenses recognised in the combined statements of comprehensive income for RSUs granted under Share Incentive Plan were RMB280,000, RMB11,304,000, RMB23,611,000 and RMB17,525,000 for the years ended 31 December 2021, 2022 and 2023, and six months ended 30 June 2024.

(b) The Company's share options granted to employees

On 31 May 2021, the shareholders of the Company approved the adoption of Share Option Scheme with the purpose of attracting, retaining and motivating eligible participants to strive towards long term performance target set by the Company and to provide them with an incentive to work better for the interest of the Company.

On 30 August 2021, the Board of Directors proposed to grant in aggregate 36,000,000 share options to certain eligible persons of the Target Group under the Share Option Scheme adopted on 31 May 2021 to subscribe for a total of 36,000,000 ordinary shares of US$0.0001 each in the share capital of the Company at the exercise price of HK$4.81 per share. The grant includes performance-based share options to grantees, which are generally vested within 10 years. Share options of each grantee will be vested in four tranches subject to the fulfilment of certain performance targets relating to the Company. The performance target is determined by the Board of Directors of the Company. For those awards, evaluations are made at the end of each reporting period to assess the likelihood of performance criteria being met. Share-based compensation expenses are then adjusted to reflect the revision of original estimates.

Movements in the number of share options granted to employees of the Target Group and their related weighted average exercise prices are as below:

	Number of share options
Outstanding as at 1 January 2021	–
Granted during the year	36,000,000
Forfeited during the year	–
Exercised during the year	–
Outstanding as at 31 December 2021	36,000,000
Exercisable as at 31 December 2021	–

	Number of share options
Outstanding as at 1 January 2022	36,000,000
Granted during the year	–
Forfeited during the year	(770,000)
Exercised during the year	–
Outstanding as at 31 December 2022	35,230,000
Exercisable as at 31 December 2022	14,400,000

	Number of share options
Outstanding as at 1 January 2023	35,230,000
Granted during the year	–
Forfeited during the year	–
Exercised during the year	–
Outstanding as at 31 December 2023	35,230,000
Exercisable as at 31 December 2023	14,400,000

	Number of share options
Outstanding as at 1 January 2024	35,230,000
Granted during the period	–
Forfeited during the period	–
Exercised during the period	–
Outstanding as at 30 June 2024	35,230,000
Exercisable as at 30 June 2024	14,400,000

The options outstanding as at 31 December 2021, 2022 and 2023 and 30 June 2024 had a weighted average remaining contractual life of 9.7 years, 8.7 years, 7.7 years and 7.2 years, respectively.

The Company has used the binomial model to determine the fair value of the share options as at the grant date, which is to be recorded as share-based compensation expenses in profit or loss over the vesting period.

There was no new granted options for the years ended 31 December 2022 and 2023, and six months ended 30 June 2024.

The weighted average fair value of the share options granted by the Company in 2021 was HK$2.00 per share. Other than the exercise price mentioned above, the model inputs to determine the fair value of share options granted in prior years included:

The closing price at the respective grant date	HK$4.67
Risk-free interest rates	1.07% – 1.36%
Expected dividend yield	0.00%
Expected volatility	61.15% – 61.62%

The total share-based compensation expenses recognised in the combined statements of comprehensive income for Share Option Scheme were RMB42,973,000, RMB7,966,000, RMB10,605,000 and RMB4,928,000 for the years ended 31 December 2021, 2022 and 2023, and six months ended 30 June 2024, respectively.

(c) Share-based payments to management and employees

In 2021, certain of the Target Group's management and employees were granted shares of the Target Company, which represent 11.25% equity interest of the Target Company to recognise the performance of these management and employees. There is no service or performance conditions attached to these shares, therefore in accordance with IFRS 2 Share-based Payments, the Target Group recorded share-based compensation expense amounting to approximately RMB590,460,000 in general and administrative expenses at the time when such share-based payments arrangement was entered into. The fair value of the share-based payment was determined with reference to a recent transaction.

18 FINANCIAL RISK MANAGEMENT

The Target Group's exposure to credit, liquidity, interest rate and currency risks and the financial risk management policies and practices used by the Target Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Target Group. The Target Group's credit risk is primarily attributable to accounts and other receivables. The Target Group's exposure to credit risk arising from cash and cash equivalents, restricted bank deposits is limited because the counterparties are banks and financial institutions for which the Target Group considers to have low credit risk.

Accounts receivable

The Target Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Target Group has significant exposure to individual customers. At 31 December 2021, 2022 and 2023, and 30 June 2024, 18%, 22%, 17% and 15% of the total accounts receivable was due from the Target Group's largest debtors, 71%, 62%, 62% and 61% of the total accounts receivable was due from the five largest debtors respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Accounts receivable are due within 0-90 days from the date of billing. Normally, the Target Group does not obtain collateral from customers.

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

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

– For accounts receivable due from oversea and domestic customers with regular payment schedule, the Group calculates the expected credit loss by referring to the historical credit loss experience, combining with the current situation and the forecast of future economic conditions and measuring the accounts receivable ageing and expected credit loss rate during the lifetime.

– For accounts receivable due from customers with different credit risks, such as the customers that the Group has renegotiated with specific payment schedule, the Group applies the individual identification method based on the characteristics of credit risk of each individual balance.

The expected loss rates are based on the historical payment profiles and the corresponding historical credit losses experiences within this period. The Group has also considered the expected changes in macroeconomic factors, and accordingly adjusted the historical loss rates based on expected changes in these factors to reflect current and forward-looking information affecting the ability of the customers to settle the receivables.

The following table provides information about the Target Group's exposure to credit risk and ECLs for accounts receivable as at 31 December 2021, 2022 and 2023 and 30 June 2024:

	As at 31 December 2021		
	Accounts receivable	**Loss allowance**	**Net value**
	RMB'000	*RMB'000*	*RMB'000*
Accounts receivable			
From customers with regular payment schedule	113,923	(380)	113,543
From customers with different credit risks	3,843	(3,843)	–
	117,766	(4,223)	113,543

	As at 31 December 2022		
	Accounts receivable	**Loss allowance**	**Net value**
	RMB'000	*RMB'000*	*RMB'000*
Accounts receivable			
From customers with regular payment schedule	125,291	(3,869)	121,422
From customers with different credit risks	3,775	(3,775)	–
	129,066	(7,644)	121,422

	As at 31 December 2023		
	Accounts receivable	**Loss allowance**	**Net value**
	RMB'000	*RMB'000*	*RMB'000*
Accounts receivable			
From customers with regular payment schedule	152,228	(5,804)	146,424
From customers with different credit risks	3,821	(3,821)	–
	156,049	(9,625)	146,424

	As at 30 June 2024		
	Accounts receivable	Loss allowance	Net value
	RMB'000	*RMB'000*	*RMB'000*
Accounts receivable			
From customers with regular payment schedule	188,094	(7,790)	180,304
From customers with different credit risks	3,970	(3,970)	–
	192,064	(11,760)	180,304

	As at 31 December 2021		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current to less than 3 months	0.26%	113,715	(296)
3 to 6 months	14.58%	35	(5)
6 months to 1 year	23.66%	123	(29)
Over 1 year	100.00%	50	(50)
		113,923	(380)

	As at 31 December 2022		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current to less than 3 months	0.62%	118,005	(732)
3 to 6 months	28.91%	4,339	(1,254)
6 months to 1 year	63.28%	2,897	(1,833)
Over 1 year	100.00%	50	(50)
		125,291	(3,869)

	As at 31 December 2023		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current to less than 3 months	0.56%	144,478	(809)
3 to 6 months	24.71%	3,325	(822)
6 months to 1 year	67.51%	777	(525)
Over 1 year	100.00%	3,648	(3,648)
		152,228	(5,804)

	At 30 June 2024		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current to less than 3 months	0.72%	178,505	(1,281)
3 to 6 months	28.19%	947	(267)
6 months to 1 year	56.59%	5,529	(3,129)
Over 1 year	100.00%	3,113	(3,113)
		188,094	(7,790)

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Target Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of accounts receivable during the Relevant Periods is as follows:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	(328)	(4,223)	(7,644)	(9,625)
Impairment losses recognised	(3,948)	(3,019)	(1,841)	(2,070)
Exchange adjustment	53	(402)	(140)	(65)
At the end of the year/period	(4,223)	(7,644)	(9,625)	(11,760)

(b) Liquidity risk

The treasury function is centrally managed by the Target Group, which including the short term investment of cash surplus and the raising of loans to cover expected cash demands. The Target Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Target Group's financial liabilities and, which are based on contractual undiscounted cash flows and the earliest date the Target Group can be required to pay:

	As at 31 December 2021 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities	4,939	3,267	51	–	8,257	7,912
Accounts and other payables measured at amortised cost	207,321	–	–	–	207,321	207,321
	212,260	3,267	51	–	215,578	215,233

	As at 31 December 2022 Contractual undiscounted cash outflow					
	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*	Carrying amount *RMB'000*
Lease liabilities	16,919	12,605	35,031	–	64,555	57,955
Accounts and other payables measured at amortised cost	124,770	–	–	–	124,770	124,770
	141,689	12,605	35,031	–	189,325	182,725

	As at 31 December 2023 Contractual undiscounted cash outflow					
	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*	Carrying amount *RMB'000*
Lease liabilities	15,376	37,275	–	–	52,651	48,214
Accounts and other payables measured at amortised cost	131,341	–	–	–	131,341	131,341
	146,717	37,275	–	–	183,992	179,555

	As at 30 June 2024 Contractual undiscounted cash outflow					
	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*	Carrying amount *RMB'000*
Lease liabilities	17,844	14,297	15,459	–	47,600	44,142
Accounts and other payables measured at amortised cost	160,349	–	–	–	160,349	160,349
	178,193	14,297	15,459	–	207,949	204,491

(c) Interest rate risk

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

(d) Foreign exchange risk

The transactions of the Target Company are primarily denominated and settled in its functional currency, USD. The Target Group's subsidiaries operate in mainland China and overseas, and they are exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities denominated in a currency other than the functional currency of the each of the Target Group companies.

Most of the transactions are settled in the functional currency of each of the Target Group companies. Management ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value as at 31 December 2021	**Fair value measurement as at 31 December 2021 categorised into**		
		Level 1	**Level 2**	**Level 3**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Assets:				
– WMPs	33,082	–	–	33,082

	Fair value as at 31 December 2022	**Fair value measurement as at 31 December 2022 categorised into**		
		Level 1	**Level 2**	**Level 3**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Assets:				
– WMPs	63,110	–	–	63,110

	Fair value as at 31 December 2023	Fair value measurement as at 31 December 2023 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Assets:				
– WMPs	21,995	–	–	21,995

	Fair value as at 30 June 2024	Fair value measurement as at 30 June 2024 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Assets:				
– WMPs	20,706	–	–	20,706

During the Relevant Periods, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

The following table presents the changes in level 3 instruments of investment in WMPs measured at fair value through profit or loss for the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2024.

	Year ended 31 December			Six months ended 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	29,077	33,082	63,110	21,995
Purchases	96,700	125,000	50,000	90,000
Maturity	(92,900)	(96,351)	(91,412)	(91,673)
Change in fair value	205	1,379	297	384
At the end of the year/period	33,082	63,110	21,995	20,706
Net unrealised gains for the year/period	504	192	304	384

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

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

Specific valuation techniques used to value financial instruments include:

- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate.

(iii) Fair value measurements using significant unobservable inputs

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

All the WMPs will mature within one year with variable return rates indexed to the performance of underlying assets. The fair values were determined based on cash flow discounted assuming the expected return will be obtained upon maturity. The significant unobservable inputs is the return rate and the relationship of unobservable inputs to fair value is positive correlation.

(f) Capital management

The Target Group's primary objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern. As the Target Group is part of a larger group, the Target Group's sources of additional capital and policies for distribution of excess capital may also be affected by the Company's capital management policies. The Target Group's capital structure is regularly reviewed and managed with due regard to the capital management practices of the Company. The Target Group defines "capital" as all components of equity. The Target Company was not subject to externally imposed capital requirement in the Relevant Periods.

19 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances and transactions disclosed elsewhere in the Historical Financial Information, the Target Group had the following material related party transactions during the Relevant Periods.

Remuneration for key management personnel of the Target Group is as follows:

	Year ended 31 December			Six months ended 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wages, salaries and bonus	683	1,238	2,039	1,251
Pension costs – defined contribution plans	69	103	112	60
Other social security costs, housing benefits and other employee benefits	109	164	175	85
Share-based compensation expenses	274,182	3,954	2,409	1,560
	275,043	5,459	4,735	2,956

Total remuneration is included in "staff costs" (see Note 6(b)).

20 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at the date of this report, the directors of the Company consider the immediate and ultimate holding company of the Target Group to be the Company, which is incorporated in the Cayman Islands.

21 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of the Historical Financial Information, the IASB has issued a number of amendments, which are not yet effective for the Relevant Periods and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Target Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 21, The effects of changes in foreign exchange rates: Lack of exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
IFRS 18, Presentation and Disclosure in Financial Statements Basis for conclusions on IFRS 18 Illustrative examples on IFRS 18	1 January 2027
IFRS 19, Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Target Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the combined financial statements.

22 SUBSEQUENT EVENTS

On 22 November 2024, the Target Company issued 10,000,000 shares and all shares have been granted to certain selected participants pursuant to the rules of the Target RSU Scheme.

On 27 June 2024, Newborn Town Inc., which is the ultimate holding shareholder of the Target Group, proposed to acquire the remaining equity interest of the Target Group from the minority shareholders (the "Sellers"). The total consideration was HK$1,982,658,000 (equivalent to RMB1,809,572,000), including cash consideration of HK$993,790,000 (equivalent to RMB907,032,000), and share consideration of HK$988,868,000 (equivalent to RMB902,540,000). The cash consideration would be paid equally in three years. The share consideration would be issuance of 219,748,391 ordinary shares of Newborn Town Inc. to the Sellers at the issue price of HK$4.50 per share. As at the date of this report, the above transaction has not been completed.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group or its subsidiaries in respect of any period subsequent to 30 June 2024.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following unaudited pro forma consolidated statement of assets and liabilities of the Group (the "Unaudited Pro Forma Financial Information") has been prepared on the basis of the notes set out below for the purpose of illustrating the effects on the financial position of the Group as if the acquisition of the Target Group's non-controlling interests had been completed on 30 June 2024.

The Unaudited Pro Forma Financial Information as at 30 June 2024 has been prepared based on (i) unaudited interim consolidated balance sheet of the Group as at 30 June 2024, as set out in its published interim report for the six months ended 30 June 2024; and (ii) the pro forma adjustments prepared to reflect the effects of the acquisition of the Target Group's non-controlling interests by the Group as explained in the notes set out below that are directly attributable to the acquisition of the Target Group's non-controlling interests, not relating to other future events or decisions and are factually supportable.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information contained in this circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors of the Company for illustrative purposes only and is based on a number of assumptions, estimates and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Group had the acquisition of the Target Group's non-controlling interests been completed on 30 June 2024 or any future date.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP AS AT 30 JUNE 2024

	The Group as at 30 June 2024	Pro forma adjustments		Unaudited pro forma consolidated statement of assets and liabilities of the Group as at 30 June 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	
ASSETS				
Non-current assets				
Property and equipment	110,027	–	–	110,027
Intangible assets	235,874	–	–	235,874
Goodwill	385,511	–	–	385,511
Deferred tax assets	455	–	–	455
Investments accounted for using the equity method	28,076	–	–	28,076
Financial assets measured at fair value through profit or loss	36,634	–	–	36,634
Other receivables	15,854	–	–	15,854
Other non-current assets	50	–	–	50
Total non-current assets	812,481	–	–	812,481
Current assets				
Inventories	20,113	–	–	20,113
Accounts receivable	273,499	–	–	273,499
Other receivables	109,515	–	–	109,515
Other current assets	23,787	–	–	23,787
Financial assets measured at fair value through profit or loss	269,235	–	–	269,235
Cash and cash equivalents	1,489,188	(226,753)	(5,098)	1,257,337
Restricted bank deposits	1,317	–	–	1,317
Total current assets	2,186,654	(226,753)	(5,098)	1,954,803
Total assets	2,999,135	(226,753)	(5,098)	2,767,284

	The Group as at 30 June 2024	Pro forma adjustments		Unaudited pro forma consolidated statement of assets and liabilities of the Group as at 30 June 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	
LIABILITIES				
Current liabilities				
Accounts payable	282,957	–	–	282,957
Contract liabilities	78,163	–	–	78,163
Income tax payables	4,732	–	–	4,732
Bank overdraft	75	–	–	75
Lease liabilities	37,490	–	–	37,490
Other payables	218,348	194,673	–	413,021
Total current liabilities	621,765	194,673	–	816,438
Non-current liabilities				
Deferred tax liabilities	66,986	–	–	66,986
Lease liabilities	58,115	–	–	58,115
Other non-current liabilities	800	307,675	–	308,475
Total non-current liabilities	125,901	307,675	–	433,576
Total liabilities	747,666	502,348	–	1,250,014
Net assets	2,251,469	(729,101)	(5,098)	1,517,270

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

1. The balances are extracted from the unaudited interim consolidated balance sheet of the Group as at 30 June 2024 as set out in the published interim report for the six months ended 30 June 2024.

2. Pursuant to the Share Purchase Agreement, the Company would pay in cash in an amount of HK$994 million and issue 219,748,391 shares of the Company for the acquisition of the Target Group's non-controlling interests.

   The cash consideration for the acquisition of the Target Group's non-controlling interests would be paid equally in four instalments. The first instalment of HK$248 million (equivalent to RMB227 million) shall be payable on or before a certain post-completion payment date, and the remaining three instalments shall be payable on or before the subsequent three anniversaries of the certain post-completion payment date. Therefore, the first instalment of cash consideration is assumed to be credited into cash and cash equivalent and the remaining cash considerations would be discounted to a present value of HK$550 million (equivalent to RMB502 million) as other payables and other non-current liabilities.

   The issuance of consideration shares for the acquisition of the Target Group's non-controlling interests would be accounted for within equity and would not have impact on the assets and liabilities of the Group.

   As at 30 June 2024, the Group had control over the Target Group and the assets and liabilities of the Target Group were included in the consolidated financial statements of the Group. Following the completion of the acquisition of the Target Group's non-controlling interests, the Target Group will become wholly-owned subsidiaries of the Group. According to the accounting policies of the Company, transactions with non-controlling interests that do not result in a loss of control are accounted for as transactions with equity owners of the Group. The acquisition of the Target Group's non-controlling interests would not result in changes in the recognised amount of assets and liabilities of the Target Group in the Group's consolidated financial statements.

3. The adjustment represents the estimated issuance cost and professional fees of approximately RMB5 million, relating to the acquisition of the Target Group's non-controlling interests.

4. The consideration payable by the Company are converted from Hong Kong dollars into Renminbi at an exchange rate of RMB1 to HK$1.0957. No representation is made that HK$ amounts have been, could have been or may be converted into RMB, or vice versa, at that rate.

5. No adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by the Group subsequent to 30 June 2024.

B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this circular.

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of Newborn Town Inc.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Newborn Town Inc. (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2024 and related notes as set out in Part *A* of Appendix III to the circular dated 25 November 2024 (the "Circular") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix III to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of the non-controlling interests of the NBT Social Networking Inc., Beijing Mico World Technology Co., Ltd. and their subsidiaries conducting social networking business (together, the "Target Group") (the Proposed Acquisition") on the Group's financial position as at 30 June 2024 as if the Proposed Acquisition had taken place at 30 June 2024. As part of this process, information about the Group's financial position as at 30 June 2024 has been extracted by the Directors from the interim financial report of the Group for the six months ended 30 June 2024, on which a review report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements", which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 30 June 2024 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group, and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong
25 November 2024

Set out below is the management discussion and analysis on the Target Group for the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2024, which is based on and should be read in conjunction with the historical financial information of the Target Group as set out in Appendix II to this circular.

BUSINESS AND FINANCIAL REVIEW

The Target Group operates a portfolio of social networking platforms with a global user base spanning over more than 150 countries and regions. The core social networking platforms include MICO, an open social networking platform; YoHo, focused on voice interactions; SUGO, centred on companionship; and TopTop, dedicated to gaming. Over the past few years, the Target Group has experienced rapid growth, establishing itself as a market leader in the emerging markets of the Middle East, North Africa, and Southeast Asia, while also making significant strides in developed markets such as Japan and Korea.

REVENUE FROM CONTRACT WITH CUSTOMERS

For the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2023 and 2024, the total revenue from contract with customers of the Target Group amounted to RMB1,962.7 million, RMB2,380.2 million, RMB2,491.3 million, RMB1,170.3 million and RMB1,615.1 million, respectively, which primarily comprised the revenue derived from live streaming services.

The total revenue from contract with customers of the Target Group increased from RMB1,962.7 million in 2021 to RMB2,380.2 million in 2022, mainly due to the increasing popularity of the Target Group's social networking platforms in the Middle East and Southeast Asia.

The total revenue from contract with customers of the Target Group increased from RMB2,380.2 million in 2022 to RMB2,491.3 million in 2023, mainly due to the Target Group's enhanced promotion efforts on, and upgrades to, its social networking platforms in the Middle East and Southeast Asia.

The total revenue from contract with customers of the Target Group increased from RMB1,170.3 million for the six months ended 30 June 2023 to RMB1,615.1 million for the six months ended 30 June 2024, primarily driven by the Target Group's strategic focus on key target markets, and the optimisation of its operation and commercialisation strategies, which contributed to a clearer and more refined matrix of its social networking products.

COST OF REVENUE

For the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2023 and 2024, the cost of revenue of the Target Group amounted to RMB1,274.5 million, RMB1,628.8 million, RMB1,274.4 million, RMB623.1 million and RMB794.8 million, respectively, which mainly comprised revenue sharing and commission fees and employee benefits expenses.

The cost of revenue of the Target Group increased from RMB1,274.5 million in 2021 to RMB1,628.8 million in 2022, mainly due to the increase in the revenue sharing to streamers to incentivise content creation on the Target Group's social networking platforms.

The cost of revenue of the Target Group decreased from RMB1,628.8 million in 2022 to RMB1,274.4 million in 2023, mainly attributable to reduced revenue sharing and commission fees resulting from enhanced commercialisation efficiency.

The cost of revenue of the Target Group increased from RMB623.1 million for the six months ended 30 June 2023 to RMB794.8 million for the six months ended 30 June 2024. Such increase was generally in line with the increase in the Target Group's revenue for the same periods.

GROSS PROFIT AND GROSS PROFIT MARGIN

For the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2023 and 2024, the Target Group recorded a gross profit of RMB688.2 million, RMB751.4 million, RMB1,216.9 million, RMB547.2 million and RMB820.2 million, respectively. The gross profit margin was 35.1%, 31.6%, 48.8%, 46.8% and 50.8%, respectively, during the same periods.

The gross profit margin of the Target Group decreased from 35.1% in 2021 to 31.6% in 2022, mainly attributable to the increase in the revenue sharing to streamers to incentivise content creation on the Target Group's social networking platforms.

The gross profit margin of the Target Group increased from 31.6% in 2022 to 48.8% in 2023, mainly because functional upgrades of the Target Group's social networking platforms and enhancement of content quality on such platforms in 2023 drove up commercialisation efficiency, thereby allowing the Target Group to reduce revenue sharing and commission fees while maintaining profit growth.

The gross profit margin of the Target Group increased from 46.8% for the six months ended 30 June 2023 to 50.8% for the six months ended 30 June 2024, mainly attributable to the improved brand influence and monetisation ability through continuous optimisation of operation and commercialisation strategies.

SELLING AND MARKETING EXPENSES

For the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2023 and 2024, the selling and marketing expenses incurred by the Target Group amounted to RMB145.7 million, RMB163.5 million, RMB299.3 million, RMB105.0 million and RMB297.2 million, respectively.

The selling and marketing expenses increased from RMB145.7 million in 2021 to RMB163.5 million in 2022 and further to RMB299.3 million in 2023 mainly due to the Target Group's enhanced promotion efforts on social networking business.

The selling and marketing expenses increased from RMB105.0 million for the six months ended 30 June 2023 to RMB297.2 million for the six months ended 30 June 2024, mainly due to enhanced promotion efforts focusing on recently launched apps such as SUGO and TopTop. These apps are currently in the phase of global market expansion, with significant efforts directed toward scaling operations in the Middle East and North Africa while also extending into Southeast Asia and other regions, resulting in increased overall marketing investment.

RESEARCH AND DEVELOPMENT EXPENSES

For the years ended 31 December 2021, 2022 and 2023, the research and development expenses incurred by the Target Group amounted to RMB80.3 million, RMB149.6 million and RMB199.7 million, respectively. The increases in the research and development expenses were mainly due to the increase in employee benefit expenses for research and development staff.

For the six months ended 30 June 2023 and 2024, research and development expenses of the Target Group decreased from RMB93.9 million to RMB83.8 million, mainly because the ongoing optimisation and refinement of existing products, such as SUGO and TopTop, typically require fewer resources as they move beyond the initial development phase. At the same time, the Target Group continued to invest in innovation projects to drive future growth.

GENERAL AND ADMINISTRATIVE EXPENSES

For the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2023 and 2024, the general and administrative expenses incurred by the Target Group amounted to RMB643.0 million, RMB45.5 million, RMB87.5 million, RMB45.1 million and RMB39.4 million, respectively.

The general and administrative expenses decreased from RMB643.0 million in 2021 to RMB45.5 million in 2022, mainly attributable to a one-off share-based compensation expense of RMB590.5 million in 2021, associated with the transfer of an 11.25% equity interest in NBT Social Networking to executives and the core management team at nil consideration during a reorganisation. The Target Group did not undergo any similar reorganisation in the subsequent year.

The general and administrative expenses increased from RMB45.5 million in 2022 to RMB87.5 million in 2023, mainly due to the increase in the Target Group's employee benefit expenses for general and administrative staff.

The general and administrative expenses decreased from RMB45.1 million for the six months ended 30 June 2023 to RMB39.4 million for the six months ended 30 June 2024, mainly because the Target Group incurred one-off compensation expenses to incentivise staff in the first half of 2023, while no such expense was incurred in the first half of 2024.

(LOSS)/PROFIT FOR THE YEAR/PERIOD

For the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2023 and 2024, the Target Group recorded a (loss)/profit for the year/period of RMB(197.3) million, RMB407.0 million, RMB632.0 million, RMB327.5 million and RMB395.9 million, respectively.

Although the Target Group recorded a loss for the year of RMB197.3 million in 2021, mainly due to one-off share-based compensation expenses of RMB590.5 million, it turned from a loss of RMB197.3 million to a profit of RMB407.0 million in 2022, mainly because the Target Group did not incur such share-based compensation expenses in 2022.

The profit for the year increased from RMB407.0 million in 2022 to RMB632.0 million in 2023, mainly due to improved monetisation efficiency resulting from upgrades of the Target Group's social networking platforms catering to user needs.

The profit for the period increased from RMB327.5 million for the six months ended 30 June 2023 to RMB395.9 million for the six months ended 30 June 2024, mainly due to enhanced brand recognition and monetisation ability.

LIQUIDITY AND FINANCIAL RESOURCES

The total assets of the Target Group mainly consist of accounts and other receivables, cash and cash equivalents, goodwill, property and equipment and intangible assets. As at 31 December 2021, 2022 and 2023 and as at 30 June 2024, the Target Group recorded total assets of RMB1,434.1 million, RMB1,876.2 million, RMB2,606.3 million and RMB2,989.7 million, respectively.

As at 31 December 2021, 2022 and 2023 and as at 30 June 2024, the net current assets of the Target Group were RMB710.0 million, RMB1,187.3 million, RMB1,846.9 million and RMB2,272.1 million, respectively. The increases in the Target Group's net current assets were primarily driven by the growth in current assets. Notably, as of 30 June 2024, the Target Group recorded a significant increase in cash and cash equivalents compared to 31 December 2021. Such growth was largely attributable to the Target Group's increased operating profit.

As at 31 December 2021, 2022 and 2023 and as at 30 June 2024, the cash and cash equivalents of the Target Group were RMB649.0 million, RMB425.2 million, RMB1,026.5 million and RMB1,201.3 million, respectively. The decrease in cash and cash equivalents from RMB649.0 million as at 31 December 2021 to RMB425.2 million as at 31 December 2022 was mainly due to the Target Group's loan of RMB668.9 million extended to related parties. The cash and cash equivalents increased from RMB425.2 million as at 31 December 2022 to RMB1,026.5 million as at 31 December 2023 and further increased to RMB1,201.3 million as at 30 June 2024, primarily attributable to the Target Group's business growth and increase in profit.

As at 31 December 2021, 2022 and 2023 and as at 30 June 2024, the Target Group did not have any outstanding bank borrowings.

GEARING RATIO

As at 31 December 2021, 2022 and 2023 and as at 30 June 2024, the gearing ratio (calculated as total interest-bearing borrowings divided by total equity) of the Target Group was nil, nil, nil and nil, respectively.

CAPITAL MANAGEMENT

The primary objectives of the Target Group's capital management are to ensure the organisation's ongoing viability as a going concern, thereby sustaining its ability to deliver returns to equity shareholders and benefits to other stakeholders. This is achieved by appropriately pricing products and services relative to risk levels and securing access to finance at reasonable costs.

The capital structure of the Target Group consists of net debt and equity attributable to owners of the Target Group comprising issued equity, retained profits and other reserves.

The directors of the Target Group review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Target Group will balance its overall capital structure through the payment of dividends as well as the issue of new debt or the redemption of existing debt.

FOREIGN EXCHANGE RISK

The Target Group operates its business internationally, with the majority of its overseas receipts and payments denominated in the U.S. dollar. The Target Group is exposed to foreign exchange risk arising from various currency exposures. Therefore, foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the respective functional currency of the Target Group's entities. The Target Group manages foreign exchange risk by performing regular reviews of its foreign exchange exposures. The Target Group has not entered into any hedging policy in respect of foreign currency.

SEGMENT INFORMATION

The management of the Target Group assesses the performance and allocates the resources of the Target Group as a whole, therefore no segment information is presented.

As at 31 December 2021, 2022 and 2023 and as at 30 June 2024, substantially all of the non-current assets of the Target Group were located in the PRC.

CONTINGENT LIABILITY

As at 31 December 2021, 2022 and 2023 and as at 30 June 2024, the Target Group did not have any contingent liability.

CAPITAL COMMITMENTS

As at 31 December 2021, 2022 and 2023 and as at 30 June 2024, the Target Group did not have any capital commitment.

CHARGES ON ASSETS

As at 31 December 2021, 2022 and 2023 and as at 30 June 2024, the Target Group did not have any charge over its assets.

MATERIAL INVESTMENT AND MATERIAL ACQUISITIONS AND DISPOSALS

For the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2024, the Target Group did not have any material investment or material acquisition and disposal.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, 2022 and 2023 and as at 30 June 2023 and 2024, the Target Group had a total of 334, 502, 630, 587 and 668 employees, respectively. For the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2023 and 2024, the staff costs (including the share-based compensation expenses) of the Target Group amounted to RMB795.6 million, RMB304.6 million, RMB427.9 million, RMB198.2 million and RMB231.8 million, respectively. The Target Group remunerates its employees based on salaries, wages and other benefits.

FUTURE PLANS FOR MATERIAL INVESTMENTS

As at the Latest Practicable Date, the Target Group did not have any future plans for material investments or acquisition of capital assets.

25 June, 2024

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, we have performed an indicative valuation analysis of the 100% equity interest of NBT Social Networking Inc. (the "NBT" or the "Target Company") as of 31 May 2024 (the "Valuation Date").

This report has been prepared solely for the use of the directors and management (together, the "Management") of Newborn Town Inc. (the "Client" or the "Company"), for internal reference. According to our understanding, the Company intends to acquire approximately 38.92% equity interest of the Target Company.

We understand that the Management 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 disclaim all responsibility for the consequences of any third party acting or refraining to act in reliance on the Information.

The materials used by us in preparing this report have 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. 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 regarded 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:

	100% equity interest of the Target Company (RMB'000)		
May 31, 2024	**Range**		
	Low-end	**High-end**	**Median (Rounded)**
NBT Social Networking Inc.	**4,036,000**	**5,220,000**	**4,650,000**

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

Beijing PG Advisory Co., Ltd.
25 June 2024

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

Thomas Yan is a managing partner at PG Advisory. He has dedicated himself to the business valuation more than 15 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.

Thomas Yan holds a master's degree in finance from École Business School in France. He is a Chartered Financial Analyst (CFA).

1. Purpose of Valuation

As Newborn Town Inc. (the "Client" or the "Company") is contemplating acquiring approximately 38.92% interest of NBT Social Networking Inc. (the "NBT" or the "Target Company"), PG Advisory ("we" or "us") have performed an indicative valuation analysis of the market value of the 100% equity interest of the Target Company as of 31 May 2024 (the "Valuation Date").

This report is solely for the use of the directors and management (together, the "Management") of Newborn Town Inc. (the "Client" or the "Company"), for internal reference only.

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 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". The premise of our valuation analysis is minority and non-marketability basis.

The valuation date has been set at 31 May 2024.

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 designated personnel from the Company 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 three years;
- Performed research on market data for comparable publicly traded companies observed in the similar types of business;
- Analysed and selected the appropriate market multiples under the market approach based on the financial and operation positions of the Target Company;

- 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 discounts for lack of marketability); and

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

2.3 Limitations on the Scope of Work

Whilst we have endeavored to analyse pertinent operational and financial information provided to us, we have identified or encountered the following limitations during 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 the Client will not rely solely on our deliverables and the use of the results of our analysis shall not supplant other analyses and inquiries which the Client 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 the Target Company has obtained or will obtain all relevant legal approvals, business certificates or licenses for its current or proposed business operations, and each of which will be renewed upon expiration;

- Assume there will be no significant changes in the political, legal, economic and social environment in which the Target Company operates or plans to operate;

- Assume that the interest rates and exchange rates in the regions where the Target Company operates will not differ significantly from current rates;

- Assume that there will be no significant changes in the tax policy applicable to operations of the Target Company;

- Assume that the operational and contractual terms specified in relevant contracts and agreements will be complied with;

- Assume that the financial and operational information regarding the Target Company is accurate, and this information has been heavily relied upon in reaching the valuation opinion;

- Assume there are no hidden or unexpected circumstances related to the valued assets that could adversely affect the reported value;

Specific Assumptions

- Assume that the revenue and earnings of the Target Company for the period of 1 April 2023 to 31 March 2024 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.

The Company is a globalized internet enterprise that has created dozens of high-quality APPs targeted at global users in areas such as social networking and gaming, including the general social networking products MICO, YoHo, TopTop, and SUGO, as well as the multicultural social networking product HeeSay, and the boutique gaming product Alice's Dream: Merge Games. These products have served over one billion global users in hundreds of countries and regions. The Company has deep roots in the Middle East and North Africa markets, and is actively expanding into Southeast Asia, Europe, America, Japan, and Korea, striving to become the world's largest social entertainment company.

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 reorganisation and operates a social network platform with users from over 150 countries and regions. The core applications include Beijing Mico World Technology Co., Ltd. ("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 summarised 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 that uses the estimate value from an analysis of actual transactions or offerings for economically comparable assets available as of the valuation date. One of the most popular valuation methods under the market approach is public company market multiple method. It entails using valuation metrics from companies that have been traded publicly, which are considered to be rightly similar to the subject asset. Price-related indicators such as revenue, book values, and earnings of public companies are usually utilized. The prices of the comparable assets provide an indication of value for the subject asset.

The income approach explicitly recognises 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.

Cost Approach is not appropriate for this valuation as it does not directly incorporate information about the economic benefits contributed by the Target Company and ability to continue as a going concern. Thus, Cost Approach is not adopted in this valuation.

The results of the income approach would rely heavily on long-term financial forecasts internally prepared by the management, which are unobservable inputs and require subjective assumptions. Given that improper assumptions will impose significant impact on the market value, income approach is not adopted in this valuation.

Valuation analysis arrived from market approach reflects the market expectations over the corresponding industry as the price multiples of the comparable companies are arrived from market consensus. Market approach is straightforward, enhancing understanding and validation for stakeholders, and captures recent trends and investor sentiment. Widely accepted in various contexts, it offers credibility and allows for effective benchmarking against peers, providing insights into industry standing and performance.

Since there are sufficient public companies in similar nature and business to that of the Target Company, which reflect current market conditions and reducing subjectivity, market approach has been adopted in this valuation.

4.1 Market Approach

In this valuation analysis, we adopted the guideline public company method under the market approach by analysing certain listed companies engaged in the social networking business.

The market approach bases the valuation on comparing the Target Company with similar companies for which pricing and financial information is available, making adjustments to account for differences between the comparable companies and the Target Company. The benefits of using this method include its simplicity, clarity and minimal reliance on assumptions. By utilising publicly available data, the market approach also introduces objectivity in its application.

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 the appropriate market multiples based on the industry and financial positions of the Target Company and selected the enterprise value-to-sales ratio ("**EV/S**") and the price-to-earnings ratio ("**P/E**") as the valuation multiples. Considering the Target Company is a light asset company, the asset multiple only captures the tangible assets of a company while it does not capture the intangible company-specific competencies and advantages, thus the assets multiple is not appropriate.

Although Enterprise Value (EV) includes the total market capitalisation and net debt of the company, EBITDA does not consider the company's capital structure (such as the ratio of debt to equity). If different companies have significantly different capital structures, the EV/EBITDA ratio may lead to inaccurate valuations. Moreover, EV/EBITDA focuses on early profitability by ignoring interest, taxes, depreciation, and amortization, which significantly impact the final net profit. Therefore, the EV/EBITDA ratio is more applicable to capital-intensive industries (such as manufacturing and heavy industries), but may be less suitable for capital-light industries (such as TMT and services), thus EV/EBITDA multiple is not included in this valuation analysis.

EV/S eliminates the difference in capital structure and related risk features by including debt component in valuation analysis. P/E reflects the profitability of a company and how much the market is willing to pay for the company's earnings. At the same time, the revenue and earnings of the Target Company are available in the historical period and assumed to be sustainable in the future. Therefore, the EV/S and P/E multiples were used jointly to provide a more thorough analysis of the Target Company's valuation.

Enterprise Value is calculated as the sum of market capitalization, net debt (total debt minus excess cash and short-term investments), preferred shares, and minority interest.

The selected period for revenue and net income is the 12 months from 1 April 2023 to 31 March 2024.

All relevant data above are sourced from Capital IQ.

4.3 Selection of Comparable Companies

In order to identify comparable companies for this valuation exercise, we have obtained and reviewed relevant materials and financial information regarding the Target Company and conducted extensive research on publicly available information. Recognising the limitations of such data gathering exercise, as well as the need to refine the search scope and ensure the business of each of the comparable companies so identified align with that of the Target Company's in various aspects such that suitable comparable companies can be aptly selected, we have initiated discussions with the management to gain insights into the Target Company's business, after which we have accordingly examined the Target Company's business model, revenue drivers, key financial and operational issues, and conducted independent analysis on the relevant market competitors. As part of our selection process, we have carried out the following procedures to ensure the list of comparable companies is exhaustive and representative:

Firstly, we screened companies based on the following criteria:

- listed on major stock exchanges such as Shanghai Stock Exchange (SSE), Shenzhen Stock Exchange (SZSE), the Hong Kong Exchanges and Clearing (HKEX), New York Stock Exchange (NYSE) and National Association of Securities Dealers Automated Quotations (NASDAQ);

- primarily engaged in interactive media and services which are based on Capital IQ industry classification (i.e., social media and networking platform); and

- with EV/S ratio or P/E ratio being available as of the Valuation Date.

Subsequently, we applied the following procedures to enhance the comparability:

- able to continue as a going concern;
- more than 50% of its revenue is generated from social networking business;
- whose stock has not been suspended for trading over a year as of the 31 May 2024;
- published 2023 annual financial report;
- financial performance shall be on par with that of the Target Company's (i.e., revenue or revenue growth rate is relatively increasing in 2022 and 2023); and
- with market value not significantly higher than that of the Target Company.

Finally, aside from the selected comparable companies in this valuation analysis, we identified a number of other companies that, upon examination of their financial documents, website information, and Capital IQ data, were deemed not suitable.

- Spark Networks SE (OTCPK: LOVL.Q) is not selected as its stock is not traded in the major stock exchanges.
- DouYu International Holdings Limited (NasdaqGS: DOYU) and Tian Ge Interactive Holdings Limited (SEHK: 1980) are not selected as both EV/S multiple and P/E multiple are not available.
- Super League Enterprise, Inc. (NasdaqCM: SLE), Crazy Sports Group Limited (SEHK: 82), fuboTV Inc. (NYSE: FUBO), Paltalk, Inc. (NasdaqCM: PALT) are not selected as less than 50% of their revenue is generated from social networking business.
- Huafang Group Inc. (SEHK: 3611) is not selected as its stock has been suspended for trading since April 2023.
- Sound Group Inc. (NasdaqCM: SOGP) and Hanryu Holdings, Inc. (NasdaqCM: HRYU) are not selected as their 2023 annual financial reports are not available.
- HUYA Inc. (NYSE: HUYA) is not selected as its revenue and revenue growth rate are relatively decreasing in 2022 and 2023.
- Cloud Music Inc. (SEHK: 9899) is not selected as its revenue and revenue growth rate are relatively decreasing in 2023.
- Meta Platforms, Inc. (NasdaqGS: META) is not selected as its market capitalisation is significantly higher than that of the Target Company's.

Applying the selection criteria mentioned above and referring to the existing industry standards provided by Capital IQ, we searched and identified eight comparable companies, i.e. JOYY Inc., Kuaishou Technology, Yalla Group Limited, Bumble Inc., Grindr Inc., Weibo Corporation, Hello Group Inc., and Reddit, Inc.

As mentioned above, based on our prior discussions with the Management, it was confirmed that the Target Company's core revenue sources and operational model have not undergone any material changes since 2021, which was when the Company conducted a similar transaction and engaged us to perform a market-based valuation of the Target Company (for details, please refer to the circular of the Company dated 26 November 2021, "**2021 Circular**"). We considered this historical context important in validating that the business had remained stable and comparable over the period. Upon reviewing the Capital IQ search results, we noted a potential anomaly in the results obtained as certain comparable companies previously listed in the 2021 Circular (i.e. the comparables selected by us and the Independent Financial Adviser in 2021) did not show up in the search results notwithstanding that there were no material changes to the Target Company's business. Specifically, eight companies that were previously selected in the 2021 Circular were not included in the current Capital IQ search results, including Tencent Music Entertainment Group, Inke Limited (renamed as Inkeverse Group Limited), Match Group, Inc., Bilibili Inc., AfreecaTV Co., Ltd., HUYA Inc., Newborn Town Inc. (9911 HK), and Tian Ge Interactive Holdings Limited. The aforementioned difference in the results yielded appears to be attributable to changes in industry categories and sub-classifications within the Capital IQ when compared to those then applicable in 2021. Considering that it is merely the arbitrariness of the categorisation itself which contributed to the aforementioned departure from the previous search results and hence to ensure the comprehensiveness and accuracy of the comparable company list, we conducted an in-depth review of the current business operations and financial metrics of these companies and ultimately decided to include four of them – Match Group, Inc., Bilibili Inc., Tencent Music Entertainment Group and Inkeverse Group Limited – to supplement the current comparable company list. Not only have the business nature and operations of each of the aforementioned companies remain substantially unchanged since 2021 (a fact ascertained by examining the relevant disclosure in their respective annual reports), but they were also able to meet all the selection criteria applicable to this valuation, including having a business model similar to that of the Target Company's, with more than 50% of their revenue derived from social networking activities, such as live streaming, value-added services, advertising, and membership fees. The selection process and the relevant factors so considered when applying the selection criteria are summarised below for illustration purposes:

Criteria No. (Note 1) Co. Name (Note 2)		①	②	③	④	⑤	⑥	⑦	⑧	⑨	Whether included as comparable companies
1	JOYY Inc.	√	√	√ (Note 3)	√	√	√	√	√	√	Yes
2	Kuaishou Technology	√	√	√	√	√	√	√	√	√	Yes
3	Yalla Group Limited	√	√	√	√	√	√	√	√	√	Yes
4	Bumble Inc	√	√	√	√	√	√	√	√	√	Yes

Criteria No. (Note 1) Co. Name (Note 2)		①	②	③	④	⑤	⑥	⑦	⑧	⑨	Whether included as comparable companies
5	Grindr Inc.	√	√	√ (Note 3)	√	√	√	√	√	√	Yes
6	Weibo Corporation	√	√	√	√	√	√	√	√	√	Yes
7	Hello Group Inc.	√	√	√	√	√	√	√	√	√	Yes
8	Reddit, Inc	√	√	√ (Note 3)	√	√	√	√	√	√	Yes
9	Tencent Music Entertainment Group	√	√	√	√	√	√	√	√	√	Yes
10	Inke Limited (renamed as Inkeverse Group Limited)	√	√	√ (Note 3)	√	√	√	√	√	√	Yes
11	Match Group, Inc.	√	√	√	√	√	√	√	√	√	Yes
12	Bilibili Inc.	√	√	√ (Note 3)	√	√	√	√	√	√	Yes
13	AfreecaTV Co., Ltd.	× (Note 5)	√	√	√	√	√	√	√	√	No
14	HUYA Inc.	√	√	√	√	√	√	√	× (Note 6)	√	No
15	Tian Ge Interactive Holdings Limited	√	√	× (Note 4)	√	√	√	√	× (Note 4)	√	No
16	Newborn Town Inc.				(Note 7)						No

Notes:

1. ① listed on major stock exchanges; ② primarily engages in interactive media and services, which aligns with the Target Company's operating business; ③ EV/S Ratio or P/E Ratio being available as of the Valuation Date; ④ being able to continue as a going concern; ⑤ more than 50% of its revenue is generated from social networking business; ⑥ has not been suspended from trading for more than a year as of 31 May 2024; ⑦ published 2023 financial reports; ⑧ financial performance is on par with that of the Target Company's (i.e., revenue or revenue growth rate is relatively increasing in 2022 and 2023); ⑨ with a market value not significantly higher than that of the Target Company.

2. Companies numbered 1-8 were selected from the current Capital IQ search, while companies numbered 9-15 (previously selected in the 2021 Circular yet have not cropped up in the current Capital IQ search) were also considered in the suitability assessment of comparable companies.

3. For the EV/S Ratio and P/E Ratio, the Criterion ③ is satisfied if either of the two metrics is available as of the Valuation Date. Specifically, Companies 1 and 10 meet the condition with P/E Ratios available, although their EV/S Ratios are not available, whereas Companies 5, 8, and 12 satisfy the condition with EV/S Ratios available, despite the unavailability of their P/E Ratios.

4. Tian Ge Interactive Holdings Limited does not meet Criterion ③ as both enterprise value and net income are negative, thus both EV/S multiple and P/E multiple are not available. And Tian Ge Interactive Holdings Limited does not meet Criterion ⑧ as its total revenue for 2022 and 2023 was RMB0.142 billion and RMB0.068 billion, respectively. Its revenue growth rates for 2022 and 2023 were -32.52% and -52.40%, respectively.

5. AfreecaTV Co., Ltd. does not meet Criterion ① because its stock is not listed on a major exchange.

6. As disclosed in its annual report, HUYA Inc.'s total revenue for 2022 and 2023 was RMB9.264 billion and RMB6.994 billion, respectively. Its revenue growth rates for 2022 and 2023 were -18.39% and -24.50%, respectively. Therefore, it does not meet any of the conditions listed under Criterion ⑧ (i.e., revenue or revenue growth rate is relatively increasing in 2022 and 2023).

7. Newborn Town Inc. (9911 HK) was not selected as the Company itself is the acquiring company in the Acquisition. From the perspective of it being one of the transaction participants, we are of the view that the Company's own comparable multiples should not be considered. This approach is consistent with our treatment of the Company back in the similar transaction in 2021 (as disclosed in the 2021 Circular), as the Company also did not make it to the list of comparable companies selected by us, as the then valuer. It is merely for clarity and completeness's sake that the Company is included in the above table (also in acknowledgement of the fact that the Company is amongst those comparable companies considered by the then independent financial adviser of the Company (as disclosed in the 2021 Circular)).

Further and in light of the foregoing, we believe that the selection process of the current list of comparable companies, based on thorough review and consistent application of selection criteria, is both reasonable and well-substantiated. The inclusion of the additional comparable companies ensured that completeness, accuracy, and relevance of the comparable company list is preserved by the wider net aptly cast. Therefore, we consider that the comparable companies currently selected, with four suitable comparable companies identified in the similar transaction in 2021 added to supplement the list, represent fair and balanced sampling and the thorough selection process and suitability assessment conducted adequately support a robust valuation of the Target Company.

Descriptions of selected comparable companies are as follows:

No.	Comparable Companies (stock code)	% of Revenue Contribution from Social Networking Business[a]	Market Capitalization[b]	Enterprise Value[c]	Revenue[d]	Net Income[e]
			(USD million)	*(USD million)*	*(USD million)*	*(USD million)*
1	JOYY Inc. (NasdaqGS: YY)	100%	1,771	N/A	2,249	367
2	Kuaishou Technology (SEHK: 1024)	100%	30,741	25,457	16,295	1,577
3	Yalla Group Limited (NYSE: YALA)	66%	747	260	324	128
4	Match Group, Inc. (NasdaqGS: MTCH)	100%	8,137	11,162	3,437	654
5	Bumble Inc. (NasdaqGS: BMBL)	100%	1,477	2,506	1,077	22
6	Bilibili Inc. (NasdaqGS: BILI/SEHK: 9626)	88%	5,993	4,887	3,202	N/A
7	Tencent Music Entertainment Group (NYSE: TME/SEHK: 1698)	100%	22,524	19,867	3,811	719
8	Inkeverse Group Limited (SEHK: 3700)	90%	221	N/A	965	55
9	Grindr Inc. (NYSE: GRND)	100%	1,669	1,966	279	N/A
10	Weibo Corporation (NasdaqGS: WB/SEHK: 9898)	100%	2,153	1,641	1,742	292
11	Hello Group Inc. (NasdaqGS: MOMO)	100%	1,044	556	1,626	218
12	Reddit, Inc. (NYSE: RDDT)	96%	8,869	7,224	883	N/A

Source: Capital IQ, financial reports of the Comparable Companies.

Notes:

(a) Percentage of revenue contribution in social networking businesses is based on data for the past 12 months prior to 31 March 2024 from financial reports of comparable companies.

(b) Market capitalisation of the Comparable Companies as of the Valuation Date.

(c) Enterprise Value = Market capitalisation + Total Debt – Cash and Short-term Investment + Preferred Shares + Minority Interest.

(d) Latest published revenue amount of the Comparable Companies for the last twelve months prior to 31 March 2024.

(e) Latest published net income amount of the Comparable Companies for the last twelve months prior to 31 March 2024.

1. 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.

2. Kuaishou Technology (stock code: SEHK: 1024): Kuaishou Technology, an investment holding company, provides live streaming, online marketing, and other services in the People's Republic of China. 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; and AcFun, a video sharing website. The company also provides entertainment, e-commerce, online games, online knowledge-sharing, and others. Kuaishou Technology was founded in 2011 and is headquartered in Beijing, China.

3. Yalla Group Limited (stock code: NYSE: YALA): Yalla Group Limited operates a social networking and gaming platform primarily in the Middle East and North Africa region. It provides mobile applications, including Yalla, a voice-centric group chat platform; and Yalla Ludo, a casual gaming application. The company's platform offers group chatting and games services; and sells virtual items, as well as provides upgrade 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.

4. 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.

5. 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.

6. Bilibili Inc. (stock code: NasdaqGS: BILI/SEHK: 9626): 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.

7. Tencent Music Entertainment Group (stock code: NYSE: TME/SEHK: 1698): Tencent Music Entertainment Group operates online music entertainment platforms to provide 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 music in personalized ways; long-form audio content, including audiobooks, podcasts and talk shows, as well as music-oriented video content comprising music videos, live performances, and short videos. The company also delivers music-centric live streaming services primarily through the Live Streaming tab on QQ Music, Kugou Music, Kuwo Music, WeSing, Kugou Live, and Kuwo Live that provides an interactive online stage for performers and users. The company is headquartered in Shenzhen, China.

8. Inkeverse Group Limited (stock code: SEHK: 3700): Inkeverse Group Limited, an investment holding company, operates mobile live streaming platforms in the People's Republic of China. The company's products include entertainment platforms comprising of Inke App and Duiyuan App. It is also involved in online advertising, value-added telecommunication, internet cultural, online audio and video program, and talent agency services. In addition, the company offers supporting services for the operation of mobile livestreaming platforms. The company was formerly known as Inke Limited and changed its name to Inkeverse Group Limited in June 2022. Inkeverse Group Limited was founded in 2015 and is headquartered in Beijing, China.

9. GRINDR INC. (stock code: NYSE: GRND): Grindr Inc. operates social network and dating application for the lesbian, gay, bisexual, transgender, and queer (LGBTQ) communities worldwide. Its platform enables LGBTQ people to find and engage with each other, share content and experiences, and express themselves. The company offers ad-supported service and a premium subscription version. Grindr Inc. was founded in 2009 and is headquartered in West Hollywood, California.

10. WEIBO CORPORATION (stock code: NasdaqGS: WB/SEHK: 9898): Weibo Corporation, operates as a social media platform focusing on online social networking, live streaming, and advertising services in China. It operates in two main segments: Advertising and Marketing Services, and Value-Added Services. Weibo offers various products such as content discovery, self-expression tools, and social interaction features. Additionally, it provides advertising solutions, promoted marketing offerings, and a range of tools to enhance user experience. The company was formerly known as T.CN Corporation and changed its name to Weibo Corporation in 2012. Weibo Corporation was founded in 2009 and is headquartered in Beijing, the People's Republic of China.

11. Hello Group Inc. (stock code: NasdaqGS: MOMO): Hello Group Inc. provides mobile-based social and entertainment services in the People's Republic of China. It operates in three segments: Momo, Tantan, and QOOL. The company offers Momo, a mobile application that connects people and facilitates social interactions based on location, interests, and various online recreational activities, including live talent shows, short videos, social games, as well as other video- and audio-based interactive experiences; Tantan, a social and dating application; and other applications under the Hertz, Soulchill, Duidui, and Tietie names. The company also provides livestream services for various content and activities comprising talent shows, such as singing, dancing, and talk shows, as well as casual chatting. Hello Group Inc. was incorporated in 2011 and is headquartered in Beijing, the People's Republic of China.

12. Reddit, Inc. (stock code: NYSE: RDDT): Reddit, Inc. operates a website that organises digital communities. It organises communities based on specific interests that enable users to engage in conversations by sharing experiences, submitting links, uploading images and videos, and replying to one another. The company was founded in 2005 and is headquartered in San Francisco, California.

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/Sales**	**P/E**
JOYY Inc. (NasdaqGS: YY)	N/A[1]	4.83x
Kuaishou Technology (SEHK: 1024)	1.56x	19.49x
Yalla Group Limited (NYSE: YALA)	0.80x	5.81x
Match Group, Inc. (NasdaqGS: MTCH)	3.25x	12.44x
Bumble Inc. (NasdaqGS: BMBL)	2.33x	67.07x
Bilibili Inc. (NasdaqGS: BILI/SEHK: 9626)	1.53x	N/A[2]
Tencent Music Entertainment Group (NYSE: TME/SEHK: 1698)	5.21x	31.31x
Inkeverse Group Limited (SEHK: 3700)	N/A[1]	4.05x

Comparable Companies	EV/Sales	P/E
Grindr Inc. (NYSE: GRND)	7.04x	N/A[2]
Weibo Corporation (NasdaqGS: WB/SEHK: 9898)	0.94x	7.39x
Hello Group Inc. (NasdaqGS: MOMO)	0.34x	4.79x
Reddit, Inc. (NYSE: RDDT)	8.18x	N/A[2]
Max	8.18x	67.07x
Min	0.34x	4.05x
Average	3.12x	17.46x
Median	1.94x	7.39x
Applied Multiple	**1.94x**	**7.39x**

Source: Capital IQ

Note 1. The enterprise value of JOYY Inc. and Inkeverse Group Limited was negative, so their EV/S multiples are not available.

Note 2. Bilibili Inc., Grindr Inc. and Reddit, Inc were not yet profitable for the past 12 months prior to 31 March 2024, so their P/E multiples are not available.

4.5 Discount for Lack of Marketability

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 (referred to as "DLOM") 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 2023 edition of the Stout Restricted Stock Companion guide, the average discount observed is 20.5%. We adopted 20.5% as the DLOM in this valuation analysis.

4.6 Calculation of 100% Equity Interest of NBT Social Networking Inc.

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

	P/E	EV/S	
Selected multiples	7.39x[a1]	1.94x[a2]	*a*
Net Income/Revenue of the Target Company from 1 April 2023 to 31 March 2024 (RMB'000)	687,305[b1]	2,651,385[b2]	*b*
Enterprise value (RMB'000-before DLOM)	**–**	**5,156,826**	$c=a_2*b_2$
Equity value (RMB'000-before DLOM)	**5,076,414**	**–**	$d=a_1*b_1$
Adjustment: DLOM	20.5%	20.5%	*e*

	P/E	EV/S	
Enterprise value (RMB'000-after DLOM)	**–**	**4,099,677**	*f=c*(1-e)*
Adjustment: cash and short-term investments	–	1,120,305	*g*
Adjustment: Long-term and short-term borrowing	–	–	*h*
100% equity interest of the Target Company (RMB'000-after DLOM)	**4,035,749**[i1]	**5,219,982**[i2]	$i_1=d*(1-e)/i_2=sum(f:h)$
Range of 100% equity interest of the Target Company (RMB'000, rounded)	**4,036,000 Low-end**	**5,220,000 High-end**	

Based on the above analysis, the range of 100% equity interest of the Target Company as of the Valuation Date is RMB4.04 billion to RMB5.22 billion.

4.7 Sensitivity Analysis

As the discount for lack of marketability applied is based on statistics, we have illustrated below the impact to the 100% equity interest of the Target Company in different DLOM:

Discount for Lack of Marketability		**15.5%**	**18.0%**	**20.5%**	**23.0%**	**25.5%**
100% equity interest of the Target Company (RMB'000)	Low-end	4,290,000	4,163,000	4,036,000	3,909,000	3,782,000
	High-end	5,478,000	5,349,000	5,220,000	5,091,000	4,962,000
	Median	4,900,000	4,800,000	4,650,000	4,500,000	4,400,000

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 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:

May 31, 2024	**100% equity interest of the Target Company (RMB'000)**		
	Range		
	Low-end	**High-end**	**Median (Rounded)**
NBT Social Networking Inc.	**4,036,000**	**5,220,000**	**4,650,000**

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 visualisation 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 advice 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. DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVE IN THE COMPANY

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

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

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 1,191,216,000 Shares in issue as of the Latest Practicable Date.

(3) The Shares are registered under the name of Spriver Tech Limited, the issued share capital of which is owned as to 100% by Mr. LIU Chunhe. Accordingly, Mr. LIU Chunhe is deemed to be interested in all the Shares held by Spriver Tech Limited for the purpose of Part XV of the SFO.

(4) The Shares are registered under the name of Parallel World Limited, the issued share capital of which is owned as to 100% by Mr. LI Ping. Accordingly, Mr. LI Ping is deemed to be interested in all the Shares held by Parallel World Limited for the purpose of Part XV of the SFO.

(5) Mr. LIU Chunhe and Mr. LI Ping are parties acting in concert (having the meaning ascribed thereto in the Takeovers Code). Accordingly, Mr. LIU Chunhe, Spriver Tech Limited, Mr. LI Ping, Parallel World Limited are each deemed to be interested in the Shares held by them under the SFO.

(6) On 30 August 2021, Mr. LIU Chunhe and Mr. LI Ping were granted 24,000,000 and 6,000,000 Share Options respectively by the Company under the Share Option Scheme adopted by the Company on 31 May 2021. The grant of 24,000,000 Share Options to Mr. LIU Chunhe and 6,000,000 Share Options to Mr. LI Ping was approved by the independent Shareholders at an extraordinary general meeting on 31 March 2022.

(7) On 30 August 2021, Mr. SU Jian was granted 9,000,000 Share Options by the Company under the Share Option Scheme.

(8) On 30 August 2021, Mr. YE Chunjian was granted 6,000,000 Share Options by the Company under the Share Option Scheme.

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, 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. DIRECTORS' POSITIONS IN THE SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at the Latest Practicable Date, as disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, Spriver Tech Limited is interested in 238,706,646 Shares, representing approximately 20.04% of the total number of Shares in issue; and Parallel World Limited is interested in 73,121,774 Shares, representing approximately 6.14% of the total number of Shares in issue.

As at the Latest Practicable Date, Mr. LIU Chunhe, an executive Director of the Company who currently serves as the Chairman of the Board, is the sole director of Spriver Tech Limited, and Mr. LI Ping, an executive Director of the Company, is the sole director of Parallel World Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any proposed director of the Company was a director or employee of a company which had an interest and/or short position in the Shares and/or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 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 and underlying Shares (1)	Approximate percentage of shareholding(2)
BGFG(3)	Beneficial owner(3)	100,000,000	8.39%
Phoenix Auspicious FinTech Investment L.P.(4)	Beneficial owner(4)	79,958,948	6.71%
Chaser Global Fortune Investments Limited(4)	Interest in a controlled corporation(4)	79,958,948	6.71%
Chaser Global Investments Limited(4)	Interest in a controlled corporation(4)	79,958,948	6.71%
Mr. Li Yingming(4)	Interest in a controlled corporation(4)	79,958,948	6.71%
TMF Trust (HK) Limited(5)	Trustee(5)	59,945,833	5.03%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 1,191,216,000 Shares in issue as of the Latest Practicable Date.

(3) BGFG is directly and wholly owned by Mr. Wang Xinming. Mr. Wang Xinming is therefore deemed to be interested in all the Shares held by BGFG under the SFO.

(4) Phoenix Auspicious FinTech Investment L.P. is an exempted limited partnership established under the laws of Cayman Islands, the general partner of which is Chaser Global Fortune Investments Limited, an exempted company incorporated under the laws of Cayman Islands. Chaser Global Fortune Investments Limited is wholly owned by Chaser Global Investments Limited, a limited company incorporated under the laws of British Virgin Islands, which is in turn wholly owned by Mr. Li Yingming. Mr. Li Yingming is therefore deemed to be interested in all the Shares held by Phoenix Auspicious FinTech Investment L.P. under the SFO.

(5) TMF Trust (HK) Limited, being the trustee of the Company's Employee RSU Scheme, Management RSU Scheme and RSU Award Scheme, directly holds the entire issued share capital of each of Bridge Partners Limited and Three D Partners Limited, which in turn holds Shares for the benefit of eligible participants pursuant to the said share schemes. As of the Latest Practicable Date, 10,493,430 Shares are held by Bridge Partners Limited pursuant to the Management RSU Scheme and 49,452,403 Shares are held in aggregate by Three D Partners pursuant to the Employee RSU Scheme and the RSU Award Scheme. Hence, TMF Trust (HK) Limited is deemed, under the SFO, to be interested in the 10,493,430 Shares and 49,452,403 Shares held by Bridge Partners Limited and Three D Partners Limited, respectively.

Save as disclosed above, as 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.

5. 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 Enlarged 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 2023, 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 Enlarged Group or were proposed to be acquired or disposed of by or leased to, any member of the Enlarged 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 Enlarged 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 Enlarged Group other than those businesses to which the Directors and their associates were appointed to represent the interests of the Company and/or the Enlarged Group.

6. 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.

7. EXPERTS AND CONSENTS

The following is the qualification of the expert who has been named in this circular or has 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.	certified assets valuer
KPMG	Certified Public Accountants

Each of the experts 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/or report or the references to its name in the form and context in which they appear respectively.

As at the Latest Practicable Date, each of the experts mentioned above did not have any shareholding in any member of the Enlarged 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 Enlarged Group.

As at the Latest Practicable Date, each of the experts mentioned above did not have, nor had, any direct or indirect interest in any assets which had been since 31 December 2023, 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 Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Enlarged 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 Share Purchase Agreement;

(b) the Supplemental Agreement;

(c) the sale and purchase dated 23 March 2023 entered into between the Company and Spriver agreement in relation to the acquisition of the 1,000,000 ordinary shares of Chizicheng Strategy Investment Limited of par value of US$0.01 each (representing its entire issued share capital) that the Company has agreed to acquire and Spriver Tech Limited has agreed to sell by the Company from Spriver Tech Limited for the consideration of US$1.00;

(d) the deed of amendment of the partnership agreement on Metaclass Management ELP dated 23 March 2023 entered into between the Company, Spriver Tech Limited and Chizicheng Strategy Investment Limited at nil consideration where the parties have agreed that the commitment of Chizicheng Strategy Investment shall be US$1.00 and the commitment of Spriver Tech Limited shall be reduced from US$49,900,000 to US$3,800,000 whilst the commitment of the Company shall remain at US$50 million;

(e) the second deed of amendment of the partnership agreement on Metaclass Management ELP dated 18 April 2023 entered into between the Company, Spriver Tech Limited and Chizicheng Strategy Investment Limited at nil consideration where the parties have agreed to change the term of the partnership from a maximum of ten years to an indefinite term and shall be terminated upon certain events as set out therein;

(f) variable interest entities (VIE) agreements entered into between Beijing BlueCity Information & Technology Co., Ltd., Beijing BlueCity Culture and Media Co., Ltd., Beijing Hande Houcheng Enterprise Management Centre (Limited Partnership) ("Hande Houcheng") and Newborn Town Network Technology (Beijing) Co., Ltd ("Newborn Town Network Technology"), comprising:

- the exclusive consulting and services agreement dated 20 March 2023 entered into between the Beijing BlueCity Information & Technology Co., Ltd. and Beijing BlueCity Culture and Media Co., Ltd.;

- the powers of attorney dated 20 March 2023 as executed by Hande Houcheng and Newborn Town Network Technology;

- the equity interest pledge agreement dated 20 March 2023 entered into between Beijing BlueCity Information & Technology Co., Ltd., Hande Houcheng and Newborn Town Network Technology;

- the exclusive option agreement dated 20 March 2023 entered into between Beijing BlueCity Information & Technology Co., Ltd., Hande Houcheng and Newborn Town Network Technology;

- the partners' undertaking dated 24 June 2023 entered into by Mr. LIU Chunhe and Mr. LI Ping; and

- the spousal undertakings dated 24 June 2023 made by the spouse of Mr. LIU Chunhe and the spouse of Mr. LI Ping.

9. MISCELLANEOUS

(i) The company secretary of the Company is Mr. SONG Pengliang.

(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.

10. DOCUMENTS ON DISPLAY

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

(i) the Share Purchase Agreement;

(ii) the Supplemental Agreement;

(iii) the valuation report of the Target Company provided by the Independent Valuer;

(iv) the accountants' report on financial information of the Target Group from KPMG, the text of which is set out in Appendix II to this circular;

(v) the report on unaudited pro forma financial information of the Group from KPMG, the text of which is set out in Appendix III to this circular;

(vi) the letter from Somerley; and

(vii) the written consent letters referred to in the paragraph headed "7. Expert and Consent" of this appendix; and

(viii) a copy of the rules of the NBT RSU Scheme.

The following is a summary of the principal terms of the NBT RSU Scheme proposed to be adopted at the EGM but does not form part of, nor was it intended to be, part of the terms and/or the rules of the NBT RSU Scheme nor should it be taken as effecting the interpretation of the NBT RSU Scheme. The Directors reserve the right at any time prior to the EGM to make such amendments, adjustments or modifications to the NBT RSU Scheme and the NBT RSU Scheme Rules as they may consider necessary or appropriate provided that such amendments, adjustments or modifications do not conflict with any material aspects with the summary in this Appendix.

The NBT RSU Scheme Rules are prepared in English with no official Chinese version. The Chinese translation of the summary of the principal terms of the NBT RSU Scheme as set forth herein is thus for reference only. In the event of any inconsistency, the English version shall prevail.

1. PURPOSES AND OBJECTIVES

The purposes of the NBT RSU Scheme are to: (i) recognise the past and/or potential contributions by the Selected Participants; (ii) attract and retain the Selected Participants for the continual operation and development of the Group, and attract suitable personnel for its further development; (iii) provide additional incentives for the Selected Participants to achieve performance goals; (iv) motivate the Selected Participants to maximise the value of the Company and/or the Group by aligning their interests directly with that of the Shareholders through ownership of Shares; and (v) provide the Company with such flexible means of retaining, incentivising, compensating or providing benefits to the Selected Participants.

2. EFFECTIVENESS AND DURATION

Subject to any early termination as may be determined by the Board in accordance with the provisions of the NBT RSU Scheme Rules, the NBT RSU Scheme shall be valid and effective for the period commencing on the Adoption Date and expiring on the tenth anniversary thereof or such earlier date as the Scheme is terminated ("Scheme Period") after which no Awards will be granted, but the provisions of the NBT RSU Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the Awards granted prior thereto or otherwise as may be required in accordance with the provisions of the NBT RSU Scheme and Awards granted during the term of the NBT RSU Scheme may continue to be valid and vest in accordance with their respective terms of Grant.

3. DETERMINATION OF SELECTED PARTICIPANTS

The Board may, at its sole discretion, determine which Eligible Participant shall be entitled to receive grants of Awards under the NBT RSU Scheme, the number of Award Shares and the equivalent fair value in cash (if any) underlying such Awards to which each Selected Participant shall be entitled, and make the relevant Grant to the Selected Participant accordingly.

Eligible Participants shall include the Employee Participants, the Related Entity Participants and the Service Providers, and the eligibility of any of them to an Award shall, in each case, be determined by the Board from time to time on the basis of the Board's opinion as to the Selected Participant's contribution or potential contribution to the development of the Group.

In determining the eligibility of an Eligible Participant who is an Employee Participant, the Board may consider, on a case-by-case basis, qualitative and quantitative factors, including: (i) his/her skill sets, knowledge, experience, expertise, leadership or complementary competencies and other relevant personal qualities; (ii) his/her educational and professional qualifications, industry knowledge and market connections; (iii) his/her performance, years of service, nature of duties and position within the Group; (iv) his/her adherence to the Group's culture and values; (v) the general financial condition of the Group; (vi) the Group's overall business objectives and future development plan(s); (vii) his/her contribution (past, present and potential) to the development, performance and growth of the Group; and/or (viii) any other matters which the Board considers relevant.

In determining the eligibility of an Eligible Participant who is a Related Entity Participant, the Board may consider, on a case-by-case basis, qualitative and quantitative factors, including: (i) his/her actual or potential degree of involvement in and/or cooperation with the Group; (ii) his/her participation and contribution (past, present and potential) to the development, performance and growth of the Group; (iii) the general financial condition of the Group; (iv) the Group's overall business objectives and future development plan(s); (v) the extent of benefits and synergies brought to the Group; and/or (vi) any other matters which the Board considers relevant.

Without prejudice to the foregoing, in determining whether a person is qualified to be (or, where applicable, continues to qualify to be) an Employee Participant or a Related Entity Participant, the Board will take into account various factors that it in its absolute discretion considers relevant in assessing his/her contribution to the long-term growth of the Group, including (i) individual performance; (ii) time commitment; (iii) initiative and commitment in performing his/her duties; (iv) responsibilities or employment conditions according to the prevailing market practice and industry standard; (v) the length of service/engagement with any member of the Group and/or any Related Entity; and (vi) the individual contribution (past, present and potential) to the development, performance and growth of the Group and/or Related Entity.

While assessing the eligibility of the Service Providers, the Board will consider all relevant factors as appropriate, including, among others, (i) the actual or potential degree of involvement in or cooperation with the Group in promoting its business and length of collaborative relationship with the Group; (ii) the continuity, frequency, regularity, length and type of services to the Group; (iii) the background, experience, expertise, professional qualifications, industry knowledge and network of the Service Provider; (iv) the performance of the Service Provider and track record of delivering quality services; (v) the prevailing market fees chargeable by other service providers; and (vi) the amount of actual or potential support, assistance, guidance, advice, efforts, strategic value (e.g. in terms of business opportunities and connections the Service Provider has introduced or will potentially introduce to the Group) and contribution the Service Provider is likely to be able to give or make towards the development of the Group.

For each category of Service Providers, the Board may consider, when determining their eligibility to participate in the NBT RSU Scheme, the relevant qualitative and quantitative factors on a case-by-case basis. A description of the categories of Service Providers and the corresponding criteria are set out below:

Categories of Service Providers	Description of Service Providers and the services provided	Criteria for considering the eligibility of the Service Providers
MCN service providers	Service Providers under this category are mainly agents and consultants, content creators, KOLs, influencers and livestreaming anchors who provide, on a regular or recurring basis, MCN services, comprising mainly advisory services, consultancy services, sales and marketing services and/or other professional services to the Group on areas related to the Group's principal business activities conducted under its social networking business and innovative business and/or other principal business activity(ies) that may be carried out by the Group from time to time, or on areas that are desirable and necessary from a commercial perspective and help maintain or enhance the competitiveness of the Group by way of introducing new customer or business opportunities to the Group and/or applying their specialised skills and/or knowledge in the aforementioned fields.	The Board will take into account, amongst others, (i) individual performance of the relevant MCN service provider (including but not limited to the reliability and quality of the services supplied); (ii) the MCN service provider's knowledge, experience and network in the relevant industry; (iii) the frequency and length of collaborative relationship with the Group; (iv) the materiality and nature of the services provided to the Group (such as whether such services form part of or are directly ancillary to the business conducted by the Group and whether such services could be readily replaced by third parties); (v) the replacement costs of such MCN service providers (including continuity and stability of supply or provision of such services); (vi) the background, reputation and track record of the relevant MCN service provider; (vii) the potential and/or actual contribution to the business affairs of the Group, in particular, whether such MCN service provider could bring positive impacts to the Group's business; (viii) the Service Provider's adherence to the Group's culture and values; and (ix) other factors, including but not limited to the capability, expertise, technical know-how and/or business connections of the relevant MCN service provider, and/or the synergy between the services provided by the relevant MCN service provider and the Group's operations.

Categories of Service Providers	Description of Service Providers and the services provided	Criteria for considering the eligibility of the Service Providers
Independent contractors, consultants, agents and advisers	Service Providers under this category are mainly intellectual property agents, content moderator service providers, headhunters and human resources consultants, internet data centre (IDC) providers, cloud solutions providers and payment channel agents, who/which apply their specialised skills and knowledge to provide, on a regular or recurring basis, advisory, consultancy, technical, technological, training, and other supportive services that are ancillary to the Group's global operations and localisation efforts as and when necessary or desirable to facilitate the effective execution of the Group's business plans through efficient deployment of resources on coordinating research and development efforts, mitigating compliance risks, cultivating religious and cultural sensitivity and strategic planning of the Group's expansion into global markets and local communities.	The Board will take into account, amongst others, (i) individual performance of the relevant independent contractor, consultant, agent or adviser (including but not limited to the reliability and quality of the services supplied); (ii) the independent contractor, consultant, agent or adviser's knowledge, experience and network in the relevant industry; (iii) the frequency and length of collaborative relationship with the Group; (iv) the materiality and nature of the services provided to the Group (such as whether such services form part of or are directly ancillary to the business conducted by the Group and whether such services could be readily replaced by third parties); (v) the background, reputation and track record of the relevant independent contractor, consultant, agent or adviser; (vi) the replacement costs of such independent contractor, consultant, agent or adviser (including continuity and stability of supply or provision of such services); (vii) the potential and/or actual contribution to the business affairs of the Group, in particular, whether such independent contractor, consultant, agent or adviser could bring positive impacts to the Group's business; (viii) the independent contractor, consultant, agent or adviser's adherence to the Group's culture and values; and (ix) other factors, including but not limited to the capability, expertise, technical know-how and/or business connections of the relevant independent contractor, consultant, agent or adviser, and/or the synergy between the services provided by the relevant independent contractor, consultant, agent or adviser and the Group's operations.

Categories of Service Providers	Description of Service Providers and the services provided	Criteria for considering the eligibility of the Service Providers
Business and/or joint venture partners	Service Providers under this category are business and/or joint venture partners (individuals and/or businesses) who/which help maintain or enhance the competitiveness of the Group by way of introducing new customers or business opportunities to the Group, enhancing the publicity of its products services, assisting the Group in developing its community presence, building its public image and establishing its brand presence, and the cooperation with which would allow the Group to tap into new business opportunities, such as promoting new commercialised products, exploring new markets, devising innovative growth strategies and expanding its scope of services.	The Board will take into account, amongst others, (i) individual performance of the relevant business and/or joint venture partner (including but not limited to the reliability and quality of the services supplied); (ii) the business and/or joint venture partner's knowledge, experience and network in the relevant industry; (iii) the frequency and length of collaborative relationship with the Group; (iv) the materiality and nature of the services provided to the Group (such as whether such services form part of or are directly ancillary to the business conducted by the Group and whether such services could be readily replaced by third parties); (v) the replacement costs of such business and/or joint venture partner (including continuity and stability of supply or provision of such services); (vi) the background, reputation and track record of the relevant business and/or joint venture partner; (vii) the business and/or joint venture partner's potential and/or actual contribution to the business affairs of the Group, in particular, whether such business and/or joint venture partner could bring positive impacts to the Group's business, such as an increase in revenue or profits or a reduction in costs attributable to or brought by services provided by such business and/or joint venture partner; (viii) the business and/or joint venture partner's adherence to the Group's culture and values; and (ix) other factors, including but not limited to the capability, expertise, technical know-how and/or business connections of the relevant business and/or joint venture partner, and/or the synergy between the services provided by the relevant business and/or joint venture partner and the Group's operations.

For the avoidance of doubt, Service Providers shall exclude placing agents or financial advisers providing advisory services to the Group for fundraising, merger or acquisitions and professional service providers such as auditors or valuers who provider assurance or are required to perform their services to the Group with impartiality and objectively.

In assessing whether the Service Provider provides services to the Group:

(a) *on a continuing and recurring basis*, the Board shall take into consideration the length and type of services provided and the recurrences and regularity of such services, and will benchmark such metrics against the performance of the employees, officers and directors of the Group to whom the Group provides equity incentives, while taking into account the purpose of the NBT RSU Scheme and the objectives in engaging the Service Provider.

(b) *in the Group's ordinary and usual course of business*, the Board shall take into consideration the nature of the services provided to the Group by the Service Provider, and whether such services form part of or are directly ancillary to the businesses conducted by the Group, as disclosed in the Company's financial reports.

4. CONTINUING ELIGIBILITY

A Grantee shall continue to qualify and maintain its eligibility as a Selected Participant during the period when any Awards granted thereto remains unvested, or otherwise the Company would (subject to the Listing Rules, the Articles and all other and the applicable laws, regulations, rules and requirements for the time being in force in any relevant jurisdiction) be entitled to deem any unvested Awards or any part thereof, granted to such Grantee and to the extent not already vested, as lapsed.

5. SCHEME LIMIT AND SERVICE PROVIDER SUBLIMIT

The total number of new Shares which may be issued in respect of all Awards that may be granted under the NBT RSU Scheme and all options and/or awards involving issue of new Shares that may be granted under any other share schemes of the Company shall not in aggregate exceed 10% of the Shares in issue (excluding treasury Shares) as at the Adoption Date or subsequently as at the most recent date of approval by the Shareholders ("**New Approval Date**") of the refreshed limit (as the case may be) ("**Scheme Limit**"), unless otherwise permitted by the Listing Rules or Shareholders' approval is obtained in compliance with the Listing Rules.

Subject to the Scheme Limit, the total number of new Shares which may be issued in respect of all Awards that may be granted under the NBT RSU Scheme and all options and/or awards involving issue of new Shares that may be granted under any other share schemes of the Company to the Service Providers shall not in aggregate exceed 1% of the Shares in issue (excluding treasury Shares) as at the Adoption Date or subsequently as at the most recent date of approval of the refreshed service provider sublimit ("**Service Provider Sublimit**"), unless otherwise permitted by the Listing Rules or Shareholders' approval is obtained in compliance with the Listing Rules.

For the avoidance of doubt,

(i) Awards lapsed in accordance with the terms of the NBT RSU Scheme shall not be counted for the purpose of calculating the Scheme Limit and the Service Provider Sublimit thereunder. No Award may be granted under the NBT RSU Scheme which will result in the Scheme Limit and the Service Provider Sublimit thereunder being exceeded;

(ii) Share(s) that may be issued upon the vesting or exercise of Awards granted pursuant to the NBT RSU Scheme and any other share schemes of the Company (including those outstanding, lapsed or cancelled in accordance with the NBT RSU Scheme or any other share schemes of the Company or vested or exercised awards) prior to the New Approval Date shall not be counted for the purpose of calculating the Scheme Limit as refreshed.

(iii) Shares issued (excluding treasury Shares) prior to the New Approval Date in respect of all options and/or awards involving new Shares which may be granted under the NBT SU Scheme and any other share schemes of the Company will be counted for the purpose of determining the number of Shares in issue (excluding treasury Shares) as at the New Approval Date.

Any Share covered by an Award (or part thereof) which is lapsed, cancelled or expired (whether voluntarily or involuntarily) prior to the vesting thereof in accordance with the terms of the NBT RSU Scheme shall be deemed not to have been issued for purposes of determining the Scheme Limit (and/or the Service Provider Sublimit thereunder). For the avoidance of doubt, where the Company cancels Awards granted to a Selected Participant, and makes a new grant to the same Selected Participant, such new grant may only be made under a scheme with available scheme mandate limit approved by shareholders as referred to in Rule 17.03B or Rule 17.03C of the Listing Rules, such Awards cancelled will be regarded as utilised for the purpose of calculating the Scheme Limit and the Service Provider Sublimit thereunder.

The Company may seek separate Shareholders' approval at general meeting for the granting of any award beyond the Scheme Limit (and/or the Service Provider Sublimit thereunder), or if applicable, the refreshed limit as at the New Approval Date, provided that the Awards in excess of the Scheme Limit (and/or the Service Provider Sublimit thereunder) are granted only to Selected Participants specifically identified by the Company before such approval is sought. In which case, the Company shall send to its Shareholders a circular containing (i) the name of each specified Selected Participant who may be granted such Awards, (ii) the number and terms of the Awards to be granted to each specified Selected Participant, (iii) the purpose of granting Awards thereto with an explanation as to how the terms of the Awards serve such purpose, and (iv) any other information as may be required under the Listing Rules. The number and terms of the Award(s) to be granted to such specified Selected Participant shall be fixed before Shareholders' approval.

The Scheme Limit is subject to the adjustment in the event of consolidation or subdivision of Shares. If the Company conducts a share consolidation or subdivision after the Scheme Limit and the Service Provider Sublimit thereunder have been approved in general meeting, the maximum number of Shares that may be issued in respect of all options and/or awards and/or Awards to be granted under the NBT RSU Scheme and any other share schemes of the Company that involve(s) the issuance of new Shares under the Scheme Limit and the Service Provider Sublimit thereunder as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same, rounded to the nearest whole Share.

The maximum number of Shares that may be issued upon the vesting or exercise of all outstanding Awards which have been granted and have yet to vest pursuant to the NBT RSU Scheme and any other share schemes of the Company shall not be inconsistent with the provisions as permitted under the Listing Rules, the Articles and all other applicable laws, regulations, rules and requirements for the time being in force in any relevant jurisdiction.

6. REFRESHMENT OF SCHEME LIMIT AND SERVICE PROVIDER SUBLIMIT

The Company may seek approval of its shareholders at general meeting to refresh the Scheme Limit (and/or the Service Provider Sublimit thereunder) on or after the third anniversary of the Adoption Date or the New Approval Date (as the case may be);

Any refreshment within any three-year period under the NBT RSU Scheme must be approved by Shareholders subject to the following:

(i) controlling shareholders of the Company and their associates (or if there is no controlling shareholder, Directors (excluding independent non-executive Directors) and the chief executives of the Company and their respective associates) must abstain from voting in favour of the relevant resolution at the general meeting; and

(ii) the Company must comply with the requirements under Rules 13.39(6) and (7), 13.40, 13.41 and 13.42 of the Listing Rules;

The total number of Shares which may be issued in respect of all options and/or awards and/or Awards involving new Shares which may be granted under the NBT RSU Scheme or any other share schemes of the Company under the Scheme Limit as "refreshed" shall not in aggregate exceed 10% of the Shares in issue (excluding treasury Shares) as at the New Approval Date. The Company must send a circular to the Shareholders containing the number of Awards that were already granted under the existing Scheme Limit and the existing Service Provider Sublimit thereunder, and the reason for the "refreshment".

7. INDIVIDUAL LIMIT

Unless approved by the Shareholders in the manner prescribed by the NBT RSU Scheme Rules, the total number of Shares issued and to be issued in respect of all options and/or awards and/or Awards granted under the NBT RSU Scheme and any other share schemes of the Company to each Selected Participant in any 12-month period shall not exceed 1% of the Shares in issue (excluding treasury Shares) (the "Individual Limit"). Where any grant of Award under the NBT RSU Scheme to a Selected Participant would result in the aggregate number of Shares issued and to be issued in respect of all Awards granted under the NBT RSU Scheme and all options and/or awards and/or Awards involving issue of new Shares granted under any other share schemes of the Company to such Selected Participant (excluding any such options and/or awards lapsed in accordance with the terms of the NBT RSU Scheme or any other share schemes of the Company) in the 12-month period up to and including the date of such grant exceeding the Individual Limit, such grant shall be subject to separate approval of the Shareholders in general meeting with such Selected Participant and his/her close associates (or his/her associates if the Selected Participant is a connected person of the Company) being abstained from voting. In which case, shall send to its shareholders a circular disclosing (i) the identity of such Selected Participant, (ii) the number and terms of the Award to be granted (and those options and/or awards previously granted to such Selected Participant within the 12-month period), (iii) the purpose of granting the Award to the Selected Participant and an explanation as to how the terms of the Awards serve such purpose, and (iv) any other information as may be required under the Listing Rules. The number and terms of the Award(s) to be granted to such Selected Participant shall be fixed before the Shareholders' approval is sought.

8. ADMINISTRATION

The NBT RSU Scheme shall be subject to the administration of the Board in accordance with the terms and conditions as set forth herein, under which the Board has the absolute authority to give any direction, instruction or recommendation to the Trustee or from which the Trustee seeks direction, instruction or recommendation with respect to the NBT RSU Scheme and the Trust. Any decision, determination and interpretation made by the Board or by any person(s) to which the Board has delegated its authority in accordance with the NBT RSU Scheme shall be final, conclusive, and binding on all parties. The authority to administer the NBT RSU Scheme may be delegated by the Board to any person(s) as deemed appropriate at the sole discretion of the Board.

Without prejudice to the Board's general power of administration, the Board may from time to time appoint one or more administrators (the "**RSU Administrator**"), who may be independent third-party contractors, to assist in the administration of the NBT RSU Scheme, to whom they, at their sole discretion, may delegate such functions relating to the administration of the NBT RSU Scheme as they may think fit. The duration of office, terms of reference and remuneration (if any) of such administrator(s) shall be determined by the Board at their sole discretion from time to time. In the case where no such administrator is appointed, the RSU Administrator shall mean the Board.

The Board's decision or determination under the NBT RSU Scheme need not be uniform and may be made by it selectively with respect to persons who are granted, or are eligible to be granted, Awards under it. If a director is an Eligible Participant he may, notwithstanding his own interest and subject to the Articles, vote on any Board resolution concerning the NBT RSU Scheme (other than in respect of his/her own participation in it), and may retain Awards under it. Each Eligible Participant waives any right to contest, amongst other things, the value and number of Awards or Shares or equivalent fair value of cash underlying the Awards or Shares and the Board's administration of the NBT RSU Scheme.

Subject to any applicable laws, rules and regulations, the powers and obligations of the Trustee will be limited as set forth in the Trust Deed. The Trustee shall not exercise any voting rights in respect of any Shares held under the Trust or as nominee, and shall hold the Trust Fund (including the Shares that form part thereof) in accordance with the terms of the Trust Deed.

9. GRANT OF AWARDS

On and subject to the terms of the NBT RSU Scheme and the terms and conditions that the Board or the RSU Administrator (as the case may be) may from time to time impose, the Board or the RSU Administrator (as the case may be) shall be entitled (but shall not be bound) at any time during Scheme Period to make such Grant to any Eligible Participant, as the Board or the RSU Administrator (as the case may be) may in its absolute discretion determine.

An offer of Award shall remain open for acceptance by the Selected Participant for such time to be determined by the Board, provided that no such offer of Award shall be open for acceptance after the expiry of the Scheme Period or after the Selected Participant to whom the offer of Award is made has ceased to be an Eligible Participant. To the extent that the Grant or any term or condition set out in the Notice of Grant is not accepted by any Selected Participant within the time period or in a manner prescribed in the Notice of Grant, such offer of Award will be deemed to have been irrevocably declined and the Grant shall be deemed irrevocably lapsed and terminated such that the Award that would have been granted under the Grant shall lapse forthwith.

No Award may be granted to any Eligible Participant (and where applicable, no instructions to acquire any Shares shall be given to the Trustee) under the NBT RSU Scheme:

(a) where the Grant would result in a breach of any applicable laws, rules or regulations by any member of the Group or any of its directors;

(b) where the Grant would result in breach of the Scheme Limit (and/or the Service Provider Sublimit thereunder) stipulated above or other rules herein set forth;

(c) where the Company or any Selected Participant is in possession of information that must be disclosed under Rule 13.09 of the Listing Rules or where the Company reasonably believes there is inside information which must be disclosed under Part XIVA of the Securities and Futures Ordinance, until such inside information has been published on the websites of the Stock Exchange and the Company;

(d) after inside information has come to the knowledge of the Company until (and including) the trading day after such inside information has been announced (or the relevant information has otherwise ceased to be inside information) in accordance with the requirements of the Listing Rules and the Inside Information Provisions of Part XIVA of the Securities and Futures Ordinance;

(e) at any time during the period commencing 30 days immediately preceding the earlier of:

(i) the date of the board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for the Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. For the avoidance of doubt, no Award may be granted during any period of delay in publishing a results announcement; or

(f) in any other circumstances where dealings by Selected Participant are prohibited under the Listing Rules, the Securities and Futures Ordinance or any other applicable laws, rules and regulations or where the requisite approval from any applicable regulatory authorities has not been granted.

10. GRANT OF AWARDS TO CONNECTED PERSONS

Any grant of Award to an Eligible Participant who is a Director, chief executive, or substantial shareholder of the Company (excluding any proposed Director or chief executive of the Company), or any of their respective associates, shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is the proposed Grantee of the Award in question) and all grants to connected persons shall be subject to compliance with the requirements of the Listing Rules, including where necessary the prior approval of the Shareholders.

Where any grant of Awards under the NBT RSU Scheme to a Director (other than an independent non-executive Director) or chief executive of the Company, or any of their respective associates, would result in the number of Shares issued and to be issued in respect of all awards and/or Awards (excluding share options) involving issue of new shares already granted (excluding any awards or Awards lapsed in accordance with the terms of the NBT RSU Scheme or any other share schemes (excluding any schemes that involve the grant of options) of the Company) to such person in the 12-month period up to and including the Grant Date representing in aggregate over 0.1% of the Shares in issue (excluding treasure Shares) as at the Grant Date, such further grant of Award shall be approved by Shareholders in general meeting (with such person, his/her associates and all core connected persons of the Company abstaining from voting in favour at such general meeting).

Where any grant of Awards under the NBT RSU Scheme to an independent non-executive Director or a substantial shareholder of the Company, or any of their respective associates, would result in the Shares issued and to be issued in respect of all options, awards and Awards involving issue of new Shares already granted under the NBT RSU Scheme or any other share schemes of the Company (excluding any options, awards or Awards lapsed in accordance with the terms of the NBT RSU Scheme or any other share schemes of the Company) to such person in the 12-month period up to and including the Grant Date representing in aggregate over 0.1% of the Shares in issue (excluding treasure Shares) as at the Grant Date, such further grant of Award shall be approved by Shareholders in general meeting (with such person, his/her associates and all core connected persons of the Company abstaining from voting in favour at such general meeting).

In each of the events detailed above, the Company shall comply with the requirements under Rules 13.40, 13.41 and 13.42 of the Listing Rules and send a circular to the Shareholders containing:

(a) details of the number and terms of the Awards to be granted to each Selected Participant, which must be fixed before the Shareholders' meeting;

(b) the views of the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Awards) as to whether the terms of the grant are fair and reasonable and whether such grant is in the interests of the Company and the Shareholders as a whole, and their recommendation to the independent Shareholders as to voting;

(c) the information required under Rule 17.02(2)(c) of the Listing Rules; and

(d) the information required under Rule 2.17 of the Listing Rules.

Any change in the terms of an Award granted to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be subject to the prior approval of the Shareholders in general meeting by way of poll if the initial grant of the Award requires such approval (except where the changes take effect automatically under the existing terms of the NBT RSU Scheme) and the Grantee, his/her associates and all core connected persons of the Company shall abstain from voting in favour of the resolution relating to the change in the terms of such Award at such general meeting. The Company shall send a circular to the Shareholders containing the information as set out above. The Company must also comply with the requirements under Rules 13.40, 13.41 and 13.42 of the Listing Rules.

11. ISSUANCE AND TRANSFER OF SHARES TO THE TRUSTEE

The Company shall, for the purposes of satisfying the grant of an Award, (i) issue and allot Shares to the Trustee and/or (ii) transfer to the Trust the necessary funds and/or (iii) instruct the Trustee to purchase existing Shares on-market or off the market at the prevailing market price or at price within a specified price range and/or (iv) transfer Shares (including treasury Shares) to satisfy Awards granted under the NBT RSU Scheme.

12. VESTING OF AWARDS

Subject to the terms of the NBT RSU Scheme and any additional requirement under the applicable laws, rules and regulations, and the specific terms and conditions applicable to each Award, the Board or the RSU Administrator (as the case may be) has the sole discretion to determine the vesting schedule, vesting criteria and vesting conditions (if any), and may also impose additional terms and conditions (including but not limited to performance targets and vesting conditions) for any grant of Award(s) to any Selected Participant, which may be adjusted and re-determined by the Board or the RSU Administrator (as the case may be) from time to time. For the avoidance of doubt, the Shares so issued and allotted to the Trustee or purchased by the Trustee on-market or off market as and when instructed by the Board or the Shares (including treasury Shares) so transferred thereto, as set aside for any Award under the NBT RSU Scheme may or may not, at the discretion of the Board or the RSU Administrator (as the case may be) be subject to any lock-up and/or retention period. If the performance milestones or targets and/or other conditions (if any) determined by the Board or the RSU Administrator (as the case may be) are not satisfied, the Award shall automatically lapse on the date on which any such condition ceased to be capable of being satisfied, as determined by the Board or the RSU Administrator (as the case may be) in its sole and absolute discretion.

The performance milestones or targets may comprise a mixture of key performance indicators component to be attained including, without limitation, (i) the *business and financial performance of the Group* by reference to annual revenue growth rate, gross profit and/or the Group's core competitiveness or corporate targets and/or goals attained, (ii) *individual performance* based on periodic performance appraisal, assessment or review, which may vary among the Selected Participants considering their different roles, positions and contributions, and/or (iii) *non-financial performance measures* such as the individual's adherence to the Company's culture and values. The Board shall conduct such periodic performance appraisal, assessment or review to determine whether the agreed performance milestones or targets have been (and the extent to which they have been) met.

Upon fulfilment or waiver (by the Board or the RSU Administrator (as the case may be) in its sole and absolute discretion and subject to any additional requirements under the applicable laws, rules and regulations) of the vesting period and vesting conditions (including performance milestones or targets, if applicable) applicable to a Grantee, a Vesting Notice (as defined below) may be sent to the Grantee by the Board or the RSU Administrator (as the case may be), or by the Trustee under the authorisation and instruction by the Board or the RSU Administrator (as the case may be), confirming (i) the extent to which the vesting period and vesting conditions have been met, completed, fulfilled or waived; (ii) the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip dividends in respect of these Shares) and/or the amount of cash the Grantee will receive; and (iii) where the Grantee will receive Shares, the lock-up and/or retention arrangements for such Shares (if applicable) (the "**Vesting Notice**"). The Grantee is required to execute, and deliver, after receiving the Vesting Notice, certain forms, documents and instruments set forth in the Vesting Notice (collectively, "**Vesting Documents**") that the Board or the RSU Administrator (as the case may be) and/or the Trustee considers necessary (which may include, without limitation, a certification that he or she has complied with all the terms and conditions set out in the NBT RSU Scheme and the Notice of Grant). The Grantee shall execute and deliver the Vesting Documents on or before such deadline as prescribed in the Vesting Notice, failing which, unless otherwise waived by the Board or the RSU Administrator (as the case may be), the vested RSUs will lapse.

For the avoidance of doubt, (i) any long leave of absence, as the Board may in its absolute discretion determine, shall be deducted from period of service for the purpose of computing the elapsed time in the vesting period, and (ii) the minimum vesting period shall be 12 months commencing from the date upon which the Award is accepted or deemed to be accepted in accordance with the NBT RSU Scheme, save and except that with respect to Employee Participants, a shorter vesting period may be permitted in the following circumstances at the sole and absolute discretion of the Board:

(a) grants of "sign-on" or "make-whole" Awards to new joiners as employment inducement or to replace the share awards, options or benefits so forfeited when leaving their previous employment;

(b) grants of "make-whole" Awards to key personnel of such newly acquired, consolidated or fully integrated subsidiary of the Company to replace the share awards, options or benefits forfeited upon the acquisition, consolidation or full integration of such subsidiary;

(c) grants to a Selected Participant whose employment is terminated for reasons other than resignation or *Cause* due to death, disability or event of force majeure;

(d) grants of Awards where the timing of which is determined by administrative or compliance requirements not connected with the performance of the Selected Participant in which case the Vesting Date may be adjusted to take into account the intended Grant Date, if not for such administrative or compliance requirements or such restrictions in relation to a particular grant (as the case may be);

(e) grants with a mixed or accelerated vesting schedule such as where the Awards may vest evenly over a period of 12 months;

(f) grants with performance-based vesting conditions in lieu of time-based vesting criteria;

(g) grants with a total vesting and retention period of more than 12 months; or

(h) there is an event of change in control of the Company by way of a merger, a privatisation of the Company by way of a scheme or by way of an offer, and the Board, at its sole discretion, determines that the Vesting Date of any Awards shall be accelerated to an earlier date.

In the event that a general offer by way of voluntary offer, takeover or otherwise (other than by way of scheme of arrangement) is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or acting in concert with the offeror) and such offer becomes or is declared unconditional prior to the Vesting Date of any Award, the Board shall, prior to or immediately upon the offer becoming or being declared unconditional, determine in its sole and absolute discretion whether such Award shall vest and the period within which it shall vest. In the case where the Board determines, in its sole and absolute discretion, that such Award shall vest, it shall notify the Grantee, the Trustee and the Company of such determination and the period within which such Award shall vest. Subject to the foregoing, the Award (to the extent not vested, lapsed or cancelled by the Board) will lapse automatically on the date on which such offer (or, as the case may be, revised offer) closes.

In the event that a privatisation or general offer for Shares by way of scheme of arrangement is made to all Shareholders and has been approved by the necessary number of Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or acting in concert with the offeror) at the requisite meetings prior to the vesting of any Awards, the Board shall, prior to such meetings, determine at its sole and absolute discretion whether such Award shall vest and the period within such Award shall vest. If the Board determines that such Award shall vest, it shall notify the Grantee, the Trustee and of such determination and the period within which such RSU shall vest. Subject to the foregoing and to the scheme of arrangement becoming effective, the Award (to the extent not vested, lapsed or cancelled by the Board) will lapse automatically on the record date for determining entitlements under such scheme of arrangement.

In the event that a notice is given by the Company to the Shareholders to convene a Shareholders' meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company prior to the Vesting Date of any Award, the Board shall determine at its sole and absolute discretion whether such Award shall vest, and the period when such Award shall vest. If the Board determines that such RSU shall vest, it shall notify the Grantee, the Trustee and the Company of such determination and the period within which such RSU shall vest.

In the event of a compromise or arrangement, other than a scheme of arrangement contemplated above, between the Company and the Shareholders and/or the creditors of the Company being proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Board shall determine at its sole and absolute discretion whether such Award shall vest, and the period when such RSU shall vest. If the Board determines that such RSU shall vest, it shall notify the Grantee, the Trustee and the Company of such determination and the period within which such RSU shall vest.

Any Shares to be transferred to a Grantee upon the vesting of Awards granted pursuant to the NBT RSU Scheme shall be subject to all the provisions of the Articles and shall rank *pari passu* in all respects with, and shall be identical and have the same voting, dividend, transfer and other rights (including those rights arising on a winding-up of the Company) as the existing fully paid Shares in issue on the date on which those Shares are allotted and issued or transferred (as the case may be) pursuant to the vesting of the Awards and, without prejudice to the generality of the foregoing, shall entitle the holders to participate in all dividends or Other Distributions paid or made on or after the date on which Shares are allotted and issued or transferred (as the case may be), other than any dividends or distributions previously declared or recommended or resolved to be paid or made if the record date thereof shall be before the date on which the Shares are allotted and issued or transferred.

13. TRANSFERABILITY

Any Award granted pursuant to the NBT RSU Scheme shall be personal to the Grantee and shall not be assignable or transferable, unless otherwise approved by the Board or the RSU Administrator (as the case may be) and subject to other requirements under the applicable laws, rules and regulations. The terms of the NBT RSU Scheme and the Notice of Grant shall be binding upon the assigns and transferees of the Grantee.

Subject to obtaining a waiver from the Stock Exchange, the Company may allow a transfer of the Awards to a vehicle (such as a trust or a private company) for the benefit of the Grantee and any family members of such Grantee (e.g. for estate planning or tax planning purposes) that would continue to meet the purpose of the Scheme and comply with Chapter 17 of this Listing Rules. Where such waiver is granted, any transfer to a permitted transferee shall be subject to the terms of the Trust Deed and the applicable laws and regulations including but not limited to the Listing Rules (as amended from time to time).

Notwithstanding the above, no Grantee shall in any way sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favour of any other person over or in relation to any Award or any Trust Fund held by the Trustee on trust for the Grantees, including such Shares underlying any Awards or RSUs or any interest or benefits therein.

14. LAPSE OF AWARDS AND RETURNED SHARES

Upon the occurrence of any of the following event (and whether an event is to be regarded as having occurred is subject to the sole determination of the Board or the RSU Administrator (as the case may be)) in relation to a Grantee, no further Awards shall be granted to such Grantee and the Awards (to the extent unvested) shall lapse forthwith accordingly (which shall become Returned Shares for the purposes of the NBT RSU Scheme) on the date as determined by the Board or the RSU Administrator (as the case may be):

(a) the Grantee ceases to be an Eligible Participant by reason of death or incapacitation;

(b) the Grantee ceases to be an Eligible Participant by reason of (i) non-renewal of his employment, consulting, services or similar agreement (including post-retirement employment) upon expiry, (ii) voluntary resignation, (iii) retirement without post-retirement employment, (iv) layoff, or (v) discontinuance of relevant business segment or other internal reorganisation;

(c) the Grantee fails to return duly executed Vesting Documents for the relevant Award Shares within the period stipulated in the Vesting Notice;

(d) the Grantee was found to be an Excluded Participant;

(e) the Grantee is found to be or become or deemed to be a Competitor of the Group (and such determination by the Board shall be final and conclusive) by:

(i) being or becoming an officer, director, employee, consultant, adviser, partner of, or a shareholder or other proprietor owning an interest of 5% or more in, any Competitor; or

(ii) knowingly performs any act that may confer any competitive benefit or advantage upon any Competitor;

(f) the Board or the RSU Administrator (as the case may be) determines in its absolute discretion that any condition(s) and/or performance milestones or targets to be duly fulfilled by such Grantee as specified in the related Notice of Grant has not been duly fulfilled or has not been waived by the Board or the RSU Administrator (as the case may be);

(g) upon the relevant effective or record date(s) in respect of the occurrence of any of the events referred to under this paragraph;

(h) (in respect of Shares underlying an Award which are subject to performance or other vesting condition(s)) the date on which the condition(s) to vesting of the relevant Shares underlying the Award are not capable of being satisfied (and such determination by the Board shall be final and conclusive);

(i) the Grantee (whether intentionally or otherwise) makes any attempt or takes any action to sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favour of any other person over or in relation to any Awards or any interests or benefits pursuant to the Awards in breach of the NBT RSU Scheme Rules; or

(j) the Board or the RSU Administrator (as the case may be) has decided, in its sole and absolute discretion, that the unvested Awards shall not be vested for the Grantee in accordance with the NBT RSU Scheme Rules and the terms and conditions as set out in the Notice of Grant.

If the Grantee's employment or service with the Company or any member of the Group or any Related Entity is terminated for *Cause* (and such determination by the Board shall be final and conclusive), then the Award shall automatically lapse forthwith and all the Award Shares shall not vest on the relevant Vesting Date but shall become "returned Shares" for the purposes of the NBT RSU Scheme. The Board may also, in its sole and absolute discretion, grant Award to any Grantee on one or more conditions that such Award may be cancelled (with or without compensation) upon the Grantee's employment or service with the Company or any member of the Group or any Related Entity being terminated for *Cause* (and/or any other event that may be specified in the Notice of Grant), regardless of whether such Award (or part thereof) has been vested or not at the time of cancellation.

For the avoidance of doubt, Awards lapsed in accordance with the terms of the NBT RSU Scheme will not be regarded as utilised for the purpose of calculating the Scheme Limit (and/or the Service Provider Sublimit thereunder).

15. CANCELLATION OF AWARDS

Without prejudice to the powers of the Board mentioned above, the Board may at its sole discretion cancel any Award that has not vested or lapsed, provided that:

(a) the Company pays to the Grantee an amount equal to the fair value of the Award at the date of the cancellation as determined by the Board or the RSU Administrator (as the case may be), after consultation with the Company's auditors; or

(b) the Company provides to the Grantee a replacement award (or a grant or option under any other restricted share unit scheme, share option scheme or share-related incentive scheme) of equivalent fair value to the Award to be cancelled; or

(c) the Board makes any arrangement as the Grantee may agree in order to compensate him for the cancellation of the Award so granted to him.

Where the Company cancels unvested Awards and issues new grants of Awards to the same Grantee, the issue of such new Awards may only be made with available Awards to the extent not yet granted (excluding the cancelled Awards) within the Scheme Limit (and/or the Service Provider Sublimit thereunder) and such other limits prescribed by Clause 6 or under a scheme with available unissued Awards within its applicable scheme limit.

For the avoidance of doubt, Awards cancelled in accordance with the terms of the RSU Scheme shall be regarded as utilised for the purpose of calculating the Scheme Limit (and/or the Service Provider Sublimit thereunder).

16. CLAWBACK

Without prejudice to other terms of the NBT RSU Scheme, the Board has the authority to determine, in its sole and absolute discretion, that any Award shall be subject to a clawback if any of the following events occurs (and whether an event is to be regarded as having occurred is subject to the sole determination of the Board):

(a) if the Grantee ceases to be an Eligible Participant by reason of the termination of his/her employment or engagement with the Group or any Related Entity for *Cause* or on the grounds that (i) he/she has been guilty of fraud or dishonesty or persistent or serious misconduct or commits any wilful disobedience or non-compliance with the terms of such employment or engagement, regardless of whether the Group or any Related Entity suffers any loss therefrom, (ii) for an Employee Participant or Related Entity Participant, where he/she commits any wilful disobedience or non-compliance with instructions given by any member of the Group or engages in any other conduct that results in significant damage to the reputation or standing of the Group or inflict harm in any way (whether monetary or not) to the Group, (iii) he/she appears either to be unable to pay or to have no reasonable prospect of being able to pay his/her debts or has become bankrupt or has made any arrangement or composition with his/her creditors generally, or (iv) for an Employee Participant or Related Entity Participant, he/she has been convicted of any criminal offence involving his/her integrity or honesty or on any other ground on which an employer would be entitled to terminate his/her employment summarily;

(b) if the Grantee (being a Service Provider) commits any serious misconduct, fraud, criminal wrongdoing, wilful misconduct, gross negligence, material breach of the terms of his/her/its consultation, service, engagement or other contract, agreement or arrangement with any member of the Group and/or any Related Entity, which entitles any member of the Group and/or any Related Entity to terminate such contract, agreement or arrangement with such Service Provider on ground(s) for breach of contract(s) (in which case, the Board's determination as to whether such breach is material shall be conclusive);

(c) if there being a material misstatement in the audited financial statements of the Company that requires a restatement; and

(d) if any other clawback event so prescribed in the Notice of Grant so occurs.

If the Board exercises its discretion under this provision, it may give the relevant Grantee written notice of such determination (as the Board may consider appropriate, without liability on the part of the Company) and the Board's interpretation of and determination pursuant to this provision shall be final, conclusive and binding.

Upon the occurrence of any of clawback event set out above in relation to a Selected Participant, no further Awards shall be granted to such Grantees and the Awards granted thereto shall be clawed back and shall lapse accordingly on the date as determined by the Board (to the extent unvested). For vested Award Shares, the Board or the RSU Administrator (as the case may be) may in its sole discretion (or as otherwise agreed with the Grantee in writing from time to time) determine that a Grantee shall surrender the Award (in Shares or equivalent fair value of cash underlying the Award) to the Company whether by the Grantee effecting such transfer of Shares to the Trustee or by having the Shares forfeited and cease to be (where such transfer has yet to occur), or payment of cash proceeds or deductions from or set offs against any amounts owed to the Grantee by the Company) an amount equal to the fair value of such benefit, calculated on an after-tax basis, received or to be received by the Grantee from such vesting, provided that the Board or the RSU Administrator (as the case may be) may, at its discretion, determine that a lesser amount should be repaid.

For Shares underlying the Award that are unvested and held by the Trustee for the benefit of the Grantee, they shall no longer be held on trust for nor inure to the benefit of the Grantee and shall be held thereupon as Returned Shares.

In the event the Company exercises its right to claw back the Award Shares from a Grantee pursuant to the NBT RSU Scheme Rules, such Grantee shall not be entitled to any compensation or damages in consequence of his/her Award Shares having been clawed back by the Company.

For the avoidance of doubt, Awards lapsed in accordance with the terms of the NBT RSU Scheme will not be regarded as utilised for the purpose of calculating the Scheme Limit (and/or the Service Provider Sublimit thereunder).

17. REORGANISATION OF CAPITAL STRUCTURE

In the event of any alteration in the capital structure of the Company, such as by way of capitalisation issue, rights issue, consolidation, sub-division and reduction of the share capital of the Company in accordance with the applicable laws and the Listing Rules (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company or any of its subsidiaries is a party or in connection with any share schemes of the Company) during the Scheme Period, such corresponding adjustments (if any) shall be made to:

(a) the Scheme Limit (and the Service Provider Sublimit thereunder);

(b) the nominal value of Shares underlying any Award to the extent unvested and/or;

(c) the number of Shares comprising each Award to the extent unvested, or any combination thereof, provided that:

(d) any such adjustments must give a Grantee the same proportion of the share capital of the Company, rounded to the nearest whole share, as that to which that Grantee was previously entitled; and

(e) notwithstanding paragraph 17(d) above, any adjustments as a result of an issue of securities with a price-dilutive element, such as a rights issue, open offer or capitalisation issue, should be based on a scrip factor similar to the one used in accounting standards in adjusting the earnings per share figures,

but no such adjustments may be made to the extent that a Share would be issued at less than its nominal value (if any). In respect of any such adjustments, other than any made on a capitalisation issue, the Company's auditors or an approved independent financial adviser must confirm to the Directors and certify in writing that the adjustments satisfy the requirements set out under the note to Rule 17.03(13) of the Listing Rules. For avoidance of doubt, the capacity of the Company's auditors or the approved independent financial adviser hereunder is that of experts and not of arbitrators and their certification shall, in absence of manifest error, be final and binding on the Company and the Grantees. The costs of the Auditors or the approved independent financial adviser shall be borne by the Company.

Any adjustment shall comply with the Listing Rules and such applicable rules, codes, guidance notes and/or interpretation of the Listing Rules from time to time promulgated by the Stock Exchange. For the avoidance of doubt, the issue of Shares or other securities by the Company as consideration in a transaction shall not be regarded as a circumstance requiring such adjustments.

If the Company conducts a share consolidation or subdivision after the Scheme Limit (and/or the Service Provider Sublimit thereunder) has/have been approved in general meeting, the maximum number of Shares that may be issued in respect of all relevant options and/or awards and/or Awards to be granted under the relevant schemes of the Company under the Scheme Limit (and/or the Service Provider Sublimit thereunder) as a percentage of the total number of issued Shares (excluding treasury Shares) at the date immediately before and after such consolidation or subdivision shall be the same, rounded to the nearest whole share.

Without prejudice to the above:

(a) In the event the Company undertakes an open offer of new securities, the Trustee shall not, subscribe for any new Shares. In the event of a rights issue, the Trustee shall seek instruction from the Company on the steps or actions to be taken in relation to the nil-paid rights allotted to it.

(b) In the event the Company issues bonus warrants in respect of any Shares which are held by the Trustee, the Trustee shall not subscribe for any new Shares by exercising any of the subscription rights attached to the bonus warrants and the Trustee shall seek instruction from the Company on the steps or actions to be taken in relation to the bonus warrants created and granted to it.

(c) In the event the Company undertakes a scrip dividend scheme, the Trustee shall seek instruction from the Company on whether to elect to receive scrip dividend or cash dividend.

(d) In the event of other non-cash and non-scrip distribution made by the Company in respect of Shares so held by the Trustee under the NBT RSU Scheme, the Trustee shall seek instruction from the Company on the steps or actions to be taken.

(e) All cash, non-cash income or sale proceeds of non-cash and non-scrip distributions declared in respect of a Share shall be held by the Trustee and may, if so determined by in its sole and absolute discretion, be applied for satisfying, or subscription for and/or purchase of Shares for the purpose of satisfying, any further Awards by the Board, and upon termination of the NBT RSU Scheme, shall be treated and dealt with as income of the Trust Fund.

Unless otherwise determined by the Board or the RSU Administrator (as the case may be), an Award (or part thereof) that is either converted, substituted or exchanged for new awards or shares under such share scheme(s) in the acquiring, surviving or successor company shall be cancelled (whether vested or not).

18. SHARE CAPITAL

The Awards do not carry any right to vote at general meetings of the Company. No Grantee shall enjoy any of the rights of a Shareholder by virtue of any Grant pursuant to the NBT RSU Scheme, unless and until such Shares underlying the Awards are actually allotted or issued or transferred (as the case may be) to the Grantee upon the vesting thereof, the Grantees do not have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying an Award.

19. COMPLIANCE

No discretion shall be exercised as to the making of grants and vesting pursuant to the NBT RSU Scheme and no instructions to deal in any Shares underlying the Awards shall be given to the Trustee under the NBT RSU Scheme where such exercise of discretion or giving of instructions (as applicable) is prohibited under the applicable laws, rules and regulations from time to time in force (and such prohibition has not been waived in respect of the Company). Where such prohibition causes a timeline under the NBT RSU Scheme or the Trust Deed (including but not limited to the Vesting Date or the exercise of any discretion by the Board) to be impracticable, such timeline shall be treated as extended until as soon as practicable after the first date on which the prohibition no longer prevents the relevant action or event, or as soon as practicable after a decision has been made as to whether the discretion should or should not be exercised, as the case may be.

The Board shall comply with all applicable disclosure requirements in connection with the administration and operation of the NBT RSU Scheme, including but not limited to the requirements under the applicable laws, rules and regulations from time to time.

20. ALTERATION

Subject to the requirements in relation thereto as stipulated in the NBT RSU Scheme Rules, and in compliance any requirement under the Listing Rules and such applicable laws, rules and regulations, the terms of the NBT RSU Scheme may be altered, varied, amended or waived in any respect by the Board at any time.

The amended terms of the NBT RSU Scheme or Award (as altered, varied, amended or waived) must still comply with the relevant requirements prescribed by Chapter 17 of the Listing Rules.

Any alterations to the terms and conditions of the NBT RSU Scheme which are of a material nature, or any alterations to the provisions relating to the matters set out in Rule 17.03 of the Listing Rules to the advantage of the Selected Participants, must be approved by the Shareholders in general meeting. The Board's determination as to whether any proposed alteration to the terms of the NBT RSU Scheme is material shall be conclusive.

Any alteration to the terms of Awards granted to a Selected Participant shall be approved by the Board, the Remuneration Committee, the independent non-executive Directors and/or the Shareholders in general meeting (as the case may be) if the initial grant of the Awards was approved by the Board, the Remuneration Committee, the independent non-executive directors of the Company and/or the Shareholders (as the case may be), except where the alterations take effect automatically under the existing terms of the NBT RSU Scheme. Amendments to the NBT RSU Scheme (to the extent such amendments are of a material nature), the Scheme Limit (and/or the Service Provider Sublimit thereunder), shall take effect upon such amendment(s) having been approved by the applicable authority on a date that may be specified by the Shareholders, and subject to Chapter 17 of the Listing Rules.

Any change to the authority of the Board in relation to any alteration to the terms of the NBT RSU Scheme shall be approved by the Shareholders in general meeting.

21. TERMINATION

The NBT RSU Scheme may be terminated at any time prior to the expiry of its term by the Board provided that such termination shall not affect any subsisting rights of any Grantee hereunder. For the avoidance of doubt, no further Awards shall be offered or granted after the NBT RSU Scheme is terminated but in all other respects the provisions of the NBT RSU Scheme shall remain in full force and effect. All Awards granted prior to such termination which remain unvested or in respect of which Shares have been set aside or vested pursuant to the NBT RSU Scheme Rules but have been retained or otherwise yet been issued or transferred to the Selected Participants on the date of termination shall remain valid. In such event, (i) the Trustee shall act in accordance with the instruction of the Board or the RSU Administrator (as the case may be) to notify all Grantees of such termination and how the Trust Fund held by the Trustee on trust and other interests or benefits in relation to the outstanding Awards (or part thereof) shall be dealt with (and such determination by the Board or the RSU Administrator shall be final and conclusive), and (ii) to the extent that any part of the Trust Fund have not been or will not be transferred to the Grantees under (i) above, the Trust Fund held by the Trustee and any income thereof may be transferred to the Company (where so directed by the Board or the RSU Administrator (as the case may be)).

22. TAXES

The Company is entitled to withhold the amount of any tax, duty, levy or social security contribution payable in any jurisdiction, being attributable to any taxable event or any amount payable or any Shares deliverable under the NBT RSU Scheme, and the Company may defer making payment or delivery of Shares if any such tax, duty, levy or social security contribution may be pending unless and until the Company is indemnified to its satisfaction. The obligations of the Company under the NBT RSU Scheme are conditional on such payment or arrangements (acceptable to the Board for the satisfaction of the relevant withholding obligations), and the Company, the Group and/or any Related Entity, to the extent permitted by law, shall have the authority and the right to (i) sell, on behalf of the Grantee, a sufficient number of the Shares issued or transferred to the Grantee pursuant to the vesting of the relevant Award to satisfy any such tax, duty, levy or social security contribution or (ii) deduct or withhold any such tax, duty, levy or social security contribution from any remuneration or payment or other amounts otherwise due to the Grantee or (iii) reduce or withhold Shares otherwise issuable under an Award (or allow the return of Shares to the Company, which shall thereupon become Returned Shares for the purposes of the NBT RSU Scheme) having a fair market value limited to the amount required to be reduced, withheld or sold Award to satisfy any such tax, duty, levy or social security contribution, provided that in the reasonable opinion of the Board such number of Shares shall be sufficient to cover the relevant withholding liability.

For the avoidance of doubt, the Company may withhold from payroll and any other amounts payable to the Selected Participant, and otherwise agrees to make adequate provision for, any sums required to satisfy any tax withholding obligations of the Company, if any, which arise in connection with the grant or vesting of the Awards or the issuance of Shares in settlement thereof. The Company shall have no obligation to deliver the Shares underlying the Awards until the tax obligations of the Company have been satisfied by the relevant Grantee.

23. GOVERNING LAW

The operations of the NBT RSU Scheme are subject to the Listing Rules, the Articles and such applicable laws, rules and regulations. Any dispute arising in connection with the NBT RSU Scheme (whether as to the number of Shares which is the subject of any Award or otherwise) shall be referred to the decision of the Board and whose determination shall be final and binding.

The NBT RSU Scheme and all Awards granted hereunder shall be governed by and construed in accordance with the laws of Hong Kong, by accepting participation in the NBT RSU Scheme by delivery to the Company of such duly executed Acceptance Confirmation, the Selected Participant/Grantee agrees that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute, difference, controversy or claim which may arise out of or in connection with the creation, validity, effect, interpretation or performance of, or the legal relationship created by, the NBT RSU Scheme and for such purposes irrevocably submits to the jurisdiction of the Hong Kong courts.

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 2024 (the "**Meeting**") of Newborn Town Inc. (the "**Company**") will be held at 6/F, Tower B, Xiaoyun Road 33rd Building, Chaoyang District, Beijing, PRC on 12 December 2024 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. "**THAT:**

   (a) the Share Purchase Agreement entered into by the Company, the Target Company and BGFG, JJQJ and JZZT (collectively, the "**Sellers**") on 27 June 2024 (the "**Share Purchase Agreement**") (as supplemented by the supplemental agreement entered into among the parties to the Share Purchase Agreement on 22 November 2024 to amend and modify certain terms of the Share Purchase Agreement (the "**Supplemental Agreement**")) and the transactions contemplated thereunder be and are hereby confirmed, approved, authorised and ratified;

   (b) the board of directors (the "**Directors**") of the Company (the "**Board**") or a committee thereof be and is hereby specifically authorised to allot and issue the Consideration Shares (as defined in the Share Purchase Agreement) to the Sellers pursuant to the Share Purchase Agreement (as supplemented by the Supplemental Agreement); and

   (c) any Director be and is hereby authorised on behalf of the Company to do all such acts and things and execute all such documents, deeds or instruments (including affixing the common seal of the Company thereon) and take all such steps as the Director in his sole opinion and absolute direction may consider necessary, appropriate, expedient or desirable to implement or give effect to the Share Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Consideration Shares)."

2. "**THAT:**

(a) subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") granting approval of the listing of, and permission to deal in, the shares of the Company ("**Shares**") which may be fall to be issued and allotted pursuant to any awards in the form of restricted share units ("**Awards**") which may be granted under the new restricted share unit scheme proposed to be adopted by the Company (the rules of which are contained in the document marked "A" produced to this meeting and signed by the chairman of this meeting for the purpose of identification) (the "**NBT RSU Scheme**"), the NBT RSU Scheme be and is hereby adopted and that the Directors be and are hereby authorised to do such acts and things and execute all such documents, deeds or instruments (including affixing the common seal of the Company thereon) and take all such steps as the Directors in their sole opinion and absolute direction may consider necessary, appropriate, expedient or desirable to implement or give full effect to the NBT RSU Scheme, including without limitation:

(i) to administer the NBT RSU Scheme under which Awards will be granted to eligible persons subject to the terms and conditions of the NBT RSU Scheme and the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**");

(ii) to modify, alter and/or amend the NBT RSU Scheme from time to time provided that such modification, alteration and/or amendment is effected in accordance with the provisions of the NBT RSU Scheme relating to such modification, alteration and/or amendment and subject to Chapter 17 of the Listing Rules;

(iii) to grant Awards under the NBT RSU Scheme and to allot and issue from time to time such number of Shares or effect the transfer of Shares as may be required to be allotted and issued in respect of the Awards to be granted under the NBT RSU Scheme and subject the Listing Rules and the Companies Act of the Cayman Islands (the "**Companies Act**");

(iv) to make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in any Shares which may thereafter from time to time be issued and allotted pursuant to the Awards to be granted under the NBT RSU Scheme and subject to the Listing Rules and the Companies Act; and

(v) to consent, if they deem fit and expedient, to such conditions, modifications, alterations and/or variations as may be required or imposed by the relevant authorities in relation to the NBT RSU Scheme and subject to the Listing Rules and the Companies Act;

(b) subject to and conditional on the adoption of the NBT RSU Scheme, the total number of Shares which may be issued in respect of all options and/or awards and/or Awards involving new Shares which may be granted under the NBT RSU Scheme or any other share schemes of the Company must not in aggregate exceed 10% (or such other percentage which may be specified by the Stock Exchange from time to time) of the total number of Share in issue as at the date on which the Shareholders approve the NBT RSU Scheme or the relevant date of approval of the refreshment of the Scheme Limit (as defined in the NBT RSU Scheme); and

(c) subject to and conditional on the passing of the ordinary resolution no. 2(b) set out in this notice and the adoption of the NBT RSU Scheme, within the Scheme Limit (as defined in the NBT RSU Scheme), the total number of Shares which may be issued in respect of all options and/or awards and/or Awards involving new Shares which may be granted to Service Providers (as defined in the NBT RSU Scheme) under the NBT RSU Scheme or any other share schemes of the Company must not in aggregate exceed 1% of the total number of Shares in issue as at the date on which the Shareholders approve the NBT RSU Scheme or the relevant date of approval of the refreshment of the Service Provider Sublimit (as defined in the NBT RSU Scheme)."

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

Hong Kong, 25 November 2024

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:
Office 2613, 26th Floor
The Center
No. 99 Queen's 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 10 December 2024) 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 10 December 2024 to 12 December 2024, 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 9 December 2024.

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.