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## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the “**Board**”) of directors (the “**Directors**”) of BAIOO Family Interactive Limited (“**BAIOO**” or the “**Company**” or “**we**”) is pleased to announce the audited consolidated results of the Company, its subsidiaries and its controlled entity in the People’s Republic of China (“**PRC**”) (the “**Group**”) for the year ended 31 December 2022 together with the comparative figures of last year, as follows:

### Financial Summary

#### INCOME STATEMENT HIGHLIGHT

	For the year ended		
	31 December		
	2022	2021	Year-over-year
	RMB’000	RMB’000	change %
Revenue	938,759	883,908	6.2%
Gross profit	360,628	400,559	(10.0%)
Operating (loss)/profit	(37,082)	29,706	(224.8%)
Non-International Financial			
Reporting Standards (“ <b>IFRSs</b> ”) Measures			
— Adjusted Net Profit <sup>(1)</sup> (unaudited)	61,744	79,176	(22.0%)
— Adjusted EBITDA <sup>(2)</sup> (unaudited)	37,485	105,828	(64.6%)

#### 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 (credit)/expense, depreciation of property and equipment, right-of-use assets and amortization of intangible assets.

## BALANCE SHEET HIGHLIGHT

	As of 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Assets</b>		
Non-current assets	476,709	422,420
Current assets	1,579,558	1,571,922
<b>Total assets</b>	<u>2,056,267</u>	<u>1,994,342</u>
<b>Equity and Liabilities</b>		
Total equity	1,698,084	1,682,640
Non-current liabilities	52,574	63,270
Current liabilities	305,609	248,432
<b>Total liabilities</b>	<u>358,183</u>	<u>311,702</u>
<b>Total equity and liabilities</b>	<u>2,056,267</u>	<u>1,994,342</u>

# Management Discussion and Analysis

## BUSINESS OVERVIEW

For the year ended 31 December 2022 (the “Year”), BAIIO maintained a steady and progressive pace of development and made further advances in the personal computer (“PC”) and mobile gaming business. During the Year, BAIIO remained focusing on niche game genres, further consolidating the Group’s popularity and leadership in these market segments. Meanwhile, BAIIO proactively bolstered its innovation and research and development (“R&D”) capabilities, with the goal of growing the international audience for BAIIO’s intellectual property (“IP”) and providing more diversified and interesting game content to users around the world.

BAIOO is committed to focusing on the development of the three core values of “IP companionship, immersive experience and casual social interaction” in three niche game genres: female-oriented games, pet collection and raising games, and “nijigen” (「二次元」) games; its core mobile and web games in these segments experienced stable operations and maintained their good reputation among users during the Year. In particular, BAIIO’s signature mobile games, namely Aobi Island: Dreamland (「奧比島：夢想國度」), Shiwuyu (「食物語」), and Aola Star Mobile (「奧拉星手遊」) continued to be well-received by users. To improve users’ game experience, BAIIO has continuously provided game content updates and launched new themed game editions, while also linking its mobile games with different brands. Taking Aobi Island: Dreamland (「奧比島：夢想國度」) as an example, BAIIO launched the brand crossover edition, “Aobi Island × Chi Forest” (「奧比島 × 元氣森林」), demonstrating its focus on integrating trendy brands and real-life elements relevant to young people into a game experience of the Aobi Island community. During the Year, BAIIO also cooperated with other famous brands such as “Harper’s BAZAAR” magazine, Huawei, and Apple, and held numerous offline activities to spark new and different sector dynamics in BAIIO’s IP.

BAIOO has continued to champion China’s priceless traditional cultural heritage, including by incorporating traditional Chinese art into its game content. During the Year, the Group cooperated with numerous cultural organizations and classic animation IPs to further enhance the popularity of BAIIO’s brand and IP. Aola Star Mobile (「奧拉星手遊」) promoted Chinese traditional culture in several ways. For example, it cooperated with the traditional Chinese animation series “The Legend of Hei” (「羅小黑戰記」) to launch a special edition of “Home Together” (「一起回家」) during the Spring Festival, creating a fresh new game experience for users. In addition, it cooperated with the Guangdong Provincial Institute of Arts and Crafts to launch an “Aola Star × Cloisonne” (「奧拉星 × 景泰藍」) crossover edition called “Spring of Cloisonne” (「千藍鬥春」), integrating elements of the traditional cloisonne production process into the game in order to carry forward the legacy of ancient traditional Chinese arts and crafts. Moreover, it cooperated with the Guangdong Lingnan Folk Arts and Crafts Research Institute to jointly launch a Tai Chi crossover promotional film, enabling the younger generations to appreciate the charm of Tai Chi.

Regarding BAIOO’s another signature mobile games “Shiwuyu” (「食物語」), the Group presented a series of crossover and promotional activities during the Year, including the launch of branded game content in cooperation with Chinese traditional style animation IP “White Cat Legend” (《大理寺日誌》); expanded cooperation and brand promotion with Zhouheiya (「周黑鴨」); and the launch of a brand crossover with the hot pot brand Coucou (「湊湊」). The co-branded set meal was launched in 25 Coucou hot pot stores across the country. To celebrate the third launch anniversary of “Shiwuyu”, the Group created a series of activities for users, including the joint launch of the “Shiwuyu” anniversary theme song CD with QQ Music; the launch of “Lantern made of fish scales” (魚鱗彩燈) content related to the national intangible cultural heritage of the Foshan lantern; the third annual fan art contest, as well as a live third anniversary celebration held on the famous domestic video site Bilibili. During this time, “Shiwuyu” reached the No. 1 spot on other mobile gaming list and also was a top search term on Weibo. In order to achieve wider penetration for “Shiwuyu” among young people, BAIOO launched the “Shiwuyu” animated mini-series “Young Master is Out Today” (《今天少主不在家》), which received unanimous acclaim from players following its broadcast premiere.

Since the launch of Legend of Aoqi Mobile (「奧奇傳說手遊」), the pet collection and raising game, BAIOO has injected the game with cultural elements covering the intangible cultural heritage of southern Guangdong by introducing environments such as the Cantonese Opera House and the Lantern House, where players can learn about and experience the charm of Cantonese opera culture and traditional lantern-making practices. In addition, the Group cooperated with Guangdong Radio and Television Station’s Pearl River Channel and the Guangdong Institute of Arts and Crafts to launch a series of “Cantonese Opera + Colored Lanterns” (「粵劇 + 彩燈」) promotional activities, and cooperated with the first cultural and creative variety show in the Greater Bay Area of Guangdong, Hong Kong and Macau, “Cantonese Products in Chinese Style” (《國潮粵品》), to produce a crossover TV show related to intangible cultural heritage.

During the Year, BAIOO’s outstanding performance won the attention and recognition of both industry peers and the capital market. In particular, BAIOO’s mobile game Aobi Island: Dreamland (「奧比島：夢想國度」) won a number of industry awards, including being named “Popular IP Game of the Year” at the Golden Gyroscope Awards, “Best Leisure Game of 2022” at the Golden Tea Awards, “Excellent Product of 2022” at the Game Appreciation Award, “2022 Most Popular Online Games” at the Golden Diamond Award and “Top 10 Games of the Year 2022 Outstanding Mobile Games Nomination” at the China Game Industry Annual Conference “Top 10 Games of the Year” Awards. BAIOO’s mobile game “Shiwuyu” received the “Top 10 Games of the Year 2022 Outstanding Chinese Traditional Culture Games Nomination” at the China Game Industry Annual Conference “Top 10 Games of the Year” Awards. BAIOO’s subsidiary, Guangzhou Baitian Information Technology Ltd., was also honored with the 21st China Internet “2021–2022 China Internet Industry Self-discipline Contribution and Public Welfare Award” and the 7th Guangzhou Internet + Industry Investment and Financing “Top 20 Internet Enterprises in Guangzhou” award, while BAIOO won the “Best Medium and Small Market Value Company” award at the 6th Golden Hong Kong Stock Awards and the “Best Capital Market Communication Award” at the 6th China Excellent IR Awards. These honors reflect the growing recognition and appreciation of the Group from both the industry and the capital market, as well as overall market confidence in the Group’s long-term development.

In addition to actively expanding its share of the domestic gaming market, BAIIO has also achieved success in several overseas mobile gaming markets. At present, BAIIO's mobile games have been launched and gained popularity in markets including Hong Kong in China, Macau in China, Taiwan in China, Japan, South Korea, Singapore, Malaysia, Europe and the United States. During the Year, BAIIO continuously updated and optimized the content of its localized games, allowing more overseas users to enhance their understanding of Chinese culture through experiencing BAIIO's games.

## **INDUSTRY TRENDS**

Since the implementation of the Chinese government policy aimed at preventing online gaming addiction and protecting underage users, the gaming industry has continued to be affected by policy factors. The industry downturn which began in the second half of 2021 basically continued throughout 2022.

However, according to the 2022 Progress Report on the Protection of Minors in China's Game Industry jointly released by the China Audio-Video and Digital Publishing Association ( 中國音數協遊戲工委 ), the China Game Industry Research Institute ( 中國遊戲產業研究院 ), and CNG ( 伽馬數據 ), more than 70% of minors spend less than 3 hours gaming per week, indicating that the problem of gaming addiction among minors has been basically solved. In addition, the Chinese game market has shown signs of bottoming out, with CNG's "October 2022 Game Industry Report" reporting that sales revenue of the Chinese game market grew by 4.66% to RMB19,768 million in October 2022, representing the first instance of month-on-month growth in nearly six months.

In April 2022, the National Press and Publication Administration restarted the release of game publishing licenses, creating favorable conditions for the industry's orderly recovery. Although the authorities suspended the issuance of licenses temporarily in October 2022, the approvals were re-started from November 2022 and continued through December 2022. It is evident that the atmosphere of China's game market is gradually improving, and the industry has resumed its trend of steady development.

Given the further saturation of the game market and the strengthening trend toward higher-quality gaming experiences, exploring users' segmentation needs has become the main focus of market competition. BAIIO has always concentrated on cultivating niche gaming markets and actively pursuing cooperation with leading brands to inject vitality into its IP and improve the user experience. Leveraging its in-depth insight into niche gamers and its strengths in operations and R&D, BAIIO will further consolidate its leading position and brand influence in its niche gaming segments.

## OUTLOOK FOR 2023

Looking ahead to 2023, BAIIO will continue to focus on the three core values of “IP companionship, immersive experience and casual social interaction” while intensifying its efforts in the three game genres, namely female-oriented games, “nijigen” (「二次元」) games, and pet collection and raising games. As users’ expectations for game content and quality continue to grow, BAIIO will continuously enrich its game portfolio through its IP strategy, increase its investment in R&D, and strengthen independent game development efforts in order to ensure a steady pipeline of high-quality games and create differentiated game experiences for users around the world.

In addition, the Group will continue to explore new ways to integrate cultural creativity into the gaming experience through its IP super-evolution strategy, carefully incubating IP into the new generation of high-quality games, extending the influence of its IP, and providing users with differentiated and premium IP experience and services.

For example, BAIIO’s mobile game “Shiwuyu” is actively promoting Chinese traditional culture, welcoming the Spring Festival by partnering with Guangcai Intangible Heritage Culture to launch the “Shiwuyu × Guangcai Intangible Cultural Heritage” crossover edition, which presents colorful game activities including New Year’s lantern riddles, related fashion items, and customized woven gold colored porcelain plates. At the same time, Legend of Aoqi Mobile (「奧奇傳說手遊」), together with the Guangdong Lingnan Folk Arts and Crafts Research Institute, launched a New Year’s edition of “Guangdong Awakening Lion” (「廣東醒獅」). It also launched a rich series of colorful cultural heritage-themed content, such as the Intangible Cultural Heritage School’s Awakening Lion Knowledge Workshop, which garnered praise and recognition from many users.

In 2023, the Group also plans to launch a new mobile game in China entitled “Echonox 24/36” (「時序殘響」) (formerly named “Project 24/36”), which is a 3-D urban weird story light strategy game with a unique world view and a strong artistic style. The main theme of the game is a cinematic narrative expression, fully playing a sense of weird atmosphere. The mobile game released its latest promotional video on 31 August 2022. The video’s release triggered an enthusiastic response and discussion among anime fans, and the game topped Bilibili’s game reservation list for three days. At the same time, BAIIO will also actively expand its overseas market and will usher the launch of a “Shiwuyu” international server and an overseas version of Aobi Island: Dreamland (「奧比島：夢想國度」) in 2023.

In the future, in addition to capturing development opportunities at home and abroad, BAIIO will continue to deepen its roots in Chinese culture, integrate more Chinese elements into its products, continue to provide users with innovative, interesting, and beneficial entertainment content, and actively demonstrate Chinese characteristics, Chinese spirit, and Chinese wisdom to both the younger generation in China and the wider world. In addition, the Group will adhere to corporate social responsibility practices by integrating more traditional Chinese culture into its game content, with the goal of providing healthy game environments for young people in China and around the world and contributing to the long-term health and sustainable development of the industry.

## OPERATION INFORMATION

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

	For the year ended		
	31 December 2022 <sup>(1)</sup>	31 December 2021	Year-over-year change
	<i>(QAA &amp; QPA in millions, ARQPA in RMB)</i>		
Average QAA <sup>(2)</sup>	<b>10.1</b>	10.0	1%
Average QPA <sup>(3)</sup>	<b>1.6</b>	1.6	—
Average quarterly ARQPA <sup>(4)</sup>	<b>151.9</b>	140.0	8.5%

*Notes:*

1. As of 31 December 2022, 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」), legend of Aoqi Mobile (「奧奇傳說手遊」) and Aobi Island Mobile (「奧比島手遊」).
2. The average QAA for online virtual worlds was approximately 10.1 million for the year ended 31 December 2022, representing an increase of approximately 1% compared with the year ended 31 December 2021. The increase was primarily due to new mobile game Aobi Island Mobile launched in the third quarter of 2022.
3. The average QPA for online virtual worlds was approximately 1.6 million for the year ended 31 December 2022, same with the year ended 31 December 2021.
4. The average quarterly ARQPA for online virtual worlds was approximately RMB151.9 for the year ended 31 December 2022, representing an increase of approximately 8.5% compared with the year ended 31 December 2021. The increase was primarily due to the good performance of Aobi Island Mobile debuted.

## OVERALL BUSINESS AND FINANCIAL PERFORMANCE

The following table sets forth our consolidated income statement for the years ended 31 December 2022 and 2021, respectively:

	For the year ended			
	31 December 2022 RMB'000	% of Revenue	31 December 2021 RMB'000	% of Revenue
<b>Revenue</b>	<b>938,759</b>	<b>100.0</b>	883,908	100.0
Online entertainment business	937,849	99.9	882,594	99.9
Other businesses	910	0.1	1,314	0.1
<b>Cost of revenue</b>	<b>(578,131)</b>	<b>(61.6)</b>	(483,349)	(54.7)
<b>Gross profit</b>	<b>360,628</b>	<b>38.4</b>	400,559	45.3
Selling and marketing expenses	(81,800)	(8.7)	(105,127)	(11.9)
Administrative expenses	(89,924)	(9.6)	(91,458)	(10.3)
Research and development expenses	(230,021)	(24.5)	(173,296)	(19.6)
Net impairment losses on financial assets	(1,071)	(0.1)	(1,284)	(0.1)
Other income	3,734	0.4	2,845	0.3
Other gains — net	1,372	0.1	4,429	0.5
Loss on disposal of equity interest in an associate	—	—	(6,962)	(0.8)
<b>Operating (loss)/profit</b>	<b>(37,082)</b>	<b>(4.0)</b>	29,706	3.4
Finance income — net	39,717	4.2	24,743	2.8
Share of loss of an associate	—	—	(3,115)	(0.4)
<b>Profit before income tax</b>	<b>2,635</b>	<b>0.3</b>	51,334	5.8
Income tax credit/(expense)	7,704	0.8	(24,428)	(2.8)
<b>Profit for the year</b>	<b>10,339</b>	<b>1.1</b>	26,906	3.0



The following table sets forth our consolidated statement of comprehensive income for the years ended 31 December 2022 and 2021, respectively:

	<b>31 December 2022 RMB'000</b>	<b>For the year ended % of Revenue</b>	<b>31 December 2021 RMB'000</b>	<b>% of Revenue</b>
<b>Profit for the year</b>	<b>10,339</b>	<b>1.1</b>	26,906	3.0
Other comprehensive income, net of tax	—	—	—	—
<b>Total comprehensive income for the year</b>	<b><u>10,339</u></b>	<b><u>1.1</u></b>	<b><u>26,906</u></b>	<b><u>3.0</u></b>
<b>Other financial data</b>				
Adjusted net profit <sup>(1)</sup> (unaudited)	<b>61,744</b>	<b>6.6</b>	79,176	9.0
Adjusted EBITDA <sup>(2)</sup> (unaudited)	<b><u>37,485</u></b>	<b><u>4.0</u></b>	<b><u>105,828</u></b>	<b><u>12.0</u></b>

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 (credit)/expense, depreciation of property and equipment and right-of-use assets and amortization of intangible assets.

## Revenue

Our revenue for the year ended 31 December 2022 was RMB938.8 million, representing a 6.2% increase from RMB883.9 million for the year ended 31 December 2021.

*Online Business:* Our online business revenue for the year ended 31 December 2022 was RMB937.8 million, a 6.3% increase from RMB882.6 million for the year ended 31 December 2021. The increase was primarily due to the good performance of Aobi Island Mobile debuted and partly offset by some of existing games declined as a result of life cycle.

*Other Businesses:* Revenue from other businesses for the year ended 31 December 2022 was RMB0.9 million, a 30.8% decrease from RMB1.3 million for the year ended 31 December 2021. The decrease was mainly due to the decrease in licensing services.

## Cost of Revenue

Our cost of revenue for the year ended 31 December 2022 was 578.1 million, a 19.6% increase from RMB483.3 million for the year ended 31 December 2021.

*Online Entertainment Business:* Our online entertainment business cost for the year ended 31 December 2022 was RMB578.0 million, a 19.9% increase from RMB482.2 million for the year ended 31 December 2021. The increase was mainly driven by the increase of third-party revenue sharing.

*Other Businesses:* Cost of other businesses for the year ended 31 December 2022 was RMB0.1 million, a 90.9% decrease from RMB1.1 million for the year ended 31 December 2021. 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 2022 was RMB360.6 million, compared with RMB400.6 million for the year ended 31 December 2021. Gross profit margin was 38.4% for the year ended 31 December 2022, compared with 45.3% for the year ended 31 December 2021. The gross profit margin decrease was mainly due to the proportion of revenue from entrusted third parties mobile games with high revenue sharing increased.

## **Selling and Marketing Expenses**

Our selling and marketing expenses for the year ended 31 December 2022 were RMB81.8 million, a 22.2% decrease from RMB105.1 million for the year ended 31 December 2021. This decrease was primarily due to decrease in promoting and advertising expenses.

## **Administrative Expenses**

Our administrative expenses for the year ended 31 December 2022 were RMB89.9 million, a 1.7% decrease from RMB91.5 million for the year ended 31 December 2021. This decrease was primarily due to the decrease of depreciation on right-of-use assets allocated to administrative expenses.

## **Research and Development Expenses**

Our research and development expenses for the year ended 31 December 2022 were RMB230.0 million, a 32.7% increase from RMB173.3 million for the year ended 31 December 2021. This increase was primarily driven by the Group's strategy to enhance in-house game development capabilities and improve user experience through continuously 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 RMB1.1 million for the year ended 31 December 2022, compared with RMB1.3 million net impairment losses for the year ended 31 December 2021. The net impairment losses on financial assets mainly comprised impairment on trade and other receivables.

## **Other Income**

The Company recognized RMB3.7 million in other income for the year ended 31 December 2022, representing an increase of 32.1% from RMB2.8 million for the year ended 31 December 2021. The other income was generated from our fulfillment of certain performance, conditions related to government grants.

## **Other Gains — net**

The Company recognized net gain of RMB1.4 million primarily consisted of the interest income of structural deposits for the year ended 31 December 2022, compared with net gain of RMB4.4 million for the year ended 31 December 2021.

## **Loss on Disposal of Equity Interest in an Associate**

There was no loss or gain on disposal of equity interest in an associate for the year ended 31 December 2022, compared with the disposal loss of RMB7.0 million for the year ended 31 December 2021, which was the result of disposing all of our equity interest of investment in Chengdu Constmotion Interactive Entertainment Network Technology Co., Ltd to a third party.

## **Operating (Loss)/Profit**

As a result of the foregoing, our operating loss for the year ended 31 December 2022 was RMB37.1 million, compared with operating profit of RMB29.7 million for the year ended 31 December 2021.

## **Finance Income — net**

We had net finance income of RMB39.7 million for the year ended 31 December 2022, compared with net finance income of RMB24.7 million for the year ended 31 December 2021. Net finance income for the year ended 31 December 2022 primarily consisted of interest income on term deposit and cash and bank balance, as well as exchange gains on cash and bank balance, which was partly offset by interest expenses on lease liabilities.

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

There was no share of loss of an associate for the year ended 31 December 2022, compared to share of loss of RMB3.1 million for the year ended 31 December 2021.

## **Profit before Income Tax**

As a result of the foregoing, we had a profit of RMB2.6 million for the year ended 31 December 2022, compared with a profit of RMB51.3 million for the year ended 31 December 2021.

## Income Tax Credit/(Expense)

Our income tax credit for the year ended 31 December 2022 was RMB7.7 million, representing a 131.6% fluctuation from income tax expense of RMB24.4 million for the year ended 31 December 2021. This change was primarily due to the recognition of deferred tax assets for tax loss of Guangzhou Tianti Network Technology Co., Ltd. during the year.

## Profit for the Year

As a result of the foregoing, we had a profit of RMB10.3 million for the year ended 31 December 2022, compared with a profit of RMB26.9 million for the year ended 31 December 2021.

## Non-IFRS Measure — Adjusted Net Profit/EBITDA

Our adjusted net profit for the year ended 31 December 2022 was RMB61.7 million, representing a 22.1% decrease from net profit of RMB79.2 million for the year ended 31 December 2021. Our adjusted EBITDA for the year ended 31 December 2022 was profit of RMB37.5 million, representing a 64.6% decrease from profit of RMB105.8 million for the year ended 31 December 2021.

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	
	2022	2021
	RMB'000	RMB'000
Profit for the year	10,339	26,906
Add:		
Share-based compensation expense	51,405	52,270
Adjusted net profit	61,744	79,176
Add:		
Depreciation and amortization	23,162	26,967
Finance income — net	(39,717)	(24,743)
Income tax (credit)/expense	(7,704)	24,428
Adjusted EBITDA	37,485	105,828

## LIQUIDITY AND CAPITAL RESOURCES

In 2022, we met our working capital and other capital requirements principally from cash flow generated from our operating activities.

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

	<b>As of 31 December 2022 RMB'000</b>	<b>As of 31 December 2021 RMB'000</b>
Total liabilities	<b>358,183</b>	311,702
Total assets	<b>2,056,267</b>	1,994,342
Gearing ratio <sup>(1)</sup>	<b>17%</b>	16%

*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 2022, our cash and cash equivalents consisted of cash in bank and cash on hand, which amounted to RMB1,303.7 million, compared with RMB1,429.2 million as of 31 December 2021. We had short-term deposits of RMB110.0 million as of 31 December 2022, compared with RMB54.0 million as of 31 December 2021, representing bank deposits which we intend to hold for over three months but less than one year. We had long-term deposits of RMB95.0 million as of 31 December 2022, compared with RMB65.0 million as of 31 December 2021, representing bank deposits which we intend to hold for over one year but less than three years.

As of 31 December 2022, the Group had no restricted cash.

The effective interest rate per annum for cash in bank balances and deposits as of 31 December 2022 was 2.3%, the same as of 31 December 2021. Our policy is to place our cash in interest-bearing principal-protected call deposits or deposits with reputable domestic or international banks.

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

<b>Group</b>	<b>As of 31 December 2022 RMB'000</b>	<b>As of 31 December 2021 RMB'000</b>
RMB	<b>1,364,918</b>	1,427,957
US\$	<b>77,203</b>	82,215
HK\$	<b>66,505</b>	37,928
Others	<b>85</b>	90
	<u><b>1,508,711</b></u>	<u>1,548,190</u>

### **Bank Loans and Other Borrowings**

The Group had no bank loans or other borrowings as of 31 December 2022.

### **Treasury Policies**

As of 31 December 2022, the Group had conservative treasury policies in terms of cash and financial management. The Group does not use any financial instruments for hedging purposes.

### **Foreign Currency Risk**

As of 31 December 2022, RMB143.8 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 consisted of payment of construction in progress and purchases of property and equipment, such as servers and computers, and intangible assets, such as computer software. For the year ended 31 December 2022, our total capital expenditures were RMB17.3 million, compared with RMB27.0 million for the year ended 31 December 2021. The following table sets out our expenditures for the periods indicated:

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
<b>Capital Expenditures</b>		
— Payment of construction in progress and other long-term assets	11,185	14,353
— Purchase of property and equipment	3,940	9,542
— Purchase of intangible assets	2,198	3,069
<b>Total</b>	<b>17,323</b>	<b>26,964</b>

## Contingent Liabilities

As of 31 December 2022, the Group did not have any material contingent liabilities, guarantees or litigation against it.

## Charges on Assets

As of 31 December 2022, there were no charges on the Group's assets.

## Material Acquisitions and Future Plans for Major Investment

As of 31 December 2022, the Group 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 2022, the Group had 1,050 full-time employees. The following table sets forth the number of full-time employees by function as of 31 December 2022:

	As of 31 December 2022	
	Number of Employees	% of Total
Operations	29	2.8
Operations for R&D	295	28.1
Development and research	581	55.3
Sales and marketing	82	7.8
General and administration	63	6.0
<b>Total</b>	<b>1,050</b>	<b>100</b>

In addition to salary, we also provide various incentives, including share-based awards, such as share options and restricted shares units (“RSUs”) granted pursuant to the share incentive schemes of the Company, and performance-based bonuses to better motivate our employees. As required by the PRC law, we contribute to housing funds and maintain mandatory social insurance plans for our employees, covering pension, medical, unemployment, work injury and maternity leave. We are required by the PRC law to make contributions to these social insurance plans at specified percentages of the compensation of each employee, up to a maximum amount as may be specified by the local government from time to time. Such social insurance plans include defined contribution retirement benefit plans organized by the relevant governmental authorities. Forfeited contributions by the Group to these plans may not be used by the Group to reduce the existing level of contributions. The total amount of contributions we made for employee social insurance plans for the year ended 31 December 2022 were approximately RMB74.1 million, compared with RMB69.8 million for the year ended 31 December 2021. We incurred staff costs of approximately RMB392.6 million and RMB367.1 million, for the years ended 31 December 2022 and 2021, representing 41.8% and 41.5% 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. There were no outstanding share options under the Existing Pre-IPO Share Option Scheme and outstanding RSUs under the Existing Pre-IPO RSU Scheme as of 31 December 2022. We will continue to grant RSUs to our employees to incentivize them.

Reference is made to the announcement of the Company dated 3 March 2023 (the “**Announcement**”). Unless otherwise specified, capitalised terms defined in the Announcement shall have the same meanings when used in this section. The Existing Pre-IPO RSU Scheme and the Existing Post-IPO RSU Scheme are valid and effective until 30 September 2023 and 1 October 2030 respectively, unless terminated. The Board considered that (i) the Existing Pre-IPO RSU Scheme is going to expire soon; and (ii) any amendments to the Existing Post-IPO RSU Scheme to comply with Chapter 17 of the Listing Rules will be costly and unduly burdensome and such amendments will result in the Existing Post-IPO RSU Scheme expiring on or before 10 April 2024 under Chapter 17 of the Listing Rules. Accordingly, the Board resolved on 3 March 2023 to terminate the Existing RSU Schemes, effective upon the approval of the 2023 RSU Scheme by the shareholders of the Company (the “**Shareholders**”).



The Existing RSU Schemes shall remain in full force and effect to the extent necessary to give effect to the exercise of any awards granted prior to its termination or otherwise as may be required in accordance with the provisions of the Existing RSU Schemes. All awards granted prior to such termination and not vested on the date of termination shall remain valid and, upon the approval of the 2023 RSU Scheme by the Shareholders at the Company's forthcoming annual general meeting ("AGM") to be held on Tuesday, 27 June 2023, such outstanding awards shall be governed by the rules of the 2023 RSU Scheme in lieu of the Existing RSU Schemes.

As at 31 December 2022, there were a total of 118,711,250 RSUs granted by the Company but not yet vested, lapsed or cancelled under the Existing Post-IPO RSU Scheme, representing approximately 4.21% of the issued share capital of the Company.

Please refer to the Announcement for further details.

## **Dividend**

At the Company's AGM on 6 June 2022, Shareholders approved the Board-recommended special dividend of HK\$0.02 (equivalent to approximately RMB0.017) per share for the year ended 31 December 2021. The special dividend was paid to the Shareholders on 28 July 2022.

The Board is pleased to recommend the payment of a special dividend of HK\$0.015 (equivalent to approximately RMB0.013) per share for the year ended 31 December 2022 out of our share premium account, subject to the approval of the Shareholders at the AGM. The proposed special dividend will be payable on Thursday, 20 July 2023 to the Shareholders of whose names appear on the register of members of the Company (the "**Register of Members**") on Thursday, 13 July 2023.

## **CHANGES SINCE 31 DECEMBER 2022**

There were no other significant changes in the Group's financial position or from the information disclosed under management discussion and analysis in this annual result announcement for the year ended 31 December 2022.

# CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2022	2021
	Note	RMB'000	RMB'000
Revenue	3	938,759	883,908
Cost of revenue	4	(578,131)	(483,349)
<b>Gross profit</b>		<b>360,628</b>	<b>400,559</b>
Selling and marketing expenses	4	(81,800)	(105,127)
Administrative expenses	4	(89,924)	(91,458)
Research and development expenses	4	(230,021)	(173,296)
Net impairment losses on financial assets		(1,071)	(1,284)
Other income		3,734	2,845
Other gains — net		1,372	4,429
Loss on disposal of equity interest in an associate		—	(6,962)
<b>Operating (loss)/profit</b>		<b>(37,082)</b>	<b>29,706</b>
Finance income	5	43,343	33,251
Finance costs	5	(3,626)	(8,508)
Finance income — net	5	39,717	24,743
Share of loss of an associate		—	(3,115)
<b>Profit before income tax</b>		<b>2,635</b>	<b>51,334</b>
Income tax credit/(expense)	6	7,704	(24,428)
<b>Profit for the year</b>		<b>10,339</b>	<b>26,906</b>
<b>Attributable to:</b>			
— Shareholders of the Company		10,167	26,435
— Non-controlling interests		172	471
		<b>10,339</b>	<b>26,906</b>
<b>Earnings per share for profit attributable to shareholders of the Company (expressed in RMB per share)</b>	7		
Basic earnings per share		0.0039	0.0101
Diluted earnings per share		0.0038	0.0099

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Profit for the year</b>	<b>10,339</b>	26,906
<b>Other comprehensive income</b>	<u>—</u>	<u>—</u>
<b>Total comprehensive income for the year</b>	<u><b>10,339</b></u>	<u>26,906</u>
<b>Attributable to:</b>		
— Shareholders of the Company	<b>10,167</b>	26,435
— Non-controlling interests	<u>172</u>	<u>471</u>
	<u><b>10,339</b></u>	<u>26,906</u>

# CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2022	2021
	Note	RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment		71,816	25,399
Right-of-use assets		276,304	294,558
Intangible assets		2,820	2,542
Prepayments and other receivables		4,090	18,251
Long-term bank deposits		95,000	65,000
Deferred tax assets		21,679	11,670
Financial assets at fair value through profit or loss		5,000	5,000
		<u>476,709</u>	<u>422,420</u>
<b>Current assets</b>			
Inventories		207	—
Contract costs		71,633	41,203
Trade receivables	8	71,807	29,153
Prepayments and other receivables		22,200	18,376
Short-term bank deposits		110,000	54,000
Cash and cash equivalents (excluding bank overdrafts)		1,303,711	1,429,190
		<u>1,579,558</u>	<u>1,571,922</u>
<b>Total assets</b>		<u><u>2,056,267</u></u>	<u><u>1,994,342</u></u>
<b>EQUITY</b>			
Share capital		8	8
Share premium		1,099,859	1,106,699
Reserves		75,034	62,911
Retained earnings		515,993	506,004
		<u>1,690,894</u>	<u>1,675,622</u>
<b>Capital and reserves attributable to Shareholders of the Company</b>		<u>1,690,894</u>	<u>1,675,622</u>
Non-controlling interests		<u>7,190</u>	<u>7,018</u>
<b>Total equity</b>		<u><u>1,698,084</u></u>	<u><u>1,682,640</u></u>

		<b>As at 31 December</b>	
		<b>2022</b>	2021
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Contract liabilities		<b>15,426</b>	10,442
Lease liabilities		<b>37,148</b>	52,828
		<u><b>52,574</b></u>	<u>63,270</u>
<b>Current liabilities</b>			
Trade payables	9	<b>8,199</b>	7,094
Other payables and accruals		<b>93,498</b>	64,545
Advances from distributors		<b>25,342</b>	32,998
Contract liabilities		<b>159,684</b>	117,010
Income tax liabilities		<b>52</b>	8,854
Lease liabilities		<b>18,828</b>	17,931
Bank overdrafts		<b>6</b>	—
		<u><b>305,609</b></u>	<u>248,432</u>
<b>Total liabilities</b>		<u><b>358,183</b></u>	<u>311,702</u>
<b>Total equity and liabilities</b>		<u><b>2,056,267</b></u>	<u>1,994,342</u>

## 1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable 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 or annual improvements to standards and for the first time for its annual reporting period:

		<b>Effective for annual periods beginning on or after</b>
IFRS 3 (Amendment)	Reference to the Conceptual Framework	1 January 2022
International Accounting Standards (“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

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

		<b>Effective for annual periods beginning on or after</b>
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 are mainly income from sales of peripheral products and other services.

The CODM assesses the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and marketing expenses, administrative expenses, research and development expenses, net impairment losses on financial assets, other income, other gains — 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 years ended 31 December 2022 and 2021, 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 2022 and 2021 are as follows:

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



	Year ended 31 December 2021		
	Online entertainment business <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Total <i>RMB'000</i>
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

Out of revenue from online entertainment business, RMB897,698,000 is related to the provision of consumable and durable virtual items for the year ended 31 December 2022 (2021: RMB839,276,000).

Other profit and loss disclosures:

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

	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 loss of an associate	3,115	—	—	3,115

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 2022 and 2021, the geographical information on the total revenue is as follows:

	Year ended 31 December	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Revenue</b>		
— Mainland China	878,277	791,813
— Outside Mainland China	60,482	92,095
<b>Total</b>	<b>938,759</b>	<b>883,908</b>

Revenue of the Group is mainly derived from online virtual worlds of online entertainment business operations and the Group depends on the success of a limited number of online virtual worlds to generate revenue. As summarized in the table below, the online virtual worlds contributing more than 10.0% of the Group's total revenue account for 76.5% and 93.2% of the total revenue for the years ended 31 December 2022 and 2021, respectively.

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

	<b>Year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
Aobi Island Mobile	<b>40.3%</b>	**
Shiwuyu	<b>15.4%</b>	24.2%
Legend of Aoqi	<b>10.6%</b>	13.0%
Legend of Aoqi Mobile	<b>10.2%</b>	23.9%
Aola Star Mobile	*	21.9%
Aola Star	*	10.2%

\* Game revenue is less than 10% of total revenue.

\*\* Game has not launched in the particular period.

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 2022 (2021: same).

The games were distributed to individual game players through own web-based platform, and Third Party Platforms including Company A and Group B. The revenue generated through Company A and Group B accounted for 40.3% (2021: nil) and 15.0% (2021: 19.3%) of the Group's revenue for the year ended 31 December 2022, respectively. Besides those, no revenue through a single company or group exceeded 10% or more of the Group's revenue for the reporting period.

As at 31 December 2022, the total non-current assets, other than financial assets and deferred tax assets, located in Mainland China and Hong Kong were RMB350,878,000 (31 December 2021: RMB336,295,000) and RMB239,000 (31 December 2021: RMB557,000), respectively.

#### 4 Expenses by nature

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Distribution costs and payment handling fees	432,752	314,215
Employee benefit expenses	392,562	367,071
Promotion and advertising expenses	51,790	76,254
Content expenses	38,867	21,298
Depreciation of right-of-use assets	14,135	18,746
Professional fees	11,621	8,242
Bandwidth and server custody fees	9,386	13,409
Depreciation of property and equipment and amortization of intangible assets	9,027	8,221
Utilities and office expenses	7,118	8,300
Auditor's remuneration	4,113	4,109
— Audit services	3,858	3,800
— Non-audit services	255	309
Travelling and entertainment expenses	1,952	3,254
Operating lease rentals	4	8
Others	6,549	10,103
	<hr/>	<hr/>
<b>Total cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses</b>	<b>979,876</b>	<b>853,230</b>
	<hr/> <hr/>	<hr/> <hr/>

## 5 Finance income — net

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Finance income:</b>		
— Interest income from bank deposits	<b>33,695</b>	33,251
— Net foreign exchange gain	<b>9,648</b>	—
	<u><b>43,343</b></u>	<u>33,251</u>
<b>Finance costs:</b>		
— Interest charge for lease liabilities	<b>(3,626)</b>	(4,494)
— Net foreign exchange loss	<b>—</b>	(4,014)
	<u><b>(3,626)</b></u>	<u>(8,508)</u>
<b>Finance income — net</b>	<u><u><b>39,717</b></u></u>	<u><u>24,743</u></u>

## 6 Income tax credit/(expense)

The income tax credit/(expense) of the Group for the years ended 31 December 2022 and 2021 is analyzed as follows:

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current income tax credit/(expense):</b>		
— Current year	<b>84</b>	(10,795)
— Under-provision in prior year	<b>(2,389)</b>	(20,597)
Deferred income tax credit	<b>10,009</b>	6,964
	<u><u><b>7,704</b></u></u>	<u><u>(24,428)</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:

	<b>Year ended 31 December</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	<b>RMB'000</b>
Profit before income tax	<u>2,635</u>	<u>51,334</u>
Tax calculated at income tax rates applicable to profits of the consolidated entities in their respective jurisdictions	(1,574)	(7,850)
Tax effects of:		
Tax losses and temporary differences for which no deferred tax asset was recognized (Note (a))	(5,375)	(9,907)
Super deduction for research and development expenses (Note (b))	23,857	15,784
Expense not deductible for income tax purposes	(10,687)	(8,705)
Others	<u>1,483</u>	<u>(13,750)</u>
<b>Income tax credit/(expense)</b>	<u><u>7,704</u></u>	<u><u>(24,428)</u></u>

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

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	<b>RMB'000</b>
Tax losses	67,078	16,720
Temporary differences	<u>45,418</u>	<u>48,855</u>
	<u><u>112,496</u></u>	<u><u>65,575</u></u>
Potential tax benefit	<u><u>17,551</u></u>	<u><u>9,908</u></u>

Deferred tax assets relating to certain tax losses and temporary differences are recognized as management considers it is probable that future taxable profit will be available against which the tax losses or temporary differences can be utilized. Thus, the Group did not recognize deferred tax assets of RMB17,551,000 and RMB9,908,000 in respect of accumulated tax losses and temporary differences amounting to RMB112,496,000 for the year ended 31 December 2022 (2021: RMB65,575,000).

*Most of the tax losses of subsidiaries in mainland China will expire after 2025, while the tax losses of the Company and its subsidiaries outside of mainland China have no expire date.*

*(b) PRC corporate income tax*

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

Guangzhou Baitian was qualified as “High and New Technology Enterprise” in 2022 and was entitled to a preferential income tax rate of 15% on its estimated assessable profits for the year ended 31 December 2022 (2021: same).

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

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

Guangzhou Tianti was accredited as a “software enterprise” under the relevant PRC Laws and regulations and enjoyed the preferential tax rate 12.5% for software enterprise for the year ended 31 December 2021.

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

Guangzhou WFOE and Xiaoyunxiong was qualified as “Small Low-Profit Enterprise” in 2022 and 2021, and the provision for income tax was calculated in accordance with the two-tiered tax rates regime.

Under the two-tiered tax rates regime, the first RMB1 million of profits of qualifying corporations were taxed at 2.5% and profits above RMB1 million but within RMB3 million were taxed at 10% for the year ended 31 December 2021.

In 2022, the State Tax Bureau of the PRC issued the Public Notice [2022] No.13 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 first RMB1 million of profits is 2.5% while profits above RMB1 million but within RMB3 million reduces from 10% to 5%, effective from 2022 to 2024.

***Other Subsidiaries***

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

## ***Super Deduction***

According to a policy promulgated by the State Tax Bureau of the PRC that was effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their research and development (“**R&D**”) expenses incurred as tax deductible expenses in determining tax assessable profits (“**Super Deduction**”). Certain qualified subsidiaries of the Group have claimed such Super Deduction in ascertaining its tax assessable profits/(losses) for the years ended 31 December 2022 and 2021. Furthermore, based on Public Notice [2022] No.28 issued by the State Tax Bureau of the PRC on 22 September 2022, the enterprises originally eligible for additional 75% deduction of eligible R&D expenses can further enjoy an increased super deduction ratio of 100% from 1 October 2022 to 31 December 2022 (i.e. the fourth quarter of 2022), certain qualified subsidiaries of the Group have claimed such additional super deduction in the fourth quarter of 2022.

### *(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 2022 are calculated in accordance with the two-tiered profits tax rates regime (2021: 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 profit above HKD2 million is taxed at 16.5%.

### *(e) PRC withholding tax (“**WHT**”)*

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

As at 31 December 2022, no deferred tax liability had been provided for in respect of the PRC withholding tax that would be payable on the unremitted earnings of approximately RMB1,227,247,000 (2021: RMB1,216,360,000). Such earnings are expected to be retained by the subsidiaries in Mainland China and not to be remitted to a foreign investor in the foreseeable future based on management’s estimation of overseas funding requirements.

## 7 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	
	2022	2021
Profit attributable to shareholders of the Company ( <i>RMB'000</i> )	10,167	26,435
Weighted average number of ordinary shares in issue less treasury shares and shares held for RSU Scheme	<u>2,639,811,550</u>	<u>2,616,222,720</u>
Basic earnings per share ( <i>in RMB/share</i> )	<u><u>0.0039</u></u>	<u><u>0.0101</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 2022, the Company had potential ordinary shares, the RSUs (2021: potential ordinary shares, the RSUs), which had to be considered for calculating diluted earnings per share. A calculation is done to determine the number of shares that could have been issued at fair value (determined as the average market price per share for the year) based on the assumed exercise price of the unvested RSUs. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the RSUs are vested. The difference is added to the denominator as the number of shares issued for no consideration.



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

	Year ended 31 December	
	2022	2021
<b>Earnings</b>		
Profit attributable to shareholders of the Company and profit used to determine diluted earnings per share ( <i>RMB'000</i> )	<u>10,167</u>	<u>26,435</u>
<b>Weighted average number of ordinary shares</b>		
Weighted average number of ordinary shares in issue less treasury shares and shares held for RSU Scheme	2,639,811,550	2,616,222,720
Adjustments for:		
— RSUs	<u>56,383,994</u>	<u>62,166,798</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u>2,696,195,544</u>	<u>2,678,389,518</u>
Diluted earnings per share (in RMB/share)	<u><u>0.0038</u></u>	<u><u>0.0099</u></u>

## 8 Trade receivables

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Receivables from third parties	<b>72,135</b>	29,526
Less: allowance for impairment	<b>(328)</b>	(373)
	<b><u>71,807</u></b>	<u>29,153</u>

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

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0–30 days	<b>62,931</b>	16,894
31–60 days	<b>6,056</b>	3,023
61–90 days	<b>3,006</b>	760
91–180 days	<b>40</b>	8,709
181–365 days	<b>73</b>	109
Over 365 days	<b>29</b>	31
	<b><u>72,135</u></b>	<u>29,526</u>

- (b) The Group applies the simplified approach to provide for expected credit loss (“ECL”) prescribed by IFRS 9. For the year ended 31 December 2022, reversal in impairment RMB45,000 was made for the gross amounts of trade receivables (2021: reversal in impairment RMB592,000).
- (c) As at 31 December 2022, trade receivables were mainly denominated in RMB and their fair value approximated their carrying amounts (2021: the same).
- (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 Company A and Group B accounted for 64.9% (2021: nil) and 12.6% (2021: 35.0%) of the Group’s trade receivables as at 31 December 2022, 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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
0–30 days	7,220	6,316
31–60 days	308	174
61–180 days	569	70
181–365 days	42	1
Over 365 days	60	533
	<u>8,199</u>	<u>7,094</u>

As at 31 December 2022 and 2021, the fair value of trade payables approximated their carrying amounts.

## 10 Dividend

The dividends paid in 2022 and 2021 amounted RMB45,087,000 and RMB130,865,000 respectively. The Board of Directors of the Company proposed on 29 March 2023 a special dividend of HK\$0.015 (equivalent to approximately RMB0.013) per ordinary share, which will be debited to the share premium account, totalling approximately RMB35,575,000. Such dividend is to be approved by the Shareholders at the AGM on 27 June 2023. These financial statements do not reflect this dividend payable as a liability as at 31 December 2022.

### (a) Dividend paid to ordinary shares

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Special dividend of 2021		
— HK\$0.02 (2020: HK\$0.06), equivalent to approximately RMB0.017 (2020: RMB0.05), per ordinary share	47,109	135,986
Less: dividend for shares held for the RSU Schemes	(2,022)	(5,121)
	<u>45,087</u>	<u>130,865</u>

**(b) Dividend not recognized as at 31 December 2022**

	<b>As at 31 December 2022 RMB'000</b>
Proposed special dividend of HK\$0.015, equivalent to approximately RMB0.013 per ordinary share	<b>37,823</b>
Less: dividend for shares held for the RSU Schemes	<b>(2,248)</b>
	<hr/> <b>35,575</b> <hr/>

**Audit Committee and Review of Financial Statements**

The audit committee of the Company (the “**Audit Committee**”) has reviewed the accounting principles and practices adopted by the Group and discussed with the management regarding auditing, risk management, internal control and financial reporting matters. The Audit Committee has also reviewed the Group’s annual results for the year ended 31 December 2022. 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 2022.

**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 for the year ended 31 December 2022 have been agreed by the Company’s external auditor, PricewaterhouseCoopers (“**PwC**”), Certified Public Accountants, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PwC on the preliminary announcement.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) as its own securities dealing code to regulate Directors’ dealings in the Company’s securities and other matters covered by the Model Code.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code during the year ended 31 December 2022.

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 2022.

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

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

Throughout the year ended 31 December 2022, the Company has applied the principles and complied with all the code provisions as set out in the Part 2 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “**Corporate Governance Code**”), save and except for code provision C.2.1 with details set out below.

### *Code provision C.2.1*

Code provision C.2.1 of Part 2 of the Corporate Governance 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 the chairman (“**Chairman**”) of the Company. Mr. DAI, as one of the founders of the Group, is instrumental to the Group’s growth and business expansion since 2009. The Board believes that vesting the roles of both Chairman and CEO in the same person has the benefit of ensuring 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.

In light of the amendments to the Corporate Governance Code which came into effect on 1 January 2022 and the additional requirements imposed on the corporate governance reports for the financial year commencing on or after 1 January 2022, the Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the latest version of the Corporate Governance Code. The Company will report its compliance with the latest version of the Corporate Governance Code in the corporate governance report of the Company for the year ended 31 December 2022.

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

During the year ended 31 December 2022, the Company repurchased a total of 2,650,000 ordinary shares of the Company (“Shares”) on the Stock Exchange at an aggregate consideration (before expenses) of HK\$1,414,860. All the repurchased shares were subsequently cancelled. Particulars of the repurchases during the year ended 31 December 2022 are as follows:

Month	Number of Shares repurchased	Purchase price per Share		Aggregate consideration (before expenses) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
July	2,650,000	0.55	0.52	1,414,860
<b>Total</b>	<u>2,650,000</u>			<u>1,414,860</u>

The Directors believe that the repurchases of Shares are in the best interests of the Company and its Shareholders and would lead to an enhancement of the earnings per Share. Save as disclosed above, neither the Company nor any member of the Group has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2022.

## AGM and Closure of Register of Members

The AGM is scheduled to be held on Tuesday, 27 June 2023. 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 Wednesday, 21 June 2023 to Tuesday, 27 June 2023, both days inclusive, during which period no transfer of shares will be registered, in order to determine the identity of the Shareholders who are entitled to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, unregistered holders of shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong (the “**Hong Kong Share Registrar**”), Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 20 June 2023.

## Special Dividend and Closure of Register of Members

The Board recommended the payment of a special dividend of HK\$0.015 (equivalent to approximately RMB0.013) per share for the year ended 31 December 2022, subject to the approval of the Shareholders at the AGM. The proposed special dividend is expected to be payable on Thursday, 20 July 2023 to the Shareholders whose names appear on the Register of Members as of Thursday, 13 July 2023.

The Register of Members will be closed from Tuesday, 11 July 2023 to Thursday, 13 July 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 10 July 2023.

## **Publication of 2022 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 2022 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 2023

*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.*