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(Incorporated in the Cayman Islands with limited liabilities)

(Stock code: 2100)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the “**Board**”) of directors (the “**Directors**”) of BAIOO Family Interactive Limited (“**BAIOO**” or the “**Company**”) is pleased to announce the audited consolidated results of the Company, its subsidiaries and its controlled entity in the PRC (the “**Group**”) for the year ended 31 December 2021 together with the comparative figures of last year, as follows:

Financial Summary

INCOME STATEMENT HIGHLIGHT

	For the year ended		Year-over-year change %
	2021	2020	
	RMB'000	RMB'000	
Revenue	883,908	1,128,967	(21.7)
Gross profit	400,559	429,347	(6.7)
Operating profit	29,706	281,624	(89.5)
Non-International Financial Reporting Standards (“ IFRSs ”) Measures			
— Adjusted Net Profit ⁽¹⁾ (unaudited)	79,176	289,214	(72.6)
— Adjusted EBITDA ⁽²⁾ (unaudited)	105,828	317,056	(66.6)

Notes:

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

BALANCE SHEET HIGHLIGHT

	As of 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Assets		
Non-current assets	422,420	355,011
Current assets	1,571,922	1,725,873
Total assets	<u>1,994,342</u>	<u>2,080,884</u>
Equity and Liabilities		
Total equity	1,682,640	1,734,329
Non-current liabilities	63,270	81,075
Current liabilities	248,432	265,480
Total liabilities	<u>311,702</u>	<u>346,555</u>
Total equity and liabilities	<u>1,994,342</u>	<u>2,080,884</u>

Management Discussion and Analysis

BUSINESS OVERVIEW

For the year ended 31 December 2021 (the “Year”), BAIIO continued to experience steady growth in the personal computer (“PC”) and mobile device areas. BAIIO remained committed to focusing on niche game genres, deepening its development in female-oriented games, pet collection and raising games, and “nijigen” (「二次元」) games to build up high entry barriers, which further consolidated the Company’s reputation and leading position in these market segments. Meanwhile, BAIIO proactively improved its capabilities in innovation and R&D, with an aim to provide more diversified and interesting game content to users around the world.

During the Year, the operation of BAIIO’s core mobile games and web games remained steady. In particular, BAIIO’s signature mobile games Shiwuyu (「食物語」) and Aola Star Mobile (「奧拉星手遊」) continued to be well-received by users. By constantly updating in-game content and launching versions with new themes, BAIIO was able to offer higher quality gaming experiences to users. In addition, the Group further enriched its game product portfolio by launching a pet collection and raising game Legend of Aoqi Mobile (「奧奇傳說手遊」), which was adapted from the intellectual property (“IP”) of our web games with the same title in China in April 2021 and was highly praised by users and the market. Currently, the product reputation of these mobile games has been improving, among which, Aola Star Mobile (「奧拉星手遊」) and Legend of Aoqi Mobile (「奧奇傳說手遊」) have won a number of industry awards, demonstrating the market’s recognition of the Group’s game content.

BAIOO had been actively promoting China’s high-quality traditional culture and is committed to incorporate Chinese traditional art into the game content. During the Year, the Group cooperated with numerous cultural organizations and classic animation IP to further enhance the brand and IP popularity of BAIIO. Aola Star Mobile (「奧拉星手遊」) cooperated with the classic animation “EVANGELION” (新世紀福音戰士) and the animation of Chinese traditional style “Wushanwuxing” (霧山五行) to launch the linkage version; Aola Star Web (「奧拉星頁遊」) cooperated with Guangdong Institute of Arts and Crafts (廣東省工藝美術研究所) for Cloisonne, and cooperated with Guangdong Lingnan Folk Art Institute (廣東省嶺南民間工藝研究院) for Wing Chun, so as to integrate China’s quintessence into the game content.

BAIOO joined hands with Zhejiang Provincial Department of Culture and Tourism and China Academy of Art for another signature mobile game Shiwuyu (「食物語」) to promote Chinese traditional food culture during the Year. In December 2021, Shiwuyu (「食物語」) launched the large cross-boundary activity, Shiwuyu (「食物語」) X Pizza Hut X Yu Garden to provide users with a wide range of game content and activities. In addition, Shiwuyu (「食物語」) and Legend of Aoqi Mobile (「奧奇傳說手遊」) also cooperated with the national animation, “The story of hongmao and lantu” (虹貓藍兔七俠傳) and Tencent animation “The outcast” (一人之下), respectively, to enhance their IP popularity by launching collaborative versions. As for BAIIO’s classic web game Aobi Island (「奧比島」), it collaborated with Guangdong Institute of Arts and Crafts to launch a version with the theme of the national intangible cultural heritage “Stylish Embroidery” (潮繡) during the Year to promote Chinese traditional embroidery skills.

In addition to actively expanding the domestic gaming market, BAIOO has also made achievements in the overseas mobile gaming market. Currently, BAIOO has successfully launched its mobile games in Hong Kong, Macau, Taiwan, Japan, South Korea, Europe and the United States, and gained much popularity. During the Year, BAIOO continuously updated and optimised the content of its localised games, allowing more overseas users to experience BAIOO's games and understand Chinese culture.

With the elevation of users' preferences and demands for gaming content, BAIOO has also actively strengthened its R&D investment, striving to improve its independent game development capacity to create higher-quality and differentiated games for users around the globe. The Group also actively abided by the policies of the Chinese government on preventing addiction and protecting teenagers, and continued to put corporate social responsibility into practice. We have been committed to providing a healthy game environment for Chinese teenagers, and contributing to the long-term health and sustainable development of the industry.

INDUSTRY TRENDS

In 2021, China's gaming market maintained steady growth, with high-quality products leading the overall development of the industry. According to the latest China's Gaming Industry Report released by the Game Publishers Association Publications Committee of the China Audio-Video and Digital Publishing Association (中國音數協遊戲工委) ("GPC"), the number of gaming users in China reached 670 million, representing a year-over-year increase of 0.2%, while the revenue generated by the gaming industry reached RMB296.51 billion, representing a year-over-year increase of 6.4%. In particular, the mobile gaming market continued to expand and occupy the largest share of the industry, accounting for 76.0% of the total revenue.

According to the GPC report, technological upgrading accelerates the transformation of the game industry, and industrial development is also conducive to technological innovation. The proprietary games developed by the Chinese enterprises play a dominant role in the business of domestic game enterprises. At the same time, the overseas market has become the key strategy of an increasing number of small and medium-sized companies. In addition, game companies pay more attention to the internal ideological and cultural development and social image building, and the willingness of social responsibility continues to improve.

With the further saturation of game users, the exploration of user's segmentation needs has become the focus of future market competition. BAIOO has always adhered to the cultivation of the niche gaming markets and actively grasped the development opportunities at home and abroad. With its deep insight into users in the niche gaming markets and its strong strength in operation and R&D, BAIOO further consolidate its brand influence and position in the niche gaming segments.

OUTLOOK FOR 2022

Looking ahead to 2022, BAIOO will continue to focus on three game genres, namely female-oriented games, “nijigen” (「二次元」) games and pet collection and raising games. BAIOO will also continue to enrich its game portfolio, increase investment in R&D, launch more high-quality games, upgrade the experience of Baioo’s IP through linking multi-faceted resources and taking the new generation of high quality as a carrier, and provide users with more diversified and interesting game experiences.

BAIOO plans to launch community-based raising mobile game Aobi Island: Dreamland (「奧比島：夢想國度」) in China in 2022, which has adapted the IP of the BAIOO’s classic web game and inherits the classic elements of this web game. As a classic IP that has been operating for 13 years, the news of the launching of Aobi Island surprised the majority of IP fans. The related microblog topics of # the launching of Aobi Island # were once ranked third in the most popular search list, with 130 million readers, and the related microblog topics of #Aobi Island# reached 290 million, demonstrating the high popularity of the IP. In addition, Aobi Island: Dreamland (「奧比島：夢想國度」) won a number of awards during the Year, including the “Most Anticipated Game of the Year” at the 2021 Vivo Developer Conference, the “Most Anticipated New Game of the Year” of the 6th Golden Gyroscope Award, the “Most Anticipated Award” at the 2021 OPPO Developer Conference, and the “Most Anticipated Game Operation Award” at the Huawei Developer Conference, which reflected the expectations of BAIOO’s high-quality games. Aobi Island: Dreamland (「奧比島：夢想國度」) will join hands with G-Bits Leiting Games (「吉比特雷霆遊戲」) to invest in building the most popular community game products among the users.

BAIOO will also continue to explore more forms of cross-border integration of culture and creativity. In the future, BAIOO will be deeply rooted in Chinese culture, and integrate more Chinese elements into products, thus delivering innovative, interesting and beneficial entertainment content to users, so as to show Chinese characteristics, Chinese spirit and Chinese wisdom to the young generation and the world.

BAIOO will also continue to fulfill its corporate social responsibility and respond to government policies, integrate more excellent Chinese traditional culture into game content, and deliver more innovative game products to users all over the world. Through the IP super-evolution strategy, BAIOO will leverage its IP that has been precipitated for many years and carefully incubated to continuously develop a series of creative and attractive products, in a position to provide users with different IP upgrade experience and services, and create high-quality games that are stronger from generation to generation. At the same time, BAIOO will grasp the development opportunities at home and abroad, continues to upgrade in creativity, technology, art, playing methods, talents, operation and other aspects, and further expands the Group’s brand awareness and market position in the game industry and within younger users.

OPERATION INFORMATION

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

	For the year ended		
	31 December 2021 ⁽¹⁾	31 December 2020	Year-over-year Change
	<i>(QAA & QPA in millions, ARQPA in RMB)</i>		
average QAA ⁽²⁾	10.0	13.4	(25.4%)
average QPA ⁽³⁾	1.6	1.7	(5.9%)
average quarterly ARQPA ⁽⁴⁾	140.0	166.9	(16.1%)

Notes:

1. As of 31 December 2021, our online virtual worlds under commercial operation included Aobi Island, Aola Star, Dragon Knights, Light of Aoya, Legend of Aoqi, Helix Waltz, Shiwuyu (「食物語」), Aola Star Mobile (「奧拉星手遊」), Zaowufaza II (「造物法則二：先鋒英雄」) and legend of Aoqi Mobile (「奧奇傳說手遊」).
2. The average QAA for online virtual worlds was approximately 10.0 million for the year ended 31 December 2021, representing a decrease of approximately 25.4% compared with the year ended 31 December 2020. The decrease was primarily due to three new mobile games launched in the fourth quarter of 2019 which remained higher popular in 2020.
3. The average QPA for online virtual worlds was approximately 1.6 million for the year ended 31 December 2021, representing a decrease of approximately 5.9% compared with the year ended 31 December 2020. The decrease was due to three new mobile games launched in the fourth quarter of 2019 which remained higher popular in 2020.
4. The average quarterly ARQPA for online virtual worlds was approximately RMB140.0 for the year ended 31 December 2021, representing a decrease of approximately 16.1% compared with the year ended 31 December 2020. The decrease was primarily due to additional free virtual items were given to the users of the Company’s mobile games to ensure user loyalty and game experience.

OVERALL BUSINESS AND FINANCIAL PERFORMANCE

The following table sets forth our consolidated statements of comprehensive income for the years ended 31 December 2021 and 2020, respectively:

	31 December 2021 <i>RMB'000</i>	For the year ended % of Revenue	31 December 2020 <i>RMB'000</i>	% of Revenue
Revenue	883,908	100.0	1,128,967	100.0
Online entertainment business	882,594	99.9	1,126,264	99.8
Other businesses	1,314	0.1	2,703	0.2
Cost of revenue	(483,349)	(54.7)	(699,620)	(62.0)
Gross profit	400,559	45.3	429,347	38.0
Selling and marketing expenses	(105,127)	(11.9)	(58,811)	(5.2)
Administrative expenses	(91,458)	(10.3)	(56,241)	(5.0)
Research and development expenses	(173,296)	(19.6)	(106,486)	(9.4)
Net impairment losses on financial assets	(1,284)	(0.1)	(687)	(0.1)
Other income	2,845	0.3	3,741	0.3
Other gains — net	4,429	0.5	5,344	0.5
(Loss)/gain on disposal of equity interest in an associate	(6,962)	(0.8)	65,417	5.8
Operating profit	29,706	3.4	281,624	24.9
Finance income — net	24,743	2.8	11,175	1.0
Share of losses of associates	(3,115)	(0.4)	(3,300)	(0.3)
Profit before income tax	51,334	5.8	289,499	25.6
Income tax expense	(24,428)	(2.8)	(16,268)	(1.4)
Profit for the year	26,906	3.0	273,231	24.2

The following table sets forth our consolidated statement of comprehensive income for the years ended 31 December 2021 and 2020, respectively:

	31 December 2021 RMB'000	For the year ended % of Revenue	31 December 2020 RMB'000	% of Revenue
Profit for the year	26,906	3.0	273,231	24.2
Other comprehensive income, net of tax	—	—	—	—
Total comprehensive income for the year	<u>26,906</u>	<u>3.0</u>	<u>273,231</u>	<u>24.2</u>
Other financial data				
Adjusted net profit ⁽¹⁾ (unaudited)	79,176	9.0	289,214	25.6
Adjusted EBITDA ⁽²⁾ (unaudited)	<u>105,828</u>	<u>12.0</u>	<u>317,056</u>	<u>28.1</u>

Notes:

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

Revenue

Our revenue for the year ended 31 December 2021 was RMB883.9 million, representing a 21.7% decrease from RMB1,129.0 million for the year ended 31 December 2020.

Online Business: Our online business revenue for the year ended 31 December 2021 was RMB882.6 million, a 21.6% decrease from RMB1,126.3 million for the year ended 31 December 2020. The decrease was primarily due to the revenue from existing games has a usual decline as a result of life cycle.

Other Businesses: Revenue from other businesses for the year ended 31 December 2021 was RMB1.3 million, a 51.9% decrease from RMB2.7 million for the year ended 31 December 2020. The decrease was mainly due to the decrease of rental services.

Cost of Revenue

Our cost of revenue for the year ended 31 December 2021 was RMB483.3 million, a 30.9% decrease from RMB699.6 million for the year ended 31 December 2020.

Online Entertainment Business: Our online entertainment business cost for the year ended 31 December 2021 was RMB482.2 million, a 30.7% decrease from RMB695.4 million for the year ended 31 December 2020. 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 2021 was RMB1.1 million, a 73.8% decrease from RMB4.2 million for the year ended 31 December 2020. The decrease primarily reflected a decrease of employee cost and benefit expenses.

Gross Profit

As a result of the foregoing, our gross profit for the year ended 31 December 2021 was RMB400.6 million, compared with RMB429.3 million for the year ended 31 December 2020. Gross profit margin was 45.3% for the year ended 31 December 2021, compared with 38.0% for the year ended 31 December 2020. The gross profit margin increased mainly due to the proportion of revenue with higher third-party revenue sharing decreased.

Selling and Marketing Expenses

Our selling and marketing expenses for the year ended 31 December 2021 were RMB105.1 million, a 78.7% increase from RMB58.8 million for the year ended 31 December 2020. This was primarily due to increase in promoting and advertising expenses for the new mobile game launched.

Administrative Expenses

Our administrative expenses for the year ended 31 December 2021 were RMB91.5 million, a 62.8% increase from RMB56.2 million for the year ended 31 December 2020. This increase was primarily due to the increase in staff cost and expenses relating to RSUs granted to employees.

Research and Development Expenses

Our research and development expenses for the year ended 31 December 2021 were RMB173.3 million, a 62.7% increase from RMB106.5 million for the year ended 31 December 2020. This increase was primarily driven by the group's strategy to enhance in-house game development capabilities and improve user experience through continuous investment in recruitment of more talents for the group's research and development team.

Net Impairment Losses on Financial Assets

We recorded net impairment losses of financial assets of RMB1.3 million for the year ended 31 December 2021, which compares to RMB0.7 million net impairment losses for the year ended 31 December 2020.

Other Income

The Company recognized RMB2.8 million in other income for the year ended 31 December 2021, representing a decrease by 24.3% from RMB3.7 million for the year ended 31 December 2020.

Other Gains — net

The Company recognized net gain of RMB4.4 million primarily consisted of the interest income of structural deposits for the year ended 31 December 2021, compared with net gain of RMB5.3 million for the year ended 31 December 2020.

Loss on Disposal of Equity Interest in an Associate

During the year ended 31 December 2021, the Group disposed all of its equity interest of investment in Chengdu Constmotion Interactive Entertainment Network Technology Co., Ltd to a third party, which resulted in a disposal loss of RMB7.0 million.

Operating Profit

As a result of the foregoing, our operating profit for the year ended 31 December 2021 was RMB29.7 million, compared with operating profit of RMB281.6 million for the year ended 31 December 2020.

Finance Income — net

We had net finance income of RMB24.7 million for the year ended 31 December 2021, compared with net finance income of RMB11.2 million for the year ended 31 December 2020. Net finance income for the year ended 31 December 2021 primarily consisted of interest income on short-term deposit, long-term deposit and cash and bank balance, which was partly offset by exchange losses on cash and bank balance, as well as interest expenses on lease liabilities.

Share of Losses of Associates

We recorded share of losses of an associate of RMB3.1 million for the year ended 31 December 2021 due to our investee company registered losses, compared to share of losses of RMB3.3 million for the year ended 31 December 2020.

Profit before Income Tax

As a result of the foregoing, we had a profit of RMB51.3 million for the year ended 31 December 2021, compared with a profit of RMB289.5 million for the year ended 31 December 2020.

Income Tax Expense

Our income tax expense for the year ended 31 December 2021 was RMB24.4 million, representing a 49.7% increase from RMB16.3 million for the year ended 31 December 2020. This was primarily due to the Group's subsidiaries, Guangzhou Baitian Information Technology Limited (“**Guangzhou Baitian**”) and Guangzhou Tianti Internet Technology Limited (“**Guangzhou Tianti**”) were no longer qualified as “Key software Enterprise” since the application of new policies published in 2021, therefore the applicable income tax rates for the year ended 31 December 2020 were revised from 10% to 15% on Guangzhou Baitian's profit and from 0% to 12.5% on Guangzhou Tianti's profit, resulting that an under-provision of EIT was recorded for the year ended 31 December 2021.

Profit for the Year

As a result of the foregoing, we had a profit of RMB26.9 million for the year ended 31 December 2021, compared with a profit of RMB273.2 million for the year ended 31 December 2020.

Non-IFRS Measure — Adjusted Net Profit/EBITDA

Our adjusted net profit for the year ended 31 December 2021 was RMB79.2 million, representing a 72.6% decrease from RMB289.2 million for the year ended 31 December 2020. Our adjusted EBITDA for the year ended 31 December 2021 was a profit of RMB105.8 million, representing a 66.6% decrease from a profit of RMB317.1 million for the year ended 31 December 2020.

The following table reconciles our adjusted net profit and adjusted EBITDA for the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is net profit:

	Unaudited For the year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	26,906	273,231
Add:		
Share-based compensation	52,270	15,983
Adjusted net profit	79,176	289,214
Add:		
Depreciation and amortization	26,967	22,749
Finance income — net	(24,743)	(11,175)
Income tax	24,428	16,268
Adjusted EBITDA	105,828	317,056

LIQUIDITY AND CAPITAL RESOURCES

In 2021, 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:

	As of 31 December 2021 RMB'000	As of 31 December 2020 RMB'000
Total liabilities	311,702	346,555
Total assets	1,994,342	2,080,884
Gearing ratio ⁽¹⁾	16%	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 2021, our cash and cash equivalents consisted of cash in bank and cash on hand, which amounted to RMB1,429.2 million, compared with RMB1,382.0 million as of 31 December 2020. We had a short-term deposit of RMB54.0 million as of 31 December 2021, compared with RMB229.6 million as of 31 December 2020, representing bank deposits which we intend to hold for over three months but less than one year. We had long-term deposits of RMB65.0 million as of 31 December 2021 compared with no long-term deposits as of 31 December 2020, representing bank deposits which we intend to hold for over one year but less than two years.

As of 31 December 2021, the Group had no restricted cash.

The effective interest rate per annum for cash in bank balances and deposits as of 31 December 2021 was 2.3%, compared with 2.0% as of 31 December 2020. 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:

Group	As of 31 December 2021 RMB'000	As of 31 December 2020 RMB'000
RMB	1,427,957	1,484,112
US\$	82,215	76,744
HK\$	37,928	50,667
Others	90	103
	<u>1,548,190</u>	<u>1,611,626</u>

Bank Loans and Other Borrowings

The Group had no bank loans or other borrowings as of 31 December 2021.

Treasury Policies

As of 31 December 2021, the Group adopted 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 2021, RMB120.2 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 prepayments for construction in progress and other long-term assets, purchases of property and equipment, such as servers, computers, construction in progress and intangible assets, such as computer software. In the year ended 31 December 2021, our total capital expenditures were RMB27.0 million, compared with RMB250.3 million in the year ended 31 December 2020. The following table sets out our expenditures for the periods indicated:

	For the year ended 31 December	
	2021 RMB'000	2020 RMB'000
Capital Expenditures		
— Prepayments for construction in progress and other long-term assets	14,353	—
— Purchase of land use right	—	247,077
— Purchase of property and equipment	9,542	1,989
— Purchase of intangible assets	3,069	1,218
Total	26,964	250,284

Contingent Liabilities

As of 31 December 2021, the Group did not have any material contingent liabilities, guarantees or litigation against it.

Charges on Assets

As of 31 December 2021, there were no charges on the Group's assets.

Material Acquisitions and Future Plans for Major Investment

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 2021, the Group had 1,053 full-time employees. The following table sets forth the number of full-time employees by function as of 31 December 2021:

	As of 31 December 2021	
	Number of Employees	% of Total
Operations	47	4.5
R&D Operations	384	36.5
Development and research	466	44.3
Sales and marketing	92	8.7
General and administration	64	6.0
Total	1,053	100

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 for the year ended 31 December 2021 were approximately RMB69.8 million, compared with RMB40.1 million for the year ended 31 December 2020. We incurred staff costs of approximately RMB367.1 million and RMB244.8 million, for the years ended 31 December 2021 and 2020, representing 41.5% and 21.7% of our revenue for those periods respectively.

We also grant share options and RSUs to our employees to incentivize them to contribute to our growth. Pursuant to the Pre-IPO Share Option Scheme and the Pre-IPO RSU Scheme, there were no shares of Pre-IPO share options and Pre-IPO RSUs outstanding as of 31 December 2021.

We will continue to grant RSUs to our employees to incentivize them pursuant to the Post-IPO RSU Scheme. The maximum aggregate number of the Shares underlying all the RSUs which we may grant pursuant to the Post-IPO RSU Scheme is 54,343,880 shares, representing approximately 2.0% of our share capital as of the date of the AGM (as defined below). Pursuant to the Post-IPO RSU Scheme and there were a total of 130,420,000 RSUs outstanding as at 31 December 2021.

Dividend

At the Company’s annual general meeting (“AGM”) on 25 June 2021, Shareholders of the company approved the Board-recommended special dividend of HK\$0.06 (equivalent to approximately RMB0.05) per share for the year ended 31 December 2020. The special dividend was paid to shareholders on 28 July 2021.

The Board is pleased to recommend the payment of a special dividend of HK\$0.02 (equivalent to approximately RMB0.016) per share for the year ended 31 December 2021 out of our share premium account, subject to the approval of the Shareholders at the forthcoming AGM to be held on Monday, 6 June 2022. The proposed dividend will be payable on Thursday, 28 July 2022 to the Shareholders of whose names appear on the register of members of the Company (the “**Register of Members**”) on Friday, 8 July 2022.

CHANGES SINCE 31 DECEMBER 2021

There were no other significant changes in the Group’s financial position or from the information disclosed under the management discussion and analysis in this annual result announcement for the year ended 31 December 2021.

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2021	2020
	Note	RMB'000	RMB'000
Revenue	3	883,908	1,128,967
Cost of revenue	4	(483,349)	(699,620)
Gross profit		400,559	429,347
Selling and marketing expenses	4	(105,127)	(58,811)
Administrative expenses	4	(91,458)	(56,241)
Research and development expenses	4	(173,296)	(106,486)
Net impairment losses on financial assets		(1,284)	(687)
Other income		2,845	3,741
Other gains — net		4,429	5,344
(Loss)/gain on disposal of equity interest in an associate		(6,962)	65,417
Operating profit		29,706	281,624
Finance income	5	33,251	23,896
Finance costs	5	(8,508)	(12,721)
Finance income — net	5	24,743	11,175
Share of losses of associates		(3,115)	(3,300)
Profit before income tax		51,334	289,499
Income tax expense	6	(24,428)	(16,268)
Profit for the year		26,906	273,231
Attributable to:			
— Shareholders of the Company		26,435	274,190
— Non-controlling interests		471	(959)
		26,906	273,231
Earnings per share for profit attributable to shareholders of the Company (expressed in RMB per share)	7		
Basic earnings per share		0.0101	0.1040
Diluted earnings per share		0.0099	0.1034

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	26,906	273,231
Other comprehensive income	<u>—</u>	<u>—</u>
Total comprehensive income for the year	<u>26,906</u>	<u>273,231</u>
Attributable to:		
— Shareholders of the Company	26,435	274,190
— Non-controlling interests	<u>471</u>	<u>(959)</u>
	<u>26,906</u>	<u>273,231</u>

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at 31 December	
		2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property and equipment		25,399	21,637
Right-of-use assets		294,558	316,463
Intangible assets		2,542	1,915
Investment in an associate		—	4,227
Prepayments and other receivables		18,251	6,063
Long-term bank deposits		65,000	—
Deferred income tax assets		11,670	4,706
Financial assets at fair value through profit or loss		5,000	—
		<u>422,420</u>	<u>355,011</u>
Current assets			
Contract costs		41,203	49,234
Trade receivables	8	29,153	50,551
Prepayments and other receivables		18,376	14,462
Short-term bank deposits		54,000	229,631
Cash and cash equivalents (excluding bank overdrafts)		1,429,190	1,381,995
		<u>1,571,922</u>	<u>1,725,873</u>
Total assets		<u>1,994,342</u>	<u>2,080,884</u>
EQUITY			
Share capital		8	8
Share premium		1,106,699	1,222,644
Treasury shares		—	(930)
Reserves		62,911	26,374
Retained earnings		506,004	479,686
		<u>1,675,622</u>	<u>1,727,782</u>
Capital and reserves attributable to Shareholders of the Company		<u>1,675,622</u>	<u>1,727,782</u>
Non-controlling interests		<u>7,018</u>	<u>6,547</u>
Total equity		<u>1,682,640</u>	<u>1,734,329</u>

		As at 31 December	
		2021	2020
	<i>Note</i>	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Contract liabilities		10,442	11,598
Lease liabilities		52,828	69,477
		<u>63,270</u>	<u>81,075</u>
Current liabilities			
Trade payables	9	7,094	6,786
Other payables and accruals		64,545	60,580
Advances from customers and distributors		32,998	43,712
Contract liabilities		117,010	121,919
Income tax liabilities		8,854	13,826
Lease liabilities		17,931	18,627
Bank overdrafts		—	30
		<u>248,432</u>	<u>265,480</u>
Total liabilities		<u>311,702</u>	<u>346,555</u>
Total equity and liabilities		<u>1,994,342</u>	<u>2,080,884</u>

1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRS”) 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 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 Amendments to standards adopted by the Group

The Group has applied the following amendments to standards and for the first time for its annual reporting period:

		Effective for annual periods beginning on or after
IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16 (Amendment)	Interest Rate Benchmark Reform — Phase 2	1 January 2021
IFRS 16 (Amendment)	Covid-19 — Related Rent Concessions beyond 30 June 2021	1 April 2021

The adoption of amended standards listed above did not have material impact on the consolidated financial statements of the Group.

2.2 New standards and amendments to standards not yet adopted

		Effective for annual periods beginning on or after
IFRS 3 (Amendment)	Reference to the Conceptual Framework	1 January 2022
IAS 16 (Amendment)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
IAS 37 (Amendment)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRSs 2018 — 2020 Cycle	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2022
IAS 1 (Amendment)	Classification of Liabilities as Current or Non-current	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023
IFRS 17 (Amendment)	Amendments to IFRS 17	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 1 and IFRS Practice Statement 2 (Amendment)	Disclosure of Accounting Policies	1 January 2023
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.

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 licensing 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, (loss)/gain on disposal of equity interest in an associate, share of losses of associates, other income, other gains — net, finance income — net, and income tax expense are not included in the measure of the segments' performance.

There were no material inter-segment sales during years ended 31 December 2021 and 2020, 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 2021 and 2020 are as follows:

	Year ended 31 December 2021		
	Online entertainment business RMB'000	Other businesses RMB'000	Total RMB'000
Segment revenue	882,594	1,314	883,908
Timing of revenue recognition			
At a point in time	188,694	—	188,694
Over time	693,900	1,314	695,214
Gross profit	400,349	210	400,559

	Year ended 31 December 2020		
	Online entertainment business <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	1,126,264	2,703	1,128,967
Timing of revenue recognition			
At a point in time	203,344	—	203,344
Over time	922,920	2,703	925,623
Gross profit/(loss)	430,823	(1,476)	429,347
Other profit and loss disclosures:			

	Year ended 31 December 2021			
	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	19,102	481	4,942	24,525
Amortization	2,442	—	—	2,442
Share of losses of an associate	3,115	—	—	3,115
Impairment of prepayment	1,887	—	—	1,887

	Year ended 31 December 2020			
	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	17,183	2,643	824	20,650
Amortization	2,099	—	—	2,099
Share of losses of associates	1,773	1,527	—	3,300

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 2021 and 2020, the geographical information on the total revenues is as follows:

	Year ended 31 December	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue		
— Mainland China	791,813	874,359
— Outside Mainland China	92,095	254,608
Total	883,908	1,128,967

Revenue of the Group is mainly derived from self-developed online virtual worlds 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% of the Group's total revenue account for 93.2% and 87.3% of the total revenue for the years ended 31 December 2021 and 2020, 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.

	Year ended 31 December	
	2021	2020
Shiwuyu	24.2%	45.1%
Legend of Aoqi Mobile	23.9%	NA
Aola Star Mobile	21.9%	18.7%
Legend of Aoqi	13.0%	11.8%
Aola Star	10.2%	*
Zaowufaze II	*	11.7%

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 2021 (2020: same).

The games were distributed to individual game players through own web-based platform and Third Party Platforms. The revenue generated through Group A, Third Party Platforms, accounted for 19.3% (2020: 33.5%) of the Group's revenue for the year ended 31 December 2021, respectively. Besides that, 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 2021, the total non-current assets, other than financial assets and deferred tax assets, located in Mainland China and Hong Kong were RMB336,295,000 (31 December 2020: RMB346,498,000) and RMB557,000 (31 December 2020: RMB7,000), respectively.

4 Expenses by nature

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expenses	367,071	248,547
Distribution costs and payment handling fees	314,215	562,700
Promotion and advertising expenses	76,254	35,419
Content expenses	21,298	14,391
Depreciation of right-of-use assets	18,746	15,474
Bandwidth and server custody fees	13,409	9,464
Utilities and office expenses	8,300	7,078
Professional fees	8,242	7,232
Depreciation of property and equipment and amortization of intangible assets	8,221	7,275
Auditors' remuneration	4,109	4,062
Travelling and entertainment expenses	3,254	2,597
Operating lease rentals	8	468
Others	10,103	6,451
	<hr/>	<hr/>
Total cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses	853,230	921,158
	<hr/> <hr/>	<hr/> <hr/>

5 Finance income — net

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income:		
— Interest income from bank deposits	33,251	23,036
— Interest income on loans to an associate	—	860
	<u>33,251</u>	<u>23,896</u>
Finance costs:		
— Interest charge for lease liabilities	(4,494)	(5,417)
— Net foreign exchange losses	(4,014)	(7,304)
	<u>(8,508)</u>	<u>(12,721)</u>
Finance income — net	<u><u>24,743</u></u>	<u><u>11,175</u></u>

6 Income tax expense

The income tax expense of the Group for the years ended 31 December 2021 and 2020 is analyzed as follows:

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax expense/(credit):		
— Current year	10,795	23,567
— Under/(over)-provision in prior year	20,597	(12,448)
Deferred income tax (credit)/expense	<u>(6,964)</u>	<u>5,149</u>
	<u><u>24,428</u></u>	<u><u>16,268</u></u>

The tax on the Group's 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:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit before income tax expense	51,334	289,499
Add: share of losses of an associate	—	1,773
	51,334	291,272
Tax calculated at income tax rates applicable to profits of the consolidated entities in their respective jurisdictions (Note (c), (d), (e))	7,850	19,119
Tax effects of:		
Tax losses for which no deferred income tax asset was recognized (Note (a))	2,579	2,607
Temporary timing differences not recognized as deferred tax asset (Note (b))	7,328	—
Utilisation of previously unrecognised tax losses and temporary timing differences	(1,420)	(1,935)
Super deduction for research and development expenses (Note (e))	(15,784)	(5,211)
Change of applicable tax rates (Note (g))	14,431	1,020
Income not subject to tax	—	(1,105)
Overseas withholding income tax	739	—
Expenses not deductible for income tax purposes:		
— Share-based compensation	7,840	1,598
— Others	865	175
Income tax expense	24,428	16,268

(a) *Tax losses*

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Unused tax losses for which no deferred tax asset has been recognised	16,720	11,107
Potential tax benefit	2,579	2,607

The unused tax losses were incurred by subsidiaries that are not likely to generate enough taxable income in the foreseeable future.

(b) *Unrecognised temporary differences*

Temporary differences for which deferred tax assets have not been recognized:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Contract costs and contract liabilities	30,433	—
Lease liabilities	15,475	—
Provisions	2,947	—
	<u>48,855</u>	<u>—</u>
Unrecognised deferred tax assets relating to the above temporary differences	<u>7,328</u>	<u>—</u>

Temporary differences of RMB48,855,000 have arisen as a result of the recognition of contract costs, contract liabilities, lease liabilities and provisions. However, deferred tax assets have not been recognised as the asset will only crystallise when the subsidiary is likely to generate enough taxable income in the foreseeable future.

(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 2021 are calculated in accordance with the two-tiered profits tax rates regime (2020: same). Under the two-tiered profits tax rates regime, the first HKD2 million of profit of a qualifying corporation is taxed at 8.25%, and profits above HKD2 million is taxed at 16.5%.

(e) *PRC corporate income tax*

The Group's subsidiaries in the PRC are subject to corporate income tax at the rate of 25% except Guangzhou Baitian, Guangzhou Tianti, Baiduo (Guangzhou) Information Technology Limited (“**Guangzhou WFOE**”) and Guangzhou Xiaoyunxiong Interactive Education Limited (“**Xiaoyunxiong**”).

Guangzhou Baitian was qualified as “High and New Technology Enterprise” in 2021 and was entitled to a preferential income tax rate of 15% on its estimated assessable profits for the year ended 31 December 2021.

Guangzhou Tianti could enjoy the preferential EIT policy for software enterprise in 2021, for it’s the 5th year since it started to make profits, which could adopt half of the 25% statutory tax rate (i.e. 12.5%) on its estimated assessable profits for the year ended 31 December 2021.

Guangzhou WFOE and Xiaoyunxiong was qualified as “Small Low-Profit Enterprise” in 2021. The provision for EIT was calculated in accordance with the two-tiered tax rates regime. Under the two-tiered tax rates regime, the first RMB1 million of profits of qualifying corporations are taxed at 2.5%, profits above RMB1 million but within RMB3 million are taxed at 10%.

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their eligible research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (“**Super Deduction**”). The additional tax deducting amount of the qualified research and development expenses has been increased from 150% to 175%, effective from 2018 to 2023, according to a new tax incentives policy promulgated by the State Tax Bureau of the PRC in March 2021. The Group has considered the Super Deduction to be claimed for the Group entities in ascertaining their assessable profits for the year ended 31 December 2021 (2020: same).

(f) *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 the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

For the year ended 31 December 2021, the Group did not have any plan to require its PRC subsidiaries to distribute their retained earnings to the Company. Accordingly, no deferred income tax liability on WHT was accrued as at the end of the reporting period (2020: same).

(g) *Change of applicable tax rates of three PRC subsidiaries for the years ended 31 December 2020 and 2021*

Guangzhou Baitian

During the year ended 31 December 2021, the National Development and Reform Commission (“**NDRC**”), the Ministry of Industry and Information Technology (“**MIIT**”), the Ministry of Finance (“**MOF**”) and the General Administration of Customs (“**GAC**”) jointly issued a new Public Notice [2021] No.413 (the “**Notice**”) with respect to the qualification of “Key Software Enterprise” for tax assessment purposes. Pursuant to the Notice, the relevant tax authorities confirmed that Guangzhou Baitian was not qualified as a “Key Software Enterprise” for the year ended 31 December 2020. As a result, the applicable income tax rate on Guangzhou Baitian’s profit for the year ended 31 December 2020 was revised from 10% to 15% and an under-provision of EIT of approximately RMB8,348,000 was recorded for the year ended 31 December 2021.

In addition, an adjustment of approximately RMB2,339,000 was also recorded on the deferred income tax assets brought forward as at 31 December 2020 using the applicable income tax rate of 15% which was charged to the consolidated income statement for the year ended 31 December 2021.

Guangzhou Tianti

Pursuant to the Notice, the relevant tax authorities confirmed that Guangzhou Tianti was not qualified as a “Key Software Enterprise” for the year ended 31 December 2020. Guangzhou Tianti enjoyed the preferential EIT tax rate for software enterprise in 2021, which is 12.5%, and was qualified as “High and New Technology Enterprise” in 2022, which was entitled to a preferential income tax rate of 15% on its estimated assessable profits since 2022.

As a result, the applicable income tax rate on Guangzhou Tianti’s profit for the year ended 31 December 2020 was revised from 0% to 12.5% and an under-provision of EIT of approximately RMB12,145,000 was recorded for the year ended 31 December 2021.

In addition, an adjustment of approximately RMB3,699,000 was also recorded on the deferred income tax assets recognized as at 31 December 2021 using the applicable income tax rate of 15% which was charged to the consolidated income statement for the year ended 31 December 2021.

Guangzhou WFOE

The MOF and the State Taxation Administration of the People’s Republic of China jointly issued a new Public Notice [2021] No.12 (the “**Notice**”) with respect to the preferential tax rate for the first RMB1 million profit for Small Low-Profit Enterprise under the two-tiered tax rate regime, which change from 5% to 2.5%, effective from 2021 to 2022. As a result, an adjustment of approximately RMB24,000 was recorded on the deferred income tax assets recognized as at 31 December 2021 using the applicable income tax rate of 20% which was charged to the consolidated income statement for the years ended 31 December 2021.

7 Earnings per share

(a) Basic

Basic earnings per share for profit attributable to shareholders of the Company

Basic 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 RSU Scheme during the year.

	Year ended 31 December	
	2021	2020
Profit attributable to shareholders of the Company (RMB'000)	26,435	274,190
Weighted average number of ordinary shares in issue less treasury shares and shares held for RSU Scheme	<u>2,616,222,720</u>	<u>2,636,885,749</u>
Basic earnings per share (in RMB/share)	<u><u>0.0101</u></u>	<u><u>0.1040</u></u>

(b) Diluted

Diluted 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 2021, the Company had potential ordinary shares, the RSUs (2020: the share options and 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.

Diluted earnings per share for profit attributable to shareholders of the Company

	Year ended 31 December	
	2021	2020
Earnings		
Profit attributable to shareholders of the Company and profit used to determine diluted earnings per share (<i>RMB'000</i>)	<u>26,435</u>	<u>274,190</u>
Weighted average number of ordinary shares		
Weighted average number of ordinary shares in issue less treasury shares and shares held for RSU Scheme	2,616,222,720	2,636,885,749
Adjustments for:		
— RSUs	62,166,798	15,458,783
— Share options	<u>—</u>	<u>163,140</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u>2,678,389,518</u>	<u>2,652,507,672</u>
Diluted earnings per share (<i>in RMB/share</i>)	<u>0.0099</u>	<u>0.1034</u>

8 Trade receivables

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Receivables from third parties	29,526	51,617
Less: allowance for impairment	(373)	(1,066)
	<u>29,153</u>	<u>50,551</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:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
0–30 days	16,894	22,244
31–60 days	3,023	10,897
61–90 days	760	11,587
91–180 days	8,709	6,574
181–365 days	109	149
Over 365 days	31	166
	<hr/> 29,526 <hr/>	<hr/> 51,617 <hr/>

- (b) The Group applies the simplified approach to provide for ECL prescribed by IFRS 9. For the year ended 31 December 2021, reversal in impairment RMB592,000 was made for the gross amounts of trade receivables (2020: provision for impairment RMB687,000).
- (c) As at 31 December 2021 and 2020, trade receivables were denominated in RMB and their fair value approximated their carrying amounts.
- (d) The maximum exposure to credit risk is the carrying amount of the net receivable balance. The Group does not hold any collateral as security.
- (e) The concentration risk with respect to trade receivables comes from Group A and Company B accounted for 35.0% (2020: 37.1%) and 10.1% (2020: 4.4%) of the Group's trade receivables as at 31 December 2021, respectively.

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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
0–30 days	6,316	5,494
31–60 days	174	599
61–180 days	70	87
181–365 days	1	62
Over 365 days	533	544
	<u>7,094</u>	<u>6,786</u>

(a) As at 31 December 2021 and 2020, the fair value of trade payables approximated their carrying amounts.

10 Dividend

The dividends paid in 2021 and 2020 amounted RMB130,865,000 and RMB60,223,000 respectively. The Board of Directors of the Company proposed on 29 March 2022 a special dividend of HK\$0.02 (equivalent to approximately RMB0.016) per ordinary share, which will be debited to the share premium account, totalling approximately RMB41,945,000. Such dividend is to be approved by the shareholders at the annual general meeting to be held on 6 June 2022. These financial statements do not reflect this dividend payable as a liability as at 31 December 2021.

(a) Dividend paid to ordinary shares

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Special final dividend of 2020 HK\$0.06 (2019: HK\$0.025), equivalent to approximately RMB0.05 (2019: RMB0.023), per ordinary share	135,986	62,788
Less: dividend for shares held for the RSU Schemes	<u>(5,121)</u>	<u>(2,565)</u>
	<u>130,865</u>	<u>60,223</u>

(b) Dividends not recognized as at 31 December 2021

	Year ended 31 December 2021 RMB'000
Proposed special dividend of HK\$0.02, equivalent to approximately RMB0.016 per ordinary share	44,339
Less: dividend for shares held for the RSU Schemes	(2,394)
	<hr/> 41,945 <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 2021. Based on its review and discussions with the management, the Audit Committee was satisfied that the Group’s audited 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 2021.

Review of Preliminary Announcement

The figures set out in the preliminary announcement in respect of the Group’s consolidated balance sheet, consolidated statement of comprehensive income, consolidated income statement and the related notes thereto to the audited consolidated financial statements of the Group for the year ended 31 December 2021 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.

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 10 to 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 of all the Directors and the Directors have confirmed that they have complied with the Model Code during the year ended 31 December 2021.

The Company has also established written guidelines no less exacting than the Model Code (the “**Employees Written Guidelines**”) for 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 the employees was noted by the Company during the year ended 31 December 2021.

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 2021, the Company has applied the principles and complied with all the code provision as set out in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules, save and except for code provision A.2.1 and E.1.2 with details set out below.

Code provision A.2.1

Code provision A.2.1 of the CG Code provides that the responsibilities between the chairman and chief executive officer should be segregated and should not be performed by the same individual. Mr. DAI Jian currently acts as the chief executive officer (“**CEO**”) and chairman of the Company (“**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.

Code provision E.1.2

Code provision E.1.2 of the CG Code provides that the chairman of the board should attend the AGM. Since the Chairman was on a business trip and in light of the travel restrictions imposed due to COVID-19, he was not able to attend the 2021 AGM held on 25 June 2021.

The Company will continue to enhance its corporate governance practices to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with the Corporate Governance Code and align with the latest development.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2021, the Group did not purchase, sell or redeem any of the listed securities of the Company.

Annual General Meeting and Closure of Register of Members

The AGM is scheduled to be held on Monday, 6 June 2022. 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 Tuesday, 31 May 2022 to Monday, 6 June 2022, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 30 May 2022.

Special Dividend and Closure of Register of Members

The Board recommended the payment of a special dividend of HK\$0.02 (equivalent to approximately RMB0.016) per Share for the year ended 31 December 2021, subject to the approval of the Shareholders at the AGM. The proposed dividend is expected to be payable on Thursday, 28 July 2022 to the Shareholders whose names appear on the Register of Members as of Friday, 8 July 2022.

The Register of Members will be closed from Wednesday, 6 July 2022 to Friday, 8 July 2022, 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 transfers documents accompanied by the relevant share certificates must be lodged for registration with the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 5 July 2022.

Publication of 2021 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 2021 will be dispatched to the Shareholders and 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 March 2022

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 and Mr. MA Xiaofeng.