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(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2100)

2024 INTERIM RESULTS ANNOUNCEMENT

The board (the “**Board**”) of directors (the “**Directors**”) of BAIOO Family Interactive Limited (“**BAIOO**” or the “**Company**” or “**we**”) is pleased to announce the unaudited consolidated results of the Company, its subsidiaries and its controlled entity in the People’s Republic of China (“**PRC**”) (the “**Group**”) for the six months ended 30 June 2024 (the “**Reporting Period**”), together with the comparative figures of last year, as follows:

Financial Summary

INCOME STATEMENT HIGHLIGHT

	Unaudited		Period over-period change %
	six months ended 30 June		
	2024	2023	
	RMB'000	RMB'000	
Revenue	272,284	450,609	(39.6%)
Gross profit	125,490	169,229	(25.8%)
Operating loss	(25,675)	(38,905)	(34.0%)
Non-IFRS Accounting Standards Measures			
— Adjusted Net Loss ⁽¹⁾	(9,770)	(3,153)	209.9%
— Adjusted EBITDA ⁽²⁾	(12,978)	(10,485)	23.8%

Notes:

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

BALANCE SHEET HIGHLIGHT

	Unaudited As of 30 June 2024 <i>RMB'000</i>	Audited As of 31 December 2023 <i>RMB'000</i>
Assets		
Non-current assets	628,454	585,242
Current assets	1,258,106	1,334,857
Total assets	1,886,560	1,920,099
Equity and Liabilities		
Total equity	1,611,490	1,651,035
Non-current liabilities	20,261	29,846
Current liabilities	254,809	239,218
Total liabilities	275,070	269,064
Total Equity and Liabilities	1,886,560	1,920,099

Management Discussion and Analysis

BUSINESS OVERVIEW

Adhered to IP refined long-term operation strategy, BAIOO continued to innovate game content

During the first half of 2024, BAIOO continued to focus on developing in advantageous niche game genres, namely female-oriented games, pet collection and raising games. The Group further strengthened its investment in Research and Development (“R&D”), consolidated its product matrix, continued to refine operations and accelerated overseas layout, and continuously enhanced user recognition and trust with innovative and high-quality game content, thereby further consolidating its visibility and leading position in the niche game market.

BAIOO continued to adhere to the user-centered R&D concept, adhered to the long-term operation strategy of Intellectual Property (“IP”) refinement, maintained high-quality and high-frequency content iterations, and made steady progress in the operation of core mobile games and web games. Through continuous innovation breakthrough in version contents, excellent user operations, and active exploration of business models, BAIOO’s long-term operation strategy of IP refinement received fruitful results. Its core self-developed IP Legend of Aoqi (「奧奇傳說」), which has been in operation for more than 12 years, showed strong vitality with continuous year-on-year revenue growth. Legend of Aoqi Mobile (「奧奇傳說手遊」), which has been in operation for more than 3 years, has launched the New Year version of “Arrival, Demise of the Holy Dragon!” (「降臨，終焉之聖龍！」) in the first half of the year and the 3rd anniversary version of “Blazing Frames Return to Heart” (「熾炎歸心」). The version contents have received positive recognition and feedback from players, and the rich activity content has also contributed to the significant growth of community activity. The web game Legend of Aoqi (「奧奇傳說頁遊」), which has been in operation for more than 12 years, has continuously innovated the game play mechanism and updated the game content after the consideration of players’ demands, and continued to perform well for the year 2023 and during the Reporting Period with year-on-year revenue growth.

BAIOO actively promotes excellent traditional Chinese culture, integrates Chinese cultural elements into game contents to bring players an interesting and rich game experience, further enhances the reputation and market popularity of the game, and stimulates users’ exploration and love for traditional Chinese culture. The core mobile game Aobi Island: Dreamland (「奧比島：夢想國度」) has been in operation for two years. Since its launch, it has conducted collaborations with a total of 23 brands and IPs. The rich and diverse linkage theme versions have gained the praise and love of many players. Among which, The World of the Palace (「宮裡的世界」) brought with the launch of the 2.7 version of “Forbidden Elegance” (「紫禁風華」) and replicated the “Forbidden City”, “Along the River During the Qingming Festival · Mirage” (「清明上河圖·幻景」) and the “Royal Cat in the Palace” (「宮廷御貓」), and launch exquisite cross-over fashion with the colors and elements of cultural relics, promoting the cross-border integration of Chinese cultural elements and the games.

Meanwhile, BAIOO continues to explore and apply cutting-edge technology, improving R&D efficiency while providing users with richer and more diverse gameplay experience. The 2.8 version of “Spring Resurgence” (「春日復蘇」) of Aobi Island: Dreamland (「奧比島：夢想國度」), which was launched in March 2024, introduces the “AI Intelligent Assistant” Shiwaxi (史瓦西), which provides Artificial Intelligence (“AI”) consultation functions to achieve self-service Questions and Answers and emotional companionship. This not only reduces labor costs in information inquiry and customer service, but also brings innovation and enrichment to the gameplay.

During the Reporting Period, while continuing to deepen its efforts in the domestic game market, BAIOO also further accelerated its overseas layout, boosting the Company’s global market competitiveness and influence. BAIOO restructured its global distribution department in 2023 to further enhance its independent R&D and distribution capabilities with a global focus on products. In addition, the Company was awarded the “Outstanding ESG Information Disclosure Enterprise” for its outstanding information disclosure practices in the Gelonghui ESG Golden Award selection event, demonstrating its leadership and sense of responsibility in the Environmental, Social and Governance (“ESG”) field.

INDUSTRY TRENDS

The confidence in the game market has moderately recovered, and the wave of digitization empowers the industry to transform and optimize productivity

During the Reporting Period, the macro economy moderately rebounded. After experiencing the cycle test of weak supply and demand in 2023, the game industry gradually experienced a recovery in the first half of 2024. With further optimization of policies in the game industry, the normalization of publication numbers issuance continues to bring confidence to the market, and the prosperity of the game industry is steadily recovering, further developing its standardization, sustainability, quality, and refinement, showing a positive development trend, bringing new growth opportunities for enterprises with strong R&D capabilities and high-quality product content.

The wave of digitization continues to have a profound impact on the game industry, playing a significant role in improving production quality and efficiency. Game enterprises are constantly strengthening their layout in technology fields such as AI, digital twins, and engine development, which gradually increase the technological attributes of the game industry. Generative AI has developed rapidly and has become a key driving force for improving the efficiency of game R&D. With continuous expansion of application scenarios and further deepen of the outcomes, generative AI brings unprecedented development opportunities to the game industry. By continuously strengthening product innovation and consolidating R&D capabilities, BAIOO 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 niche game segments.

OUTLOOK FOR THE SECOND HALF OF 2024

Consolidate core IP competitive advantages and continue to explore AI technology-enabled product R&D

Looking ahead to the second half of the year, BAIOO will focus on niche genres, adhere to the user-centered R&D concept and refined long-term operation strategy, strengthen the investment and application of independent game R&D and cutting-edge technology, enhance BAIOO's R&D and operation strength, and continue to build a rich product matrix, strive to meet higher quality and diversified user needs efficiently, and continuously enhance the Group's competitive advantage and R&D barriers in the niche game market. Meanwhile, BAIOO will further accelerate its international market layout, with multiple products currently being actively developed and tested.

In the future, BAIOO will continue to practice its corporate social responsibilities, actively build the spirit and value of traditional Chinese culture, and strive to create high-quality game content with Chinese cultural heritage to bring rich and distinctive game experience to global users.

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 (“ARQPAs”) for our online virtual worlds for the periods indicated below (Notes):

	For the six months ended		Period-over-period change
	30 June 2024 ⁽¹⁾	30 June 2023	
average QAA ⁽²⁾	5.7	7.5	(24.0%)
average QPA ⁽³⁾	0.8	1.2	(33.3%)
average quarterly ARQPA ⁽⁴⁾	164.6	188.7	(12.8%)

Notes:

- (1) As of 30 June 2024, 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 and Aobi Island Mobile (「奧比島手遊」).
- (2) The average QAA for online virtual worlds was approximately 5.7 million for the six months ended 30 June 2024, representing a decrease of approximately 24.0% compared with the same period last year. 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 0.8 million for the six months ended 30 June 2024, representing a decrease of approximately 33.3% compared with the same period last year. This decrease was primarily due to the decrease of QAA.
- (4) The average quarterly ARQPA for online virtual worlds was approximately RMB164.6 for the six months ended 30 June 2024, representing a decrease of approximately 12.8% compared with the same period last year. The decrease was primarily due to the decrease of revenue.

OVERALL BUSINESS AND FINANCIAL PERFORMANCE

The following table sets forth our consolidated income statement for the six months ended 30 June 2024 and 2023, respectively:

	(Unaudited)			
	For the six months ended			
	30 June 2024 <i>RMB'000</i>	% of Revenue	30 June 2023 <i>RMB'000</i>	% of Revenue
Revenue	272,284	100	450,609	100
Online entertainment business	272,134	100	450,527	100
Other businesses	150	0	82	0
Cost of revenue	(146,794)	(54)	(281,380)	(62)
Gross profit	125,490	46	169,229	38
Selling and marketing expenses	(20,180)	(7)	(40,454)	(9)
Administrative expenses	(32,003)	(12)	(41,946)	(9)
Research and development expenses	(99,597)	(37)	(126,427)	(28)
Net impairment loss on financial assets	(103)	(0)	(312)	(0)
Other income	607	0	1,340	0
Other gain/(loss) — net	111	0	(335)	(0)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating loss	(25,675)	(9)	(38,905)	(9)
Finance income — net	13,705	5	21,060	5
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Share of loss of an associate	(2,990)	(1)	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Loss before income tax	(14,960)	(5)	(17,845)	(4)
Income tax credit/(expense)	79	0	(2,068)	(0)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Loss for the period	(14,881)	(5)	(19,913)	(4)

The following table sets forth our consolidated statement of comprehensive income for the six months ended 30 June 2024 and 2023 respectively:

	(Unaudited)			
	30 June 2024 RMB'000		For the six months ended % of Revenue 30 June 2023 RMB'000	
		%		%
		Revenue		Revenue
Loss for the period	<u>(14,881)</u>	<u>(5)</u>	<u>(19,913)</u>	<u>(4)</u>
Other comprehensive income, net of tax	—	—	—	—
Total comprehensive loss for the period	<u>(14,881)</u>	<u>(5)</u>	<u>(19,913)</u>	<u>(4)</u>
Other financial data				
Adjusted net loss ⁽¹⁾ (unaudited)	(9,770)	(4)	(3,153)	(1)
Adjusted EBITDA ⁽²⁾ (unaudited)	<u>(12,978)</u>	<u>(5)</u>	<u>(10,485)</u>	<u>(2)</u>

Notes:

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

Revenue

Our revenue for the six months ended 30 June 2024 was RMB272.3 million, representing a 39.6% decrease from RMB450.6 million for the six months ended 30 June 2023.

Online Entertainment Business: Our online business revenue for the six months ended 30 June 2024 was RMB272.1 million, representing a 39.6% decrease from RMB450.5 million for the six months ended 30 June 2023. This was primarily due to 1) some of the Company's games with a longer launch period have shown a natural decline with the growth of their life cycles; and 2) no new games were launched during the Reporting Period.

Other Businesses: Revenue from other businesses for the six months ended 30 June 2024 was RMB0.15 million, compared with RMB0.08 million for the six months ended 30 June 2023.

Cost of Revenue

Our cost of revenue for the six months ended 30 June 2024 was RMB146.8 million, representing a 47.8% decrease from RMB281.4 million for the six months ended 30 June 2023.

Online Entertainment Business: Our cost of revenue on online entertainment business for the six months ended 30 June 2024 was RMB146.8 million, representing a 47.8% decrease from RMB281.3 million for the six months ended 30 June 2023. The decrease was mainly due to the decrease of third-party revenue sharing.

Other Businesses: Our cost of revenue on other businesses for the six months ended 30 June 2024 was RMB0.03 million, comparing with the cost of RMB0.04 million for the six months ended 30 June 2023.

Gross Profit

As a result of the foregoing, our gross profit for the six months ended 30 June 2024 was RMB125.5 million, compared with RMB169.2 million for the six months ended 30 June 2023. Gross profit margin was 46.1% for the six months ended 30 June 2024, compared with 37.6% for the six months ended 30 June 2023. The increased gross profit margin 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 six months ended 30 June 2024 were RMB20.2 million, representing a 50.1% decrease from RMB40.5 million for the six months ended 30 June 2023. This decrease was mainly driven by the decrease in promoting and advertising expenses.

Administrative Expenses

Our administrative expenses for the six months ended 30 June 2024 were RMB32.0 million, representing a 23.6% decrease from RMB41.9 million for the six months ended 30 June 2023. The decrease was mainly driven by the decrease in employee benefit expenses relating to restricted shares units (“RSUs”) granted to employees.

Research and Development Expenses

Our research and development expenses for the six months ended 30 June 2024 were RMB99.6 million, representing a 21.2% decrease from RMB126.4 million for the six months ended 30 June 2023. This decrease was primarily driven by the decrease in employee benefit expenses.

Net Impairment Loss on Financial Assets

We recorded net impairment loss of financial assets of RMB0.1 million for the six months ended 30 June 2024, compared with net impairment loss of financial assets of RMB0.3 million for the six months ended 30 June 2023.

Other Income

The Company recognized RMB0.6 million in other income for the six months ended 30 June 2024, compared with RMB1.3 million for the six months ended 30 June 2023. The other income was generated from our fulfillment of certain performance conditions related to government grants.

Other Gain/(Loss) — net

The Company recognized net other gain of RMB0.1 million primarily due to foreign exchange gain for the six months ended 30 June 2024 compared with net other loss of RMB0.3 million for the six months ended 30 June 2023.

Operating Loss

As a result of the foregoing, our operating loss for the six months ended 30 June 2024 was RMB25.7 million, compared with operating loss of RMB38.9 million for the six months ended 30 June 2023.

Finance Income — net

We had net finance income of RMB13.7 million for the six months ended 30 June 2024, compared with net finance income of RMB21.1 million for the six months ended 30 June 2023. Net finance income was primarily consisted of interest income on term deposits 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 RMB3.0 million for the six months ended 30 June 2024, while there was no losses or gains of an associate for the six months ended 30 June 2023.

Loss before Income Tax

As a result of the foregoing, we had a loss of RMB15.0 million for the six months ended 30 June 2024, compared with a loss of RMB17.8 million for the six months ended 30 June 2023.

Income Tax Credit/(Expense)

Our income tax credit for the six months ended 30 June 2024 was RMB0.1 million, compared with income tax expense of RMB2.1 million for the six months ended 30 June 2023.

Loss for the Period

We had a loss of RMB14.9 million for the six months ended 30 June 2024, compared with a loss of RMB20.0 million for the six months ended 30 June 2023.

Non-IFRS Accounting Standards — Adjusted Net Loss/EBITDA

Our adjusted net loss for the six months ended 30 June 2024 was RMB9.8 million, representing a 206.3% increase from net loss of RMB3.2 million for the six months ended 30 June 2023. Our adjusted EBITDA for the six months ended 30 June 2024 was loss of RMB13.0 million, representing a 23.8% increase from loss of RMB10.5 million for the six months ended 30 June 2023.

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

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Loss for the period	(14,881)	(19,913)
Add:		
Share-based compensation	5,111	16,760
Adjusted net loss	(9,770)	(3,153)
Add:		
Depreciation and amortization	10,576	11,660
Finance income-net	(13,705)	(21,060)
Income tax (credit)/expense	(79)	2,068
Adjusted EBITDA	(12,978)	(10,485)

LIQUIDITY AND CAPITAL RESOURCES

During the Reporting Period, 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:

	Unaudited	Audited
	As of	As of
	30 June	31 December
	2024	2023
	RMB'000	RMB'000
Total liabilities	275,070	269,064
Total assets	1,886,560	1,920,099
Gearing ratio ⁽¹⁾	15%	14%

Note:

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

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

As of 30 June 2024, our cash and cash equivalents consisted of cash in bank and cash on hand, which amounted to RMB821.2 million, compared with RMB966.0 million as of 31 December 2023. We had short-term deposits of RMB336.0 million as of 30 June 2024, compared with RMB261.8 million as of 31 December 2023, 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 30 June 2024, compared with RMB135.0 million long-term deposit as of 31 December 2023, representing bank deposits which we intend to hold for over one year but less than three years.

As of 30 June 2024, the Group had no restricted cash.

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

Group	Unaudited As of 30 June 2024 RMB'000	Audited As of 31 December 2023 RMB'000
RMB	1,137,714	1,214,942
US\$	72,973	73,227
HK\$	81,434	74,580
Others	72	81
	<u>1,292,193</u>	<u>1,362,830</u>

Bank Loans and Other Borrowings

The Group had no bank loans and other borrowings as of 30 June 2024.

Treasury Policies

As of 30 June 2024, 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 30 June 2024, RMB154.5 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 purchases of property and equipment, such as servers, computers and construction in progress and intangible assets, such as computer software and license. For the six months ended 30 June 2024, our total capital expenditures were RMB43.5 million, compared with RMB52.6 million for the six months ended 30 June 2023. The following table sets out our expenditures for the periods indicated:

	Unaudited	
	For the six months ended	
	2024	2023
	RMB'000	RMB'000
Capital Expenditures		
— Payment for construction in progress and other long-term assets	41,644	50,300
— Purchase of intangible assets	1,679	1,253
— Purchase of property and equipment	207	1,067
	<hr/>	<hr/>
Total	43,530	52,620
	<hr/> <hr/>	<hr/> <hr/>

Contingent Liabilities

As of 30 June 2024, the Group did not have any material contingent liabilities, guarantees or litigation against it.

Charges on Assets

As of 30 June 2024, there were no charges on the Group's assets.

Material Acquisitions and Future Plans for Major Investment

The Group had no major acquisition and disposal relating to its subsidiaries, associates and joint ventures during the Reporting Period. The Group had no significant investment activity during the Reporting Period.

The Group currently has no specific plan 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 30 June 2024, the Group had 699 full-time employees. The following table sets forth the number of full-time employees by function as of 30 June 2024:

	As of 30 June 2024	
	Number of Employees	% of Total
Operations	21	3.0
R&D operations	187	26.8
Development and research	382	54.6
Sales and Marketing	51	7.3
General and administration	58	8.3
Total	699	100

In addition to salary, we also provide various incentives, including share-based awards, such as 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 in the first half of 2024 were approximately RMB30.6 million, compared with RMB37.3 million in the first half of 2023. We incurred staff costs of approximately RMB151.6 million and RMB206.4 million, for the six months ended 30 June 2024 and 2023, representing 55.7% and 45.8% of our revenue for those periods respectively.

We will continue to grant RSUs to our employees to incentivize them pursuant to the restricted share unit plan approved by the shareholders of the Company (the “**Shareholders**”) on 27 June 2023 (the “**2023 RSU Scheme**”). The maximum number of shares of the Company (the “**Shares**”) which we may grant pursuant to the 2023 RSU Scheme and all other share schemes as adopted by the Company from time to time shall not exceed 282,284,400 Shares, representing approximately 10% of our issued share capital as of the date of the Company’s annual general meeting in 2023.

Under the previous restricted share unit plan which was terminated on 27 June 2023, there were a total of 36,206,250 RSUs outstanding as of 30 June 2024.

During the Reporting Period, there were no RSUs granted under the 2023 RSU Scheme. As of 30 June 2024, there was no outstanding RSU under the 2023 RSU Scheme.

Dividend

At the Company's AGM held on 26 June 2024, the Shareholders approved the Board recommended special dividend of HK\$0.012 (equivalent to approximately RMB0.011) per Share for the year ended 31 December 2023. The special dividend was paid to the Shareholders on 30 July 2024.

The Board did not propose any interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil).

CHANGES SINCE 31 DECEMBER 2023

Save as disclosed in this interim results announcement, there were no other significant changes in the Group's financial position or from the information disclosed under management discussion and analysis in the annual report for the year ended 31 December 2023.

SIGNIFICANT EVENTS AFTER 30 JUNE 2024

To the best knowledge of the Board, there are no significant events which have occurred after 30 June 2024.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2024	2023
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	5	272,284	450,609
Cost of revenue		<u>(146,794)</u>	<u>(281,380)</u>
Gross profit		125,490	169,229
Selling and marketing expenses		(20,180)	(40,454)
Administrative expenses		(32,003)	(41,946)
Research and development expenses		(99,597)	(126,427)
Net impairment loss on financial assets		(103)	(312)
Other income		607	1,340
Other gain/(loss) — net		<u>111</u>	<u>(335)</u>
Operating loss	6	(25,675)	(38,905)
Finance income		14,329	22,538
Finance costs		<u>(624)</u>	<u>(1,478)</u>
Finance income — net		13,705	21,060
Share of loss of an associate		<u>(2,990)</u>	<u>—</u>
Loss before income tax		(14,960)	(17,845)
Income tax credit/(expense)	7	<u>79</u>	<u>(2,068)</u>
Loss for the period		<u>(14,881)</u>	<u>(19,913)</u>
Loss attributable to:			
— Shareholders of the Company		(14,908)	(19,988)
— Non-controlling interests		<u>27</u>	<u>75</u>
		<u>(14,881)</u>	<u>(19,913)</u>
Loss per share for loss attributable to shareholders of the Company (expressed in RMB per share)	8		
Basic and diluted loss per share		<u>(0.0055)</u>	<u>(0.0075)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the period	(14,881)	(19,913)
Other comprehensive income	<u>—</u>	<u>—</u>
Total comprehensive loss for the period	<u>(14,881)</u>	<u>(19,913)</u>
Loss attributable to:		
— Shareholders of the Company	(14,908)	(19,988)
— Non-controlling interests	<u>27</u>	<u>75</u>
	<u>(14,881)</u>	<u>(19,913)</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited As at 30 June 2024 <i>RMB'000</i>	Audited As at 31 December 2023 <i>RMB'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property and equipment		192,076	149,884
Right-of-use assets		246,759	255,163
Intangible assets		3,823	4,114
Prepayments and other receivables		3,637	4,560
Long-term bank deposits		135,000	135,000
Deferred tax assets		14,951	14,823
Investment in an associate		27,208	16,698
Financial assets at fair value through profit or loss		5,000	5,000
		<u>628,454</u>	<u>585,242</u>
Current assets			
Inventories		80	114
Contract costs		40,858	47,820
Trade receivables	10	26,098	29,225
Prepayments and other receivables		33,877	29,868
Short-term bank deposits		336,000	261,788
Cash and cash equivalents (excluding bank overdrafts)		821,193	966,042
		<u>1,258,106</u>	<u>1,334,857</u>
Total assets		<u><u>1,886,560</u></u>	<u><u>1,920,099</u></u>
EQUITY			
Share capital		8	8
Share premium		1,099,160	1,108,922
Reserves		35,624	50,526
Retained earnings		469,405	484,313
		<u>1,604,197</u>	<u>1,643,769</u>
Capital and reserves attributable to shareholders of the Company		<u>1,604,197</u>	<u>1,643,769</u>
Non-controlling interests		7,293	7,266
		<u>7,293</u>	<u>7,266</u>
Total equity		<u><u>1,611,490</u></u>	<u><u>1,651,035</u></u>

		Unaudited	Audited
		As at	As at
		30 June	31 December
		2024	2023
	<i>Note</i>	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Contract liabilities		11,577	11,869
Lease liabilities		8,684	17,186
Other payables and accruals		—	791
		<hr/> 20,261	<hr/> 29,846
Current liabilities			
Trade payables	<i>11</i>	4,786	4,661
Other payables and accruals		97,525	78,343
Advances from distributors		18,045	17,889
Contract liabilities		116,947	121,249
Income tax liabilities		3	—
Lease liabilities		17,498	17,076
Bank overdrafts		5	—
		<hr/> 254,809	<hr/> 239,218
Total liabilities		<hr/> 275,070	<hr/> 269,064
Total equity and liabilities		<hr/> 1,886,560	<hr/> 1,920,099

1 Basis of preparation of the interim report

This interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with International Accounting Standard (“IAS”) 34, ‘Interim financial reporting’. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2023, which have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

2 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

2.1 Amended IFRS Accounting Standards adopted by the Group

The Group has applied the following amendments for the first time from 1 January 2024

IAS 1 (Amendment)	Classification of Liabilities as Current or Non-current and Non-current liabilities with covenants
IFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback
IAS 7 and IFRS 7 (Amendments)	Supplier finance arrangements

The Group has assessed the impact of the adoption of these amended standards that are effective for the first time for this interim period and there was no material impact on the Group.

2.2 Impact of IFRS Accounting Standards issued but not yet applied by the Group

		Effective for accounting periods beginning on or after
IAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
IFRS 9 and IFRS 7 (Amendments)	Classification and measurement of financial instruments	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027

The above new standards and amendments to existing standards are effective for annual periods beginning on or after 1 January 2025 and have not been applied in preparing this interim condensed consolidated financial information. None of these is expected to have a significant effect on the interim condensed consolidated financial information of the Group.

3 Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2023.

4 Financial risk management and financial instruments

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (mainly representing currency risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2023.

There have been no changes in the risk management department or in any risk management policies since 31 December 2023.

4.2 Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents for daily operations. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyses the Group's financial liabilities into the relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Total contractual cash flows <i>RMB'000</i>	Carrying amount <i>RMB'000</i>
As at 30 June 2024				
Trade payables	4,786	—	4,786	4,786
Other payables and accruals (excluding other tax liabilities and staff costs and welfare accruals)	59,486	—	59,486	59,486
Bank overdraft	5	—	5	5
Lease liabilities	17,844	9,139	26,983	26,182
	<u>82,121</u>	<u>9,139</u>	<u>91,260</u>	<u>90,459</u>
	Less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Total contractual cash flows <i>RMB'000</i>	Carrying amount <i>RMB'000</i>
At 31 December 2023				
Trade payables	4,661	—	4,661	4,661
Other payables and accruals (excluding other tax liabilities and staff costs and welfare accruals)	29,837	791	30,628	30,628
Lease liabilities	17,409	18,279	35,688	34,262
	<u>51,907</u>	<u>19,070</u>	<u>70,977</u>	<u>69,551</u>

4.3 Fair value estimation

(a) Financial instruments are carried at fair value within a fair value hierarchy that categorizes, into three levels, inputs to valuation techniques used to measure the fair value. The three different levels are as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the Reporting Period. The quoted market price used for financial assets held by the Group is the current bid price. The quoted market price incorporates the market's assumptions with respect to changes in economic climate such as rising interest rates and inflation, as well as changes due to environmental, social and governance (ESG) risk. These instruments are included in level 1.

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and for instruments where ESG risk gives rise to a significant unobservable adjustment.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments
- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate
- The latest round financing, i.e. the prior transaction price or the third-party pricing information
- A combination of observable inputs and unobservable inputs, including discount rate, risk-free interest rate, expected volatility and market multiples

There were no changes in valuation techniques.

(b) Fair value of financial assets at fair value through profit or loss

Investment in a private equity fund (“the Fund”)

The Group invested in the Fund which was valued based on the net asset value. As at 30 June 2024 and 31 December 2023, the Fund was financial instruments in level 3.

5 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 of each operating segment. The selling and marketing expenses, administrative expenses, research and development expenses, net impairment loss on financial assets, other income, other gain/(loss) — net, finance income — net and income tax credit/(expense) are not included in the measure of the segments' performance.

There were no material inter-segment sales during six months ended 30 June 2024 and 2023, 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 the financial information. There was no separate segment assets and segment liabilities information provided to the CODM.

The segment revenue provided to the Group's CODM for the reportable segments for the six months ended 30 June 2024 and 2023, respectively, are as follows:

	Unaudited		
	Six months ended 30 June 2024		
	Online entertainment business RMB'000	Other businesses RMB'000	Total RMB'000
Timing of revenue recognition			
— At a point in time	87,571	88	87,659
— Over time	184,563	62	184,625
	272,134	150	272,284

	Unaudited		
	Six months ended 30 June 2023		
	Online	Other	Total
	entertainment	businesses	
	business		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Timing of revenue recognition			
— At a point in time	89,901	50	89,951
— Over time	360,626	32	360,658
	<u>450,527</u>	<u>82</u>	<u>450,609</u>

The Company is domiciled in the Cayman Islands while the Group mainly operates its business in the Mainland China. For six months ended 30 June 2024 and 2023, the geographical information on the total revenue is as follows:

	Unaudited	
	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
— Mainland China	263,894	425,220
— Outside Mainland China	8,390	25,389
	<u>272,284</u>	<u>450,609</u>

As summarized in the table below, the online virtual worlds revenue contributing more than 10% of the Group's total revenue account for 73.9% and 81.7% of the total revenue for the six months ended 30 June 2024 and 2023, respectively.

	Six months ended 30 June	
	2024	2023
Aobi Island Mobile	27.8%	38.8%
Legend of Aoqi	26.6%	15.4%
Legend of Aoqi Mobile	19.5%	10.2%
Shiwuyu	*	17.3%

*: Game revenue is less than 10% of total revenue for the six months ended 30 June 2024.

As at 30 June 2024, the total non-current assets, other than financial instruments and deferred tax assets, located in Mainland China were RMB469,940,000 (31 December 2023: RMB425,859,000).

6 Operating loss

An analysis of the amounts presented as operating items in the financial information is given below.

	Unaudited	
	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expenses	151,613	206,397
Distribution cost and payment handling fees	97,219	210,369
Depreciation of property and equipment and right-of-use assets and amortization of intangible assets	10,576	11,660
Promotion and advertising expenses	9,860	22,742
Net impairment loss on financial assets	103	312

7 Income tax credit /(expense)

The income tax credit/(expense) of the Group for the six months ended 30 June 2024 and 2023 is analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax expense	(49)	(756)
Deferred income tax credit /(expense)	128	(1,312)
	<u>79</u>	<u>(2,068)</u>

(a) PRC corporate income tax

Guangzhou Baitian Information Technology Ltd. (“Guangzhou Baitian”) and Guangzhou Tianti Internet Technology Ltd. (“Guangzhou Tianti”)

Guangzhou Baitian and Guangzhou Tianti were qualified as “High and New Technology Enterprise” and were entitled to a preferential income tax rate of 15% on its estimated assessable profits for the six months ended 30 June 2024 (2023: same).

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

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

In 2023, the State Tax Bureau of the PRC issued the Public Notice [2023] No.6 with respect to the change of preferential tax rate for the profits for Small Low-Profit Enterprise under the two-tiered tax rate regime. The tax rate of profits below RMB3 million is 5% and profits above RMB3 million were taxed at 20% for the six months ended 30 June 2024 (2023: same).

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

On 26 March 2023, the State Tax Bureau of the PRC issued the Public Notice [2023] No.7, announcing that the enterprises engaging in research and development activities are entitled to claim 200% of their R&D expenses incurred as tax deductible expenses in determining tax assessable profits from 2023 onwards (“**Super Deduction**”). Certain qualified subsidiaries of the Group have claimed such Super Deduction in ascertaining its tax assessable profits/(losses) for the six months ended 30 June 2024 (2023: same).

(b) 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.

(c) Hong Kong profits tax

The provision for Hong Kong profits tax for the six months ended 30 June 2024 are calculated in accordance with the two-tiered profits tax rates regime (2023: same). Under the two-tiered profits tax rates regime, the first Hong Kong Dollar (“**HKD**”) 2 million of profit of a qualifying corporation is taxed at 8.25%, and profit above HKD2 million is taxed at 16.5%.

(d) 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%.

For the six months ended 30 June 2024, the Group did not have any plan to require its PRC subsidiaries to distribute their retained earnings to the Company or its HK subsidiaries. Accordingly, no deferred tax liability on WHT was accrued as at end of each of the reporting periods (2023: Same).

8 Loss per share

(a) Basic

Basic loss per share for loss attributable to shareholders of the Company.

Basic loss per share is calculated by dividing the profit operations attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue less shares held for RSU Schemes during the period.

	Unaudited	
	Six months ended 30 June	
	2024	2023
Loss attributable to shareholders of the Company (RMB'000)	<u>(14,908)</u>	<u>(19,988)</u>
Weighted average number of ordinary shares in issue less shares held for RSU Schemes	<u>2,713,858,048</u>	<u>2,665,958,981</u>
Basic loss per share (in RMB/share)	<u><u>(0.0055)</u></u>	<u><u>(0.0075)</u></u>

(b) Diluted

Diluted loss 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 six months ended 30 June 2024, 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 loss per share for the six months ended 30 June 2024 as potential ordinary shares was anti-dilutive (2023: same).

9 Dividend

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Special dividend of HKD0.012 (2023: 0.015) per ordinary share (Note a)	31,453	39,038
Less: dividend for shares held for the RSU Schemes	(1,678)	(2,071)
	<u>29,775</u>	<u>36,967</u>

- (a) The 2023 special dividend of HKD0.012 (equivalent to approximately RMB0.011) per ordinary share, totaling HKD34,474,000 (equivalent to approximately RMB31,453,000), was approved at the Company's annual general meeting held on 26 June 2024 and was paid on 30 July 2024.
- (b) The 2022 special dividend of HKD0.015 (equivalent to approximately RMB0.014) per ordinary share, totaling HKD42,343,000 (equivalent to approximately RMB39,038,000), was approved at the Company's annual general meeting held on 27 June 2023 and was paid on 20 July 2023.

The Company did not declare an interim dividend for the six months ended 30 June 2024 (2023: nil).

10 Trade receivables

	Unaudited	Audited
	As at	As at 31
	30 June	December
	2024	2023
	RMB'000	RMB'000
Receivables from third parties	26,351	29,579
Less: allowance for impairment	(253)	(354)
	<u>26,098</u>	<u>29,225</u>

Trade receivables mainly arose from online payment agencies and mobile platforms.

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:

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
0–30 days	8,703	19,895
31–60 days	13,290	7,064
61–90 days	3,685	1,181
91–180 days	537	1,270
181–365 days	—	127
Over 365 days	136	42
	26,351	29,579

11 Trade payables

Trade payables primarily relate to the purchase of services for server custody, advertising fees, game development outsourcing fees.

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:

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
0–30 days	4,710	4,154
31–60 days	53	105
61–180 days	—	351
181–365 days	2	6
Over 365 days	21	45
	4,786	4,661

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 the Group’s auditing, risk management, internal control and financial reporting matters. The Audit Committee has also reviewed the Group’s unaudited interim condensed consolidated financial information for the six months ended 30 June 2024 and this interim results. Based on this review and discussions with the management, the Audit Committee was satisfied that the financial statements were prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

The Company’s auditor has reviewed the interim condensed consolidated financial information in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of the Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its own securities dealing code to regulate all Directors’ dealings of securities in the Company and other matters as covered by the Model Code. The Company has made specific enquiry with all Directors and the Directors have confirmed that they had complied with all relevant requirements as set out in the Model Code during the Reporting Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance, the principles of which serve to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business and to ensure that its affairs are conducted in accordance with the applicable laws and regulations. The Company has adopted the Corporate Governance Code (“**CG Code**”) as set out in Appendix C1 to the Listing Rules as its own code of corporate governance.

Save as the deviation from code provision C.2.1 of Part 2 of the CG Code, the Company has applied the principles and complied with all applicable code provisions of the CG Code during the six months ended 30 June 2024.

Code provision C.2.1 of Part 2 of the CG Code provides that the responsibilities between the chairman and the chief executive officer (“**CEO**”) should be segregated and should not be performed by the same individual. Mr. DAI Jian currently acts as the CEO and the Chairman. 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 consistent leadership within the Group and enables 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 six months ended 30 June 2024, the Group did not purchase, sell or redeem any of the listed securities (including sale of treasury shares) of the Company.

INTERIM DIVIDEND

The Directors do not recommend the payment of dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: nil).

PUBLICATION OF 2024 INTERIM RESULTS AND INTERIM REPORT

The interim 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 2024 interim report of the Company 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, 29 August 2024

As at the date of this announcement, the executive directors of the Company are Mr. DAI Jian, 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.