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(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2100)

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the “**Board**”) of directors (the “**Directors**”) of BAIOO Family Interactive Limited (“**BAIOO**” or the “**Company**” or “**we**”) is pleased to announce the audited consolidated results of the Company, its subsidiaries and its controlled entity in the People’s Republic of China (“**PRC**”) (the “**Group**”) for the year ended 31 December 2023 together with the comparative figures of last year, as follows:

### Financial Summary

#### INCOME STATEMENT HIGHLIGHT

	For the year ended		Year-over-year change %
	2023	2022	
	RMB’000	RMB’000	
Revenue	<b>782,764</b>	938,759	(16.6%)
Gross profit	<b>318,054</b>	360,628	(11.8%)
Operating loss	<b>(55,126)</b>	(37,082)	48.7%
Non-IFRS Accounting Standards Measures			
— Adjusted Net (Loss)/Profit <sup>(1)</sup> (unaudited)	<b>(10,081)</b>	61,744	(116.3%)
— Adjusted EBITDA <sup>(2)</sup> (unaudited)	<b>(12,279)</b>	37,485	(132.8%)

Notes:

- Adjusted net (loss)/profit consists of (loss)/profit for the year plus share-based compensation. Adjusted net (loss)/profit eliminates the effect on non-cash share-based compensation expenses. The term of adjusted net (loss)/profit is not defined under the IFRS Accounting Standards. The use of adjusted net (loss)/profit has material limitations as an analytical tool, as adjusted net (loss)/profit does not include all items that impact our net (loss)/profit for the year.
- Adjusted EBITDA means adjusted net (loss)/profit less finance income-net, plus income tax expenses/(credit), depreciation of property and equipment and right-of-use assets and amortization of intangible assets.

## BALANCE SHEET HIGHLIGHT

	As of 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Assets</b>		
Non-current assets	585,242	476,709
Current assets	1,334,857	1,579,558
<b>Total assets</b>	<u>1,920,099</u>	<u>2,056,267</u>
<b>Equity and Liabilities</b>		
Total equity	1,651,035	1,698,084
Non-current liabilities	29,846	52,574
Current liabilities	239,218	305,609
<b>Total liabilities</b>	<u>269,064</u>	<u>358,183</u>
<b>Total equity and liabilities</b>	<u>1,920,099</u>	<u>2,056,267</u>

# Management Discussion and Analysis

## BUSINESS OVERVIEW

### **BAIOO continued to improve game content innovation and made breakthroughs in cross-dimensional cooperation**

For the year ended 31 December 2023 (the “Year”), BAIOO maintained its dominance in the niche genres, and has been actively enhancing its product innovation and research and development capabilities, thereby continuously consolidating its visibility and leading position in these segments. By crafting more engaging game designs with ingenuity, it provided users with the most enjoyable and immersive gaming experience.

During the Year, BAIOO has shown a stable and positive development trend. By adhering to the long-term operation strategy of intellectual property (“IP”) refinement, it continued to release extensive and diverse upgrades, expanded cross-border collaboration with various brands, and incorporated great traditional Chinese culture into games, which not only received widespread recognition from users, but also significantly increased the value and influence of its IPs. In particular, its core self-developed IP mobile game Legend of Aoqi (「奧奇傳說」), which has been in operation for nearly three years, has successfully re-engaged some players who had previously stopped playing with content innovation and offline communication. Its community activity significantly increased in 2023, and the discussion among players also increased accordingly. In addition, to improve user stickiness and innovation, its gameplay was further optimized and enhanced. The newly launched “Farm Management System” and “Pet Development System” have received significant appreciation from players. The game has also released special editions with national intangible cultural heritage such as Cantonese opera, colored lanterns, and Guangdong lion dance, in order to present traditional culture to modern young people in a fresh way.

During the Year, BAIOO’s signature mobile game Aobi Island: Dreamland (「奧比島：夢想國度」) conducted cross-border collaboration with a total of 11 IPs and brands, including CCTV Animation Channel, the Capital Animal Welfare Association, well-known IP Sanrio, EMMA trendy toys, anime “Please Eat Red Bean!” (《請吃紅小豆吧！》) and “Pleasant Goat and Big Big Wolf” (《喜羊羊與灰太狼》), Cha Panda, Rolife·Nanci, Xiaohongshu, trendy toy brand SUSUMI and snack brand Laiyifen, covering areas including film and television, trendy entertainment, and social media. BAIOO is dedicated to bringing young people favourite brands into games, offering new and engaging content to gamers, and pursuing cross-dimensional breakthroughs. In particular, “Music Coffee”, a special edition linked to the well-known IP Sanrio, was released in April 2023 and received enthusiastic support from players. The relevant Weibo topic “#Aobi Island & Sanrio#” has reached nearly 600 million views. As at 31 December 2023, the Aobi Island mobile game topics readership reached 5.7 billion. Furthermore, Aobi Island held a collaboration event with “Pleasant Goat and Big Big Wolf” (《喜羊羊與灰太狼》) during its first anniversary celebration, and its anniversary celebration live streaming ranked fourth on the live streaming hot list. Its offline pop-up event attracted a huge number of players, boosting its user base and brand influence.

Shiwuyu (「食物語」), BAIIO's another core mobile game, has upgraded its gameplay experience over the previous year. The card game now features a large-scale simulated commercial gameplay, as well as new juvenile food soul skins and new gameplay tongue-to-tongue competition, to include more innovations and showcase the new "Food Fairyland" (「美食仙鄉」) style. At the same time, Shiwuyu insists on in-depth development of IP content. After two years of production, its IP derivative animated mini-series "Young Master is Out Today" (《今天少主不在家》) completed release of its full episodes in August and achieved a high rating of 9.8 points. Shiwuyu also launched cross-border collaborations with intangible cultural heritage "Guangzhou Porcelain", well-known culinary education brand "New Oriental Cuisine", and well-known bookstore "Fangsuo" during the Year, with the goal of incorporating traditional Chinese culture into its version content and providing players with a new experience, which was well received by players.

While continuing to grow in the niche game genre in China where it already has a strong presence, BAIIO also expanded its presence in international gaming marketplaces in 2023, with the goal of incorporating traditional Chinese culture into games and exploring the possibility of greater cross-border cultural integration. During the Year, Shiwuyu released international versions in multiple languages, including Korean, English, and Traditional Chinese, boosting BAIIO's international user base and introducing global users to the magnificent Chinese culture.

## **INDUSTRY TRENDS**

### **Artificial Intelligence Generated Content ("AIGC") tools helped game developers reduce costs and increase efficiency as the game market rebounded**

According to the "China Game Industry Report 2023" (《2023年中國遊戲產業報告》), driven by the recovery of users' willingness and ability to consume, the launch of new game products, and popular products and production line operations, the actual sales revenue of the Chinese game market reached RMB302.964 billion in 2023, representing a year-on-year increase of 13.95% and breaking through the RMB300 billion mark for the first time. The industry scale has hit a historical high, and the number of users has risen to 668 million, also a record high. In particular, the size of the mobile game market reached RMB226.86 billion, representing a year-on-year increase of 17.51%. It indicates that, despite the overall decline in the global game industry, the Chinese game sector has gradually emerged from the downturn and is showing a persistent development.

Through technological advancement and application exploration, the product development efficiency of game companies has been improved and their business models have been newly expanded. Generative artificial intelligence ("AI") is fast evolving, and AIGC tools are gradually being implemented, effectively supporting game research and development with application scenarios in a variety of domains such as programming, painting, and planning. AIGC is expected to continue to drive efficiency improvements in game research and development. BAIIO has been actively exploring the latest breakthroughs and application scenarios of generative AI, leveraging technology advancements to strengthen its brand influence and maintain its leadership position in the game industry.

## **OUTLOOK FOR 2024**

### **Exploring AI technology to assist product development and seize market development opportunities**

Looking ahead to 2024, BAIIO continues to maintain its dominance in the niche genres. It will increase investment in independent game research and development, explore better applications and breakthroughs of AIGC technology in the game industry to improve its research and development capability, striving to efficiently meet diverse users' needs and maintain the Group's competitive advantage in the niche game market.

BAIOO will continue to adhere to the long-term IP operating strategy, reinforcing the spirit of creativity and methodically creating each version with the goal of demonstrating great quality in every element in order to continuously improve the gaming experience for players. At the same time, BAIIOO will actively pursue more cross-border integration of cultural and creative content, injecting new elements to maintain IP vitality and long-term appeal, as well as providing profound content to the games, in order to promote the deep integration of IP and games and create a more diverse gaming experience for players.

BAIOO will make every effort to build a rich portfolio of product development pipeline. Several products are currently in the research and development and testing stages in each game genre, with the goal of releasing them in stages to the global market. In particular, Aola Star 2 (「奧拉星 2」) (previously code-named “project bn”), a 3D multiplayer pet turn-based RPG mobile game, will be launched in China soon. BAIIOO will also step up its expansion efforts in the international market. Currently multiple products are being planned for release.

In the future, BAIIOO will continue to enhance its product matrix and carefully design high-quality games with Chinese characteristics in order to provide global users with a gaming experience rich in Chinese cultural heritage. The Group will fulfill its corporate social responsibilities, actively promote the spirit and values of Chinese culture, and contribute to the long-term healthy and sustainable development of the industry.

## OPERATION INFORMATION

The following table sets out average quarterly active accounts (“QAAs”), average quarterly paying accounts (“QPAs”) and average quarterly average revenue per quarterly paying accounts (“ARQPA”) for our online virtual worlds for the periods indicated below:

	For the year ended		
	31 December 2023 <sup>(1)</sup>	31 December 2022	Year-over-year change
average QAA <sup>(2)</sup>	7.3	10.1	(27.7%)
average QPA <sup>(3)</sup>	1.1	1.6	(31.3%)
average quarterly ARQPA <sup>(4)</sup>	176.1	151.9	15.9%

Notes:

1. As of 31 December 2023, our online virtual worlds under commercial operation included Aobi Island, Aola Star, Dragon Knights, Light of Aoya, Legend of Aoqi, Shiwuyu (「食物語」), Aola Star Mobile (「奧拉星手遊」), legend of Aoqi Mobile (「奧奇傳說手遊」) and Aobi Island Mobile (「奧比島手遊」).
2. The average QAA for online virtual worlds was approximately 7.3 million for the year ended 31 December 2023, representing a decrease of approximately 27.7% compared with the year ended 31 December 2022. The decrease was primarily due to some of the games with a longer launch period have shown a natural decline in the growth of their life cycles.
3. The average QPA for online virtual worlds was approximately 1.1 million for the year ended 31 December 2023, representing a decrease of approximately 31.3% compared with the year ended 31 December 2022. The decrease was primarily due to decrease of QAA.
4. The average quarterly ARQPA for online virtual worlds was approximately RMB176.1 for the year ended 31 December 2023, representing an increase of approximately 15.9% compared with the year ended 31 December 2022. The increase was primarily due to the users were attracted by good contents in games.

## OVERALL BUSINESS AND FINANCIAL PERFORMANCE

The following table sets forth the detail of our consolidated income statement for the years ended 31 December 2023 and 2022, respectively:

	31 December		For the year ended	
	2023	% of	31 December	% of
	<i>RMB'000</i>	Revenue	2022	Revenue
			<i>RMB'000</i>	
<b>Revenue</b>	<b>782,764</b>	<b>100.0</b>	938,759	100.0
Online entertainment business	782,519	100.0	937,849	99.9
Other businesses	245	—	910	0.1
<b>Cost of revenue</b>	<b>(464,710)</b>	<b>(59.4)</b>	(578,131)	(61.6)
<b>Gross profit</b>	<b>318,054</b>	<b>40.6</b>	360,628	38.4
Selling and marketing expenses	(63,731)	(8.1)	(81,800)	(8.7)
Administrative expenses	(76,184)	(9.7)	(89,924)	(9.6)
Research and development expenses	(231,137)	(29.5)	(230,021)	(24.5)
Net impairment losses on financial assets	(3,999)	(0.5)	(1,071)	(0.1)
Other income	3,366	0.4	3,734	0.4
Other (losses)/gains — net	(1,495)	(0.2)	1,372	0.1
	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>
<b>Operating loss</b>	<b>(55,126)</b>	<b>(7.0)</b>	(37,082)	(4.0)
Finance income — net	33,000	4.2	39,717	4.2
Share of loss of an associate	(1,302)	(0.2)	—	—
	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>
<b>(Loss)/profit before income tax</b>	<b>(23,428)</b>	<b>(3.0)</b>	2,635	0.3
Income tax (expense)/credit	(7,974)	(1.0)	7,704	0.8
	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>
<b>(Loss)/profit for the year</b>	<b>(31,402)</b>	<b>(4.0)</b>	10,339	1.1

The following table sets forth our consolidated statement of comprehensive income for the years ended 31 December 2023 and 2022 respectively:

	<b>31 December 2023 RMB'000</b>	<b>For the year ended % of Revenue</b>	<b>31 December 2022 RMB'000</b>	<b>% of Revenue</b>
<b>(Loss)/profit for the year</b>	<b>(31,402)</b>	<b>(4.0)</b>	10,339	1.1
Other comprehensive income, net of tax	—	—	—	—
<b>Total comprehensive (loss)/income for the year</b>	<b><u>(31,402)</u></b>	<b><u>(4.0)</u></b>	<b><u>10,339</u></b>	<b><u>1.1</u></b>
<b>Other financial data</b>				
Adjusted net (loss)/profit <sup>(1)</sup> (unaudited)	<b>(10,081)</b>	<b>(1.3)</b>	61,744	6.6
Adjusted EBITDA <sup>(2)</sup> (unaudited)	<b><u>(12,279)</u></b>	<b><u>(1.6)</u></b>	<b><u>37,485</u></b>	<b><u>4.0</u></b>

Notes:

- Adjusted net (loss)/profit consists of (loss)/profit for the year plus share-based compensation. Adjusted net (loss)/profit eliminates the effect on non-cash share-based compensation expenses. The term of adjusted net (loss)/profit is not defined under the IFRS Accounting Standards. The use of adjusted net (loss)/profit has material limitations as an analytical tool, as adjusted net (loss)/profit does not include all items that impact our net (loss)/profit for the year.
- Adjusted EBITDA consists of adjusted net (loss)/profit less finance income-net, plus income tax expenses/(credit), depreciation of property and equipment and right-of-use assets and amortization of intangible assets.

## Revenue

Our revenue for the year ended 31 December 2023 was RMB782.8 million, representing a 16.6% decrease from RMB938.8 million for the year ended 31 December 2022.

*Online Entertainment Business:* Our online entertainment business revenue for the year ended 31 December 2023 was RMB782.5 million, representing a 16.6% decrease from RMB937.8 million for the year ended 31 December 2022. The decrease was primarily due to the natural decline in the growth of life cycles of some of the Company's games with a longer launch period, and no new game was launched during the Year.

*Other Businesses:* Revenue from other businesses for the year ended 31 December 2023 was RMB0.2 million, representing a 77.8% decrease from RMB0.9 million for the year ended 31 December 2022. The decrease was mainly due to the decrease in income from sales of peripheral products.

## Cost of Revenue

Our cost of revenue for the year ended 31 December 2023 was RMB464.7 million, representing a 19.6% decrease from RMB578.1 million for the year ended 31 December 2022.

*Online Entertainment Business:* Our online entertainment business cost for the year ended 31 December 2023 was RMB464.6 million, representing a 19.6% decrease from RMB578.0 million for the year ended 31 December 2022. The decrease was mainly driven by the decrease of third-party revenue sharing.

*Other Businesses:* Cost of other businesses for the year ended 31 December 2023 was RMB0.07 million, representing a 30.0% decrease from RMB0.1 million for the year ended 31 December 2022. The decrease primarily reflected a decrease of peripheral products cost.

## **Gross Profit**

As a result of the foregoing, our gross profit for the year ended 31 December 2023 was RMB318.1 million, compared with RMB360.6 million for the year ended 31 December 2022. Gross profit margin was 40.6% for the year ended 31 December 2023, compared with 38.4% for the year ended 31 December 2022. The gross profit margin increased was mainly due to the proportion of revenue from entrusted third parties mobile games with high revenue sharing decreased.

## **Selling and Marketing Expenses**

Our selling and marketing expenses for the year ended 31 December 2023 were RMB63.7 million, a 22.1% decrease from RMB81.8 million for the year ended 31 December 2022. This was primarily due to decrease in promoting and advertising expenses.

## **Administrative Expenses**

Our administrative expenses for the year ended 31 December 2023 were RMB76.2 million, representing a 15.2% decrease from RMB89.9 million for the year ended 31 December 2022. This decrease was primarily due to the decrease in employee benefit expenses.

## **Research and Development Expenses**

Our research and development expenses for the year ended 31 December 2023 were RMB231.1 million, representing a 0.5% increase from RMB230.0 million for the year ended 31 December 2022.

## **Net Impairment Losses on Financial Assets**

We recorded net impairment losses of financial assets of RMB4.0 million for the year ended 31 December 2023, which compares to RMB1.1 million net impairment losses for the year ended 31 December 2022. The net impairment losses on financial assets mainly comprised impairment on trade and other receivables.

## **Other Income**

The Company recognized RMB3.4 million in other income for the year ended 31 December 2023, representing a decrease by 8.1% from RMB3.7 million for the year ended 31 December 2022. The other income was generated from our fulfillment of certain performance and conditions related to government grants.

### **Other (Losses)/Gains — net**

The Company recognized net other loss of RMB1.5 million and it was primarily due to the loss on disposal of property and equipment for the year ended 31 December 2023, compared with net other gain of RMB1.4 million for the year ended 31 December 2022.

### **Operating Loss**

As a result of the foregoing, our operating loss for the year ended 31 December 2023 was RMB55.1 million, compared with operating loss of RMB37.1 million for the year ended 31 December 2022.

### **Finance Income — net**

We had net finance income of RMB33.0 million for the year ended 31 December 2023, compared with net finance income of RMB39.7 million for the year ended 31 December 2022. Net finance income for the year ended 31 December 2023 was primarily consisted of interest income on term deposit and cash and bank balance, as well as exchange gains on cash and bank balance, which was partly offset by interest expenses on lease liabilities.

### **Share of Loss of an Associate**

The Company recognized share of loss of an associate of RMB1.3 million for the year ended 31 December 2023, there was no losses or gains of an associate for the year ended 31 December 2022.

### **(Loss)/Profit before Income Tax**

As a result of the foregoing, we had a loss of RMB23.4 million for the year ended 31 December 2023, compared with a profit of RMB2.6 million for the year ended 31 December 2022.

### **Income Tax (Expense)/Credit**

Our income tax expense for the year ended 31 December 2023 was RMB8.0 million, compared with the income tax benefit of RMB7.7 million for the year ended 31 December 2022. The change was primarily due to the decrease of deferred tax assets.

### **(Loss)/Profit for the Year**

As a result of the foregoing, we had a loss of RMB31.4 million for the year ended 31 December 2023, compared with a profit of RMB10.3 million for the year ended 31 December 2022.

## Non-IFRS Accounting Standards Measures — Adjusted Net (Loss)/Profit/EBITDA

Our adjusted net loss for the year ended 31 December 2023 was RMB10.1 million, representing a 116.4% decrease from net profit of RMB61.7 million for the year ended 31 December 2022. Our adjusted EBITDA for the year ended 31 December 2023 was loss of RMB12.3 million, representing a 132.8% decrease from profit of RMB37.5 million for the year ended 31 December 2022.

The following table reconciles our adjusted net (loss)/profit and adjusted EBITDA for the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS Accounting Standards, which is net profit:

	<b>Unaudited</b>	
	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
(Loss)/Profit for the year	<b>(31,402)</b>	10,339
Add:		
Share-based compensation	<b>21,321</b>	51,405
Adjusted net (loss)/profit	<b>(10,081)</b>	61,744
Add:		
Depreciation and amortization	<b>22,828</b>	23,162
Finance income — net	<b>(33,000)</b>	(39,717)
Income tax expense/(credit)	<b>7,974</b>	(7,704)
Adjusted EBITDA	<b>(12,279)</b>	37,485

## LIQUIDITY AND CAPITAL RESOURCES

In 2023, we met our working capital and other capital requirements principally from cash flow generated from our operating activities.

The Group's gearing ratios as of the dates below were as follows:

	<b>As of</b>	<b>As of</b>
	<b>31 December</b>	<b>31 December</b>
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Total liabilities	<b>269,064</b>	358,183
Total assets	<b>1,920,099</b>	2,056,267
Gearing ratio <sup>(1)</sup>	<b>14%</b>	17%

Note:

(1) Gearing ratio is calculated by dividing total liabilities by total assets.

## Cash and Cash Equivalents, Short-Term Deposits and Long-Term Deposits

As of 31 December 2023, our cash and cash equivalents consisted of cash in bank and cash on hand, which amounted to RMB966.0 million, compared with RMB1,303.7 million as of 31 December 2022. We had short-term deposits of RMB261.8 million as of 31 December 2023, compared with RMB110.0 million as of 31 December 2022, representing bank deposits which we intend to hold for over three months but less than one year. We had long-term deposits of RMB135.0 million as of 31 December 2023 compared with RMB95.0 million as of 31 December 2022, representing bank deposits which we intend to hold for over one year but less than three years.

As of 31 December 2023, the Group had no restricted cash.

The effective interest rate per annum for cash in bank balances and deposits as of 31 December 2023 was 1.9% compared with 2.3% as of 31 December 2022. Our policy is to place our cash in interest-bearing principal-protected call deposits or deposits with reputable domestic or international banks.

Our cash and cash equivalents, short-term deposits and long-term deposits are denominated in the following currencies:

<b>Group</b>	<b>As of 31 December 2023 RMB'000</b>	<b>As of 31 December 2022 RMB'000</b>
RMB	1,214,942	1,364,918
US\$	73,227	77,203
HK\$	74,580	66,505
Others	81	85
	<u>1,362,830</u>	<u>1,508,711</u>

## Bank Loans and Other Borrowings

The Group had no bank loans or other borrowings as of 31 December 2023.

## Treasury Policies

As of 31 December 2023, the Group had conservative treasury policies in terms of cash and financial management. The Group does not use any financial instruments for hedging purposes.

## Foreign Currency Risk

As of 31 December 2023, RMB147.9 million of our financial resources were held in deposits in non-RMB currencies. Since there are no cost-effective hedges against the fluctuations of the RMB, there is a risk that we may experience a loss as a result of any foreign currency exchange rate fluctuations in connection with our cash in bank balances.

## Capital Expenditures and Investments

Our capital expenditures consist of payment of construction in progress and purchases of property and equipment, such as servers and computers and intangible assets, such as computer software. For the year ended 31 December 2023, our total capital expenditures were RMB88.5 million, compared with RMB17.3 million for the year ended 31 December 2022. The following table sets out our expenditures for the periods indicated:

	For the year ended	
	31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Capital Expenditures</b>		
— Payment of construction in progress	<b>84,966</b>	11,185
— Purchase of property and equipment	<b>1,633</b>	3,940
— Purchase of intangible assets	<b>1,939</b>	2,198
	<hr/>	<hr/>
<b>Total</b>	<b>88,538</b>	17,323
	<hr/> <hr/>	<hr/> <hr/>

## Contingent Liabilities

As of 31 December 2023, the Group did not have any material contingent liabilities, guarantees or litigation against it.

## Charges on Assets

As of 31 December 2023, there were no charges on the Group's assets.

## Material Acquisitions and Future Plans for Major Investment

As of 31 December 2023, the Group currently has no specific plans for other major investments or acquisitions for significant capital assets or other businesses. However, the Group will continue to look for new opportunities for business development.

## Employees and Staff Costs

As of 31 December 2023, the Group had 714 full-time employees. The following table sets forth the number of full-time employees by function as of 31 December 2023:

	As of 31 December 2023	
	Number of Employees	% of Total
Operations	20	2.8
Operations for R&D	196	27.5
Development and research	399	55.8
Sales and Marketing	44	6.2
General and administration	55	7.7
<b>Total</b>	<b>714</b>	<b>100</b>

In addition to salary, we also provide various incentives, including share-based awards, such as share options and restricted shares units (“RSUs”) granted pursuant to the share incentive schemes of the Company, and performance-based bonuses to better motivate our employees. As required by the PRC law, we contribute to housing funds and maintain mandatory social insurance plans for our employees, covering pension, medical, unemployment, work injury and maternity leave. We are required by the PRC law to make contributions to these social insurance plans at specified percentages of the compensation of each employee, up to a maximum amount as may be specified by the local government from time to time. Such social insurance plans include defined contribution retirement benefit plans organized by the relevant governmental authorities. Forfeited contributions by the Group to these plans may not be used by the Group to reduce the existing level of contributions. The total amount of contributions we made for employee social insurance plans and other employee benefits for the year ended 31 December 2023 were approximately RMB88.9 million, compared with RMB74.1 million for the year ended 31 December 2022. We incurred staff costs of approximately RMB359.4 million and RMB392.6 million, for the years ended 31 December 2023 and 2022, representing 45.9% and 41.8% of our revenue for those periods respectively.

As approved by the shareholders of the Company (“Shareholder”) by passing an ordinary resolution at the annual general meeting (“AGM”) held on 27 June 2023, a new RSU Scheme in compliance with Chapter 17 of the Listing Rules (the “2023 RSU Scheme”) was adopted. We will continue to grant RSUs to our employees to incentivize them pursuant to the 2023 RSU Scheme. The maximum aggregate number of the shares from time to time for a three-year period from the date of the Company’s AGM held on 27 June 2023, underlying all the RSUs which we may grant pursuant to the 2023 RSU Scheme is no more than 282,284,400 shares of the Company, representing approximately 10% of our share capital as of the date of the AGM held on 27 June 2023.

As at 31 December 2023, there were a total of 57,511,250 RSUs granted by the Company but not yet vested, lapsed or cancelled under the Post-IPO RSU Scheme (now governed by the rules of the 2023 RSU Scheme).

## **Dividend**

At the Company's AGM held on 27 June 2023, Shareholders approved the Board-recommended special dividend of HK\$0.015 (equivalent to approximately RMB0.013) per share for the year ended 31 December 2022. The special dividend was paid to the Shareholders on 20 July 2023.

The Board is pleased to recommend the payment of a special dividend of HK\$0.012 (equivalent to RMB0.011) per share for the year ended 31 December 2023 out of our share premium account, subject to the approval of the Shareholders at the forthcoming AGM to be held on Wednesday, 26 June 2024. The proposed special dividend will be payable on Tuesday, 30 July 2024 to the Shareholders of whose names appear on the register of members of the Company (the "**Register of Members**") on Friday, 12 July 2024.

## **CHANGES SINCE 31 DECEMBER 2023**

There were no other significant changes in the Group's financial position or from the information disclosed under management discussion and analysis in this annual result announcement for the year ended 31 December 2023.

# CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2023	2022
	Note	RMB'000	RMB'000
Revenue	3	782,764	938,759
Cost of revenue	4	(464,710)	(578,131)
<b>Gross profit</b>		<b>318,054</b>	<b>360,628</b>
Selling and marketing expenses	4	(63,731)	(81,800)
Administrative expenses	4	(76,184)	(89,924)
Research and development expenses	4	(231,137)	(230,021)
Net impairment losses on financial assets		(3,999)	(1,071)
Other income		3,366	3,734
Other (losses)/gains — net		(1,495)	1,372
<b>Operating loss</b>		<b>(55,126)</b>	<b>(37,082)</b>
Finance income	5	35,427	43,343
Finance costs	5	(2,427)	(3,626)
Finance income — net	5	33,000	39,717
Share of loss of an associate		(1,302)	—
<b>(Loss)/profit before income tax</b>		<b>(23,428)</b>	<b>2,635</b>
Income tax (expense)/credit	6	(7,974)	7,704
<b>(Loss)/profit for the year</b>		<b>(31,402)</b>	<b>10,339</b>
<b>Attributable to:</b>			
— Shareholders of the Company		(31,478)	10,167
— Non-controlling interests		76	172
		<b>(31,402)</b>	<b>10,339</b>
<b>(Loss)/earnings per share for profit attributable to shareholders of the Company (expressed in RMB per share)</b>	7		
Basic (loss)/earnings per share		(0.0117)	0.0039
Diluted (loss)/earnings per share		(0.0117)	0.0038

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
<b>(Loss)/profit for the year</b>	<b>(31,402)</b>	10,339
<b>Other comprehensive income</b>	<u>—</u>	<u>—</u>
<b>Total comprehensive (loss)/income for the year</b>	<u><b>(31,402)</b></u>	<u>10,339</u>
<b>Attributable to:</b>		
— Shareholders of the Company	<b>(31,478)</b>	10,167
— Non-controlling interests	<u>76</u>	<u>172</u>
	<u><b>(31,402)</b></u>	<u>10,339</u>

# CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2023	2022
	Note	RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment		149,884	71,816
Right-of-use assets		255,163	276,304
Intangible assets		4,114	2,820
Prepayments and other receivables		4,560	4,090
Long-term bank deposits		135,000	95,000
Deferred tax assets		14,823	21,679
Investment in an associate		16,698	—
Financial assets at fair value through profit or loss		5,000	5,000
		<u>585,242</u>	<u>476,709</u>
<b>Current assets</b>			
Inventories		114	207
Contract costs		47,820	71,633
Trade receivables	8	29,225	71,807
Prepayments and other receivables		29,868	22,200
Short-term bank deposits		261,788	110,000
Cash and cash equivalents (excluding bank overdrafts)		966,042	1,303,711
		<u>1,334,857</u>	<u>1,579,558</u>
<b>Total assets</b>		<u><u>1,920,099</u></u>	<u><u>2,056,267</u></u>
<b>EQUITY</b>			
Share capital		8	8
Share premium		1,108,922	1,099,859
Reserves		50,526	75,034
Retained earnings		484,313	515,993
		<u>1,643,769</u>	<u>1,690,894</u>
<b>Capital and reserves attributable to Shareholders of the Company</b>		<u>1,643,769</u>	<u>1,690,894</u>
Non-controlling interests		7,266	7,190
		<u>7,266</u>	<u>7,190</u>
<b>Total equity</b>		<u><u>1,651,035</u></u>	<u><u>1,698,084</u></u>

		<b>As at 31 December</b>	
		<b>2023</b>	2022
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Contract liabilities		<b>11,869</b>	15,426
Lease liabilities		<b>17,186</b>	37,148
Other payables and accruals		<b>791</b>	—
		<u><b>29,846</b></u>	<u>52,574</u>
<b>Current liabilities</b>			
Trade payables	9	<b>4,661</b>	8,199
Other payables and accruals		<b>78,343</b>	93,498
Advances from distributors		<b>17,889</b>	25,342
Contract liabilities		<b>121,249</b>	159,684
Income tax liabilities		—	52
Lease liabilities		<b>17,076</b>	18,828
Bank overdrafts		—	6
		<u><b>239,218</b></u>	<u>305,609</u>
<b>Total liabilities</b>		<u><b>269,064</b></u>	<u>358,183</u>
<b>Total equity and liabilities</b>		<u><b>1,920,099</b></u>	<u>2,056,267</u>

## 1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

## 2 Changes in accounting policies and disclosure

### 2.1 New and amended standards adopted by the Group

The Group has applied the following new and amended standards for its annual reporting period commencing 1 January 2023:

		<b>Effective for annual periods beginning on or after</b>
IFRS 17	Insurance Contracts	1 January 2023
IAS 1 and IFRS Practice Statement 2 (Amendment)	Disclosure of Accounting Policies	1 January 2023
IAS 8 (Amendment)	Definition of Accounting Estimates	1 January 2023
IAS 12 (Amendment)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IAS 12 (Amendment)	International Tax Reform — Pillar Two Model Rules	1 January 2023

The new and amended standards listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

## 2.2 New standards and amendments to standards not yet adopted

		<b>Effective for annual periods beginning on or after</b>
IAS 1 (Amendment)	Classification of Liabilities as Current or Non-current	1 January 2024
IAS 1 (Amendment)	Non-current Liabilities with Covenants	1 January 2024
IFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
IAS 7 and IFRS 7 (Amendments)	Supplier finance arrangements	1 January 2024
IAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
IFRS 10 and IAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

None of above new standards and amendments to standards is expected to have a significant effect on the consolidated financial statements of the Group.

## 2.3 Changes in accounting policies

As explained in Note 2.1 above, the Group has adopted the Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities Arising from a Single Transaction” on 1 January 2023, which resulted in the recognition of separate deferred tax assets and separate deferred tax liabilities for temporary differences arising on leases, contract liabilities and contract costs both at initial recognition and subsequently. In accordance with the transitional provisions, the Group adopted the amendments for the first time by recognising deferred tax for all temporary differences related to leases, contract liabilities and contract costs at the beginning of the earliest comparative period presented. As a result, with the beginning of the earliest period presented being 1 January 2022, an adjustment of RMB12,148,000 was recognised to the gross amounts of deferred tax assets and deferred tax liabilities simultaneously, and the resultant deferred tax assets and deferred tax liabilities met the set-off provisions and was presented on a net basis on the condensed consolidated statement of financial position.

Since the Group had considered the lease, contract liabilities and contract costs as a single transaction in which the assets and liabilities were integrally linked and recognised deferred tax on a net basis previously, there were nil impact on opening retained earnings upon the adoption of the amendments.

### 3 Segment information

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company that make strategic decisions.

The Group determined that it has operating segments as follows:

- Online entertainment business
- Other businesses

The Group's online entertainment business involves development, operation and exclusive distribution of online virtual world business through its own web-based platform and mobile platforms. Other businesses mainly include sales of peripheral products and other services.

The CODM assesses the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and marketing expenses, administrative expenses, research and development expenses, net impairment losses on financial assets, other income, other (losses)/gains — net, finance income — net, and income tax (expense)/credit are not included in the measure of the segments' performance.

There were no material inter-segment sales during years ended 31 December 2023 and 2022, respectively. The revenues from external customers reported to CODM are measured as segment revenue.

Other information, together with the segment information, provided to the CODM, is measured in a manner consistent with that applied in these financial statements. There was no separate segment assets and segment liabilities information provided to the CODM.

The segment information provided to the Group's CODM for the reportable segments for the years ended 31 December 2023 and 2022 are as follows:

	<b>Year ended 31 December 2023</b>		
	<b>Online entertainment business RMB'000</b>	<b>Other businesses RMB'000</b>	<b>Total RMB'000</b>
Segment revenue	<b>782,519</b>	<b>245</b>	<b>782,764</b>
Timing of revenue recognition			
— At a point in time	<b>183,421</b>	<b>245</b>	<b>183,666</b>
— Over time	<b>599,098</b>	<b>—</b>	<b>599,098</b>
Gross profit	<b>317,883</b>	<b>171</b>	<b>318,054</b>

	Year ended 31 December 2022		
	Online entertainment business <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	937,849	910	938,759
Timing of revenue recognition			
— At a point in time	170,172	910	171,082
— Over time	767,677	—	767,677
Gross profit	359,850	778	360,628

Out of revenue from online entertainment business, RMB754,976,000 is related to the provision of consumable and durable virtual items for the year ended 31 December 2023 (2022: RMB897,698,000).

Other profit and loss disclosures:

	Year ended 31 December 2023			
	Online entertainment business <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Unallocated item <i>RMB'000</i>	Total <i>RMB'000</i>
Depreciation	18,019	5	2,481	20,505
Amortization	2,322	1	—	2,323

	Year ended 31 December 2022			
	Online entertainment business <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Unallocated item <i>RMB'000</i>	Total <i>RMB'000</i>
Depreciation	17,920	17	3,305	21,242
Amortization	1,918	2	—	1,920

The Company is domiciled in the Cayman Islands while the Group mainly operates its business in the Mainland China and Outside Mainland China. For the years ended 31 December 2023 and 2022, the geographical information on the total revenue is as follows:

	Year ended 31 December	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Revenue</b>		
— Mainland China	755,855	878,277
— Outside Mainland China	26,909	60,482
<b>Total</b>	<b>782,764</b>	<b>938,759</b>

Revenue of the Group is mainly derived from online virtual worlds of online entertainment business operations and the Group depends on the success of a limited number of online virtual worlds to generate revenue. As summarized in the table below, the online virtual worlds contributing more than 10.0% of the Group's total revenue account for 82.6% and 76.5% of the total revenue for the years ended 31 December 2023 and 2022, respectively.

The percentage of revenue contributed by the following online virtual worlds is not presented for the years when such amount is less than 10% of the Group's total revenue in a particular period.

	<b>Year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
Aobi Island Mobile	<b>35.90%</b>	40.3%
Legend of Aoqi	<b>18.40%</b>	10.6%
Shiwuyu	<b>16.90%</b>	15.4%
Legend of Aoqi Mobile	<b>11.40%</b>	10.2%

The Group has a large number of game players, no individual game players generated revenue which exceeded 10% or more of the Group's revenue for the year ended 31 December 2023 (2022: same).

The games were distributed to individual game players through own web-based platform, and Third Party Platforms including Company A and Group B. The revenue generated through Company A and Group B accounted for 35.9% (2022: 40.3%) and 15.8% (2022: 15.0%) of the Group's revenue for the year ended 31 December 2023, respectively. Besides those, no revenue through a single company or group exceeded 10% or more of the Group's revenue for the reporting period.

As at 31 December 2023, the total non-current assets, other than financial assets and deferred tax assets, located in Mainland China and Hong Kong were RMB425,859,000 (31 December 2022: RMB350,878,000) and nil (31 December 2022: RMB239,000), respectively.

#### 4 Expenses by nature

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expenses	<b>359,413</b>	392,562
Distribution costs and payment handling fees	<b>345,156</b>	432,752
Content expenses	<b>34,055</b>	38,867
Promotion and advertising expenses	<b>33,909</b>	51,790
Depreciation of right-of-use assets	<b>12,830</b>	14,135
Professional fees	<b>12,705</b>	11,621
Bandwidth and server custody fees	<b>8,439</b>	9,386
Depreciation of property and equipment and amortization of intangible assets	<b>9,998</b>	9,027
Utilities and office expenses	<b>6,796</b>	7,118
Auditor's remuneration	<b>4,149</b>	4,113
— Audit services	<b>3,858</b>	3,858
— Non-audit services	<b>291</b>	255
Travelling and entertainment expenses	<b>3,509</b>	1,952
Others	<b>4,803</b>	6,553
	<hr/>	<hr/>
<b>Total cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses</b>	<b><u>835,762</u></b>	<b><u>979,876</u></b>

## 5 Finance income — net

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Finance income:</b>		
— Interest income from cash and cash equivalents	<b>25,588</b>	29,683
— Interest income from term bank deposits	<b>7,813</b>	4,012
— Net foreign exchange gain	<b>2,026</b>	9,648
	<u><b>35,427</b></u>	<u>43,343</u>
<b>Finance costs:</b>		
— Interest charge for lease liabilities	<u><b>(2,427)</b></u>	<u>(3,626)</u>
<b>Finance income — net</b>	<u><u><b>33,000</b></u></u>	<u><u>39,717</u></u>

## 6 Income tax (expense)/credit

The income tax (expense)/credit of the Group for the years ended 31 December 2023 and 2022 is analyzed as follows:

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax (expense)/credit:		
— Current year	<b>(1,118)</b>	84
— Under-provision in prior year	<b>—</b>	(2,389)
Deferred income tax (expense)/credit	<u><b>(6,856)</b></u>	<u>10,009</u>
	<u><u><b>(7,974)</b></u></u>	<u><u>7,704</u></u>

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to profits of the consolidated entities as follows:

	<b>Year ended 31 December</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	<b>RMB'000</b>
(Loss)/profit before income tax	<u>(23,428)</u>	<u>2,635</u>
Tax calculated at income tax rates applicable to profits of the consolidated entities in their respective jurisdictions	<b>1,988</b>	(1,574)
Tax effects of:		
Tax losses and temporary differences for which no deferred tax asset was recognized (Note (a))	<b>34,354</b>	(5,375)
Super deduction for research and development expenses (Note (b))	<b>27,451</b>	23,857
Expense not deductible for income tax purposes	<b>3,345</b>	(10,687)
Others	<u>286</u>	<u>1,483</u>
<b>Income tax (expense)/credit</b>	<u><b>(7,974)</b></u>	<u>7,704</u>

(a) *Tax losses and temporary differences for which no deferred tax asset was recognized*

	<b>As at 31 December</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	<b>RMB'000</b>
Tax losses	<b>274,507</b>	67,078
Temporary differences	<u>66,994</u>	<u>45,418</u>
	<u><b>341,501</b></u>	<u>112,496</u>
Potential tax benefit	<u><b>51,905</b></u>	<u>17,551</u>

Deferred tax assets relating to certain tax losses and temporary differences are recognized as management considers it is probable that future taxable profit will be available against which the tax losses or temporary difference can be utilized. As at 31 December 2023, the unused tax losses amounting to RMB368,842,000 (2022: RMB161,433,000) can be carried forward against future taxable income under the PRC enterprise income tax law and these tax losses will expire at various dates up to and including 2033 (2022 : 2032), respectively. The remaining tax losses have no expiry date.

(b) *PRC corporate income tax*

***Guangzhou Baitian Information Technology Ltd. (“Guangzhou Baitian”)***

Guangzhou Baitian was qualified as “High and New Technology Enterprise” in 2022 and was entitled to a preferential income tax rate of 15% on its estimated assessable profits for the year ended 31 December 2023 (2022: same).

***Guangzhou Tianti Network Technology Co., Ltd. (“Guangzhou Tianti”)***

Guangzhou Tianti was qualified as “High and New Technology Enterprise” in 2022 and was entitled to a preferential income tax rate of 15% on its estimated assessable profits for the year ended 31 December 2023 (2022: same).

***Baiduo (Guangzhou) Information Technology Limited (“Guangzhou WFOE”) and Guangzhou Xiaoyunxiong Interactive Education Limited (“Xiaoyunxiong”)***

Guangzhou WFOE and Xiaoyunxiong were qualified as “Small Low-Profit Enterprise” in 2023 and 2022, and the provision for income tax was calculated in accordance with the two-tiered tax rates regime.

Under the two-tiered tax rates regime, the first RMB3 million of profits of qualifying corporations were taxed at 5% and profits above RMB3 million were taxed at 20% for the year ended 31 December 2023.

Under the two-tiered tax rates regime, the first RMB1 million of profits of qualifying corporations were taxed at 2.5% while profits above RMB1 million but within RMB3 million reduces from 10% to 5% for the year ended 31 December 2022.

***Other Subsidiaries***

Except for subsidiaries of the Group mentioned above, the Group’s subsidiaries in mainland China are subject to corporate income tax at the rate of 25%.

## ***Super Deduction***

According to a policy promulgated by the State Tax Bureau of the PRC that was effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their research and development (“**R&D**”) expenses incurred as tax deductible expenses in determining tax assessable profits (“**Super Deduction**”). Certain qualified subsidiaries of the Group have claimed such Super Deduction in ascertaining its tax assessable profits/(losses) for the years ended 31 December 2023 and 2022.

Based on Public Notice [2022] No.28 issued by the State Tax Bureau of the PRC on 22 September 2022, the enterprises originally eligible for additional 75% deduction of eligible R&D expenses can further enjoy an increased super deduction ratio of 100% from 1 October 2022 to 31 December 2022 (i.e. the fourth quarter of 2022), certain qualified subsidiaries of the Group have claimed such additional super deduction in the fourth quarter of 2022. Furthermore, based on Public Notice [2023] No.7 issued by the State Tax Bureau of the PRC on 26 March 2023, the enterprises eligible for 100% deduction of eligible R&D expenses from 1 January 2023 to 31 December 2023. Certain qualified subsidiaries of the Group have claimed such additional super deduction in the 2023 and fourth quarter of 2022.

### *(c) Cayman Islands income tax*

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

### *(d) Hong Kong profits tax*

The provision for Hong Kong profits tax for the year ended 31 December 2023 are calculated in accordance with the two-tiered profits tax rates regime (2022: same). Under the two-tiered profits tax rates regime, the first HK\$2 million of profit of a qualifying corporation is taxed at 8.25%, and profit above HK\$2 million is taxed at 16.5%.

### *(e) PRC withholding tax (“WHT”)*

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between mainland China and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

As at 31 December 2023, no deferred tax liability had been provided for in respect of the PRC withholding tax that would be payable on the unremitted earnings of approximately RMB1,197,103,000 (2022: RMB1,227,247,000). Such earnings are expected to be retained by the subsidiaries in mainland China and not to be remitted to a foreign investor in the foreseeable future based on management’s estimation of overseas funding requirements.

## 7 (Loss)/earnings per share

### (a) Basic

#### Basic (loss)/earnings per share for profit attributable to shareholders of the Company

Basic (loss)/earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue less treasury shares and shares held for Share Option Scheme and RSU Scheme during the year.

	Year ended 31 December	
	2023	2022
(Loss)/profit attributable to shareholders of the Company ( <i>RMB'000</i> )	(31,478)	10,167
Weighted average number of ordinary shares in issue less treasury shares and shares held for RSU Scheme	<u>2,680,282,734</u>	<u>2,639,811,550</u>
Basic (loss)/earnings per share ( <i>in RMB/share</i> )	<u>(0.0117)</u>	<u>0.0039</u>

### (b) Diluted

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the year ended 31 December 2023, the Company had potential ordinary shares, the RSUs which had to be considered for calculating diluted loss per share. No adjustment was made to basic loss per share to derive the diluted losses per share for the year ended 31 December 2023 as potential ordinary shares was anti-dilutive.

For year ended 31 December 2022, the Company had potential ordinary shares, the RSUs, which had to be considered for calculating diluted earnings per share. A calculation is done to determine the number of shares that could have been issued at fair value (determined as the average market price per share for the year) based on the assumed exercise price of the unvested RSUs. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the RSUs are vested. The difference is added to the denominator as the number of shares issued for no consideration.

Year ended  
31 December  
2022

Profit attributable to shareholders of the Company and profit used to determine diluted earnings per share ( <i>RMB'000</i> )	<u>10,167</u>
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**Weighted average number of ordinary shares**

Weighted average number of ordinary shares in issue less treasury shares and shares held for RSU Scheme	2,639,811,550
Adjustments for:	
— RSUs	<u>56,383,994</u>

Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u>2,696,195,544</u>
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Diluted earnings per share ( <i>in RMB/share</i> )	<u><u>0.0038</u></u>
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**8 Trade receivables**

**As at 31 December**

	<b>2023</b>	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Receivables from third parties	<b>29,579</b>	72,135
Less: allowance for impairment	<b>(354)</b>	(328)
	<u><b>29,225</b></u>	<u>71,807</u>

- (a) The credit period for trade receivables was generally 30 days from the date of billing. Ageing analysis based on recognition date of the gross trade receivables at the respective balance sheet dates is as follows:

	<b>As at 31 December</b>	
	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0–30 days	<b>19,895</b>	62,931
31–60 days	<b>7,064</b>	6,056
61–90 days	<b>1,181</b>	3,006
91–180 days	<b>1,270</b>	40
181–365 days	<b>127</b>	73
Over 365 days	<b>42</b>	29
	<b><u>29,579</u></b>	<u>72,135</u>

- (b) The Group applies the simplified approach to provide for expected credit losses (“ECL”) prescribed by IFRS 9. For the year ended 31 December 2023, increase in impairment RMB46,000 was made for the gross amounts of trade receivables (2022: reversal in impairment RMB45,000).
- (c) As at 31 December 2023, trade receivables were mainly denominated in RMB and their fair value approximated their carrying amounts (2022: same).
- (d) The maximum exposure to credit risk is the carrying amount of the trade receivable balance. The Group does not hold any collateral as security.
- (e) The concentration risk with respect to trade receivables comes from Company A and Group B accounted for 50.8% (2022: 64.9%) and 14.0% (2022: 12.6%) of the Group’s trade receivables as at 31 December 2023, respectively.
- (f) Classification as trade receivables:

Trade receivables are amounts due from online payment channels and platforms for services performed to customers in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

## 9 Trade payables

Trade payables primarily relate to the purchase of services for server custody, distribution costs and the revenue sharing collected by the Group which is payable to cooperated game developers according to the respective cooperation agreements.

The credit period for trade payables was generally 30 days from the date of billing. The ageing analysis of trade payables based on recognition date is as follows:

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
0–30 days	4,154	7,220
31–60 days	105	308
61–180 days	351	569
181–365 days	6	42
Over 365 days	45	60
	<u>4,661</u>	<u>8,199</u>

As at 31 December 2023 and 2022, the fair value of trade payables approximated their carrying amounts.

## 10 Dividend

The dividends paid in 2023 and 2022 amounted RMB36,968,000 and RMB45,087,000, respectively. The Board of Directors of the Company proposed on 27 March 2024 a special dividend of HK\$0.012 (equivalent to approximately RMB0.011) per ordinary share, which will be debited to the share premium account, totalling approximately RMB29,430,000. Such dividend is to be approved by the shareholders at the annual general meeting to be held on 26 June 2024. These financial statements do not reflect this dividend payable as a liability as at 31 December 2023.

### (a) Dividend paid to ordinary shares

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Special final dividend of 2022		
— HK\$0.015(2021: HK\$0.02), equivalent to approximately RMB0.013 (2021: RMB0.017), per ordinary share	39,039	47,109
Less: dividend for shares held for the RSU Schemes	(2,071)	(2,022)
	<u>36,968</u>	<u>45,087</u>

**(b) Dividend not recognized as at 31 December 2023**

	<b>As at 31 December 2023 RMB'000</b>
Proposed special dividend of HK\$0.012, equivalent to approximately RMB0.011 per ordinary share	<b>31,314</b>
Less: dividend for shares held for the RSU Schemes	<b>(1,884)</b>
	<hr/> <b>29,430</b> <hr/>

**Audit Committee and Review of Financial Statements**

The audit committee of the Company (the “**Audit Committee**”) has reviewed the accounting principles and practices adopted by the Group and discussed with the management regarding auditing, risk management, internal control and financial reporting matters. The Audit Committee has also reviewed the Group’s results for the year ended 31 December 2023. Based on its review and discussions with the management, the Audit Committee was satisfied that the Group’s consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present the Group’s financial position and results for the year ended 31 December 2023.

**Review of Preliminary Announcement**

The figures set out in the preliminary announcement in respect of the Group’s consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto to the consolidated financial statements of the Group for the year ended 31 December 2023 have been agreed by the Company’s external auditor, PricewaterhouseCoopers (“**PwC**”), Certified Public Accountants, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PwC on the preliminary announcement.

## **Compliance with the Model Code for Securities Transactions**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) as its own securities dealing code to regulate Directors’ dealings in the Company’s securities and other matters covered by the Model Code.

Specific enquiry has been made to all Directors of the Company and all of them have confirmed that they have complied with the Model Code during the year ended 31 December 2023.

The Company has also established written guidelines no less exacting than the Model Code (the “**Employees Written Guidelines**”) to regulate securities transactions by employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by any employee was noted by the Company during the year ended 31 December 2023.

## **Compliance with the Corporate Governance Code**

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Board is committed to achieving high corporate governance standards.

Throughout the year ended 31 December 2023, the Company has applied the principles and complied with all the Code Provisions as set out in Part 2 of the Corporate Governance Code (“**CG Code**”) set forth in Appendix C1 to the Listing Rules, save and except for the Code Provision C.2.1 with details as below.

### ***Code provision C.2.1***

Code Provision C.2.1 of Part 2 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. DAI Jian currently acts as the Chairman and the chief executive officer (“**CEO**”) of the Company. Mr. DAI, as one of the founders of the Group, is instrumental to the Group’s growth and business expansion since 2009. The Board believes that vesting the roles of both Chairman and CEO in the same person has the benefit of ensuring a consistent leadership within the Group and enables a more effective and efficient overall strategic planning for the Group. The Board further believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive Directors.

## **Purchase, Sale or Redemption of the Company’s Listed Securities**

During the year ended 31 December 2023, the Group did not purchase, sell or redeem any of the listed securities of the Company.

## **AGM and Closure of Register of Members**

The AGM is scheduled to be held on Wednesday, 26 June 2024. The notice of AGM will be published and dispatched to the Shareholders in the manner as required by the Listing Rules in due course. The Register of Members will be closed from Friday, 21 June 2024 to Wednesday, 26 June 2024, both days inclusive, during which period no transfer of shares will be registered, in order to determine the identity of the Shareholders who are entitled to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, unregistered holders of shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong (the "**Hong Kong Share Registrar**"), Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Thursday, 20 June 2024.

## **Special Dividend and Closure of Register of Members**

The Board recommended the payment of a special dividend of HK\$0.012 (equivalent to approximately RMB0.011) per share for the year ended 31 December 2023, subject to the approval of the Shareholders at the AGM to be held on Wednesday, 26 June 2024. The proposed special dividend is expected to be payable on Tuesday, 30 July 2024 to the Shareholders whose names appear on the Register of Members as of Friday, 12 July 2024.

The Register of Members will be closed from Wednesday, 10 July 2024 to Friday, 12 July 2024, both days inclusive, for the purpose of ascertaining the Shareholders' entitlement to the proposed special dividend. In order to qualify for the proposed special dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Hong Kong Share Registrar, Tricor Investor Services Limited, no later than 4:30 p.m. on Tuesday, 9 July 2024.

## **Publication of 2023 Annual Results and Annual Report**

The annual results announcement is published on the Company's website (<http://www.baioo.com.hk>) and the website of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>). The annual report of the Company for the year ended 31 December 2023 will be available on the above websites in due course.

By order of the Board  
**BAIOO Family Interactive Limited**  
**DAI JIAN**  
*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 27 March 2024

*As at the date of this announcement, the executive directors of the Company are Mr. DAI Jian (Chairman and Chief Executive Officer), Mr. WU Lili and Mr. LI Chong; the independent non-executive directors of the Company are Ms. LIU Qianli, Dr. WANG Qing, Mr. MA Xiaofeng and Mr. WEI Kevin Cheng.*