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BAIOO Family Interactive Limited

百奧家庭互動有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2100)

UNAUDITED KEY OPERATING METRICS FOR THE THREE MONTHS ENDED 31 MARCH 2017

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Unaudited Key Operating Metrics for the Three Months Ended 31 March 2017

The board of directors (the “**Board**”) of BAIOO Family Interactive Limited (“**BAIOO**” or the “**Company**”, together with its subsidiaries and PRC operating entity, the “**Group**”) today announces the Group’s unaudited key operating metrics for the first quarter of 2017:

- Quarterly active accounts (“**QAAs**”)¹ were approximately 26.3 million, down 50.6% from 53.2 million in the same period of 2016.
- Quarterly paying accounts (“**QPAs**”)² were 1.7 million, down 19.0% from 2.1 million for the same period in 2016.
- Average revenue per quarterly paying accounts (“**ARQPA**”)³ was RMB48.6, up 28.2% from RMB37.9 for the same period in 2016.

In the first quarter of 2017, the Group’s efforts in expanding its mobile game portfolio in response to the growing market trend began to bear fruit, as two mobile games launched in the fourth quarter of 2016 started to contribute revenue. In addition, the continued focus on “fun” in order to deliver engaging content for its users effectively supported the Group’s profitability with a year-on-year increase in its ARQPA. However, the Group recorded a year-on-year decline in QAA, primarily due to the disposal of its virtual world *Amazing Combat* (「特戰英雄」) at the end of last year, which generated high user numbers but low profitability and intellectual property (“**IP**”) value. The disposal was in line with the Group’s IP-centered strategies. Despite the overall QAA decrease, the Group was able to retain core users and even increase user stickiness with a further optimized IP portfolio. Furthermore, as the Group has been strategically moving away from heavy monetization and continues to focus on “fun”, QPA has also declined on a year-on-year basis. The

¹ QAAs, which is defined as a registered account that was accessed at least once during a quarter.

² QPAs, which refers to the number of paying accounts for the virtual worlds in web-based platforms and mobile games in the relevant quarter.

³ ARQPA is calculated as revenue from the virtual worlds in web-based platforms and mobile games in a particular period divided by the total number of QPAs in that period.

Group will continue to emphasize “fun” for all virtual worlds and retain QAA and QPA metrics by implementing its IP-centered strategies, where the Group will seek to increase the exposure of its gaming IPs through various channels to promote the online entertainment business.

As part of the Company’s IP-centered strategies, BAIIO has put in place plans to leverage its well-established comics IP portfolio to develop various multimedia franchises. In April 2017, BAIIO announced a strategic cooperation with Tencent Interactive Entertainment in respect of *XiXingJi* (「西行紀」) IP. Through the development of the *XiXingJi* IP starting from comics, animations, movies and television series to games in sequence with strengthened efforts for each phase to enhance the value of such IP, each party will share revenue generated therefrom according to respective shares. The Group believes that this represents a landmark in expanding its coverage throughout the whole value chain from games to pan-entertainment to bring its business to the next level.

The Group’s ability to incubate and develop IPs was shown through the solid performance delivered by the comics-adapted mobile game *Zaowufaze* (「造物法則」) in the first quarter of 2017. The Group’s mobile game products have also been well-recognized by overseas players and successfully entered a number of overseas markets, including Hong Kong, Macao, Taiwan, Korea and Southeast Asia.

Looking forward, as the Group’s existing virtual worlds continue to operate stably with a strong pipeline of both gaming products and early childhood interactive education products, the Board believes that the Group’s IP-centered strategies based upon high quality and “fun” IPs will facilitate the Company in building a sustainable and profitable business in the long term.

In terms of product pipeline, the Group plans to release two web games and one mobile game during the first half of 2017. One of the web games features various IPs from the Group’s portfolio of games and comics, offering a unique leisure and social experience to users, especially the Group’s existing virtual worlds’ and comic fans. The other PC product is a well-designed music-based dance game, with participation from a leading online social platform in China. The new mobile game product, the name of which is yet to be determined, leverages the IP of *TunTianJi* (「吞天記」), an online fantasy novel owned by the Group. The Group is confident it will be able to monetize the popularity of the *TunTianJi* IP through such product as such novel has attracted tens of millions of readers.

In addition to the above gaming products, the Group plans to further explore other potential fields of edutainment in the near future, and in particular, interactive early childhood educational products targeting children from the ages of 3 to 6. As part of the Group’s IP-centered strategies revolving around the cartoon character “*Little Cloud Bear Bei Bei*” (「小雲熊北北」), BAIIO plans to launch a series of innovative gaming products, from online to offline, including a well-designed drawing book product and interactive toys, in the first half of 2017.

The operating data disclosed above has been prepared on the basis of internal management records. It has not been audited or reviewed by external auditors. Such data disclosed may be subject to change and may differ from the audited or unaudited combined financial statements to be published by the Group on an annual or half-yearly basis. As such, the above data is provided for investors' reference only. Investors are advised not to place any reliance on the information disclosed, and to exercise due caution when dealing in the securities of the Company. When in doubt, investors are advised to seek advice from professional financial advisers.

On behalf of the Board
BAIOO Family Interactive Limited
DAI Jian
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 2 May 2017

As at the date of this announcement, the executive directors of the Company are Mr. DAI Jian, Mr. WU Lili, Mr. LI Chong and Mr. WANG Xiaodong; the independent non-executive directors of the Company are Ms. LIU Qianli, Dr. WANG Qing and Mr. MA Xiaofeng.