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ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the “**Board**”) of directors (the “**Directors**”) of BAIIOO 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 2020 together with the comparative figures of last year, as follows:

Financial Summary

INCOME STATEMENT HIGHLIGHT

	For the year ended		Year-over-year change %
	2020	2019	
	RMB'000	RMB'000	
Revenue	1,128,967	680,598	65.9%
Gross profit	429,347	362,146	18.6%
Operating profit	281,624	159,837	76.2%
Non-International Financial Reporting Standards (“ IFRSs ”) Measures			
— Adjusted Net Profit ⁽¹⁾ (unaudited)	289,214	151,416	91.0%
— Adjusted EBITDA ⁽²⁾ (unaudited)	317,056	164,193	93.1%

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 and right-of-use assets and amortization of intangible assets.

BALANCE SHEET HIGHLIGHT

	As of 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Assets		
Non-current assets	355,011	220,573
Current assets	1,725,873	1,712,162
Total assets	<u>2,080,884</u>	<u>1,932,735</u>
Equity and Liabilities		
Total equity	1,734,329	1,550,441
Non-current liabilities	81,075	95,413
Current liabilities	265,480	286,881
Total liabilities	<u>346,555</u>	<u>382,294</u>
Total equity and liabilities	<u>2,080,884</u>	<u>1,932,735</u>

Management Discussion and Analysis

BUSINESS OVERVIEW

For the year ended 31 December 2020 (the “Year”), BAIOO continued to experience steady growth in the personal computer (“PC”) and mobile game areas. In particular, BAIOO remained committed to developing its mobile game business at home and abroad, focusing on niche game genres, deepening its development in female-oriented games, pet collection and raising games, and “nijigen” (「二次元」) games, which further consolidated the Company’s leading position in these market segments with its rich product portfolio. Meanwhile, BAIOO proactively improved its capabilities in technology research and development and innovation, and strived to satisfy the increasing demands of users with an aim to provide more diversified and interesting game products and services to users around the world.

During the Year, revenue from BAIOO’s core mobile games as a percentage of total revenue continued to increase, while web games maintained steady operations and also contributed to the revenue. In addition, leveraging its strong capabilities in research and development (“R&D”), user insights and content innovation, BAIOO successfully attracted elder users that have higher spending power, which in turn effectively expanded the Company’s user base and revenue. At present, BAIOO’s core user base is generation Z players aged 15 to 25. This group of users has strong buying power, diversified interests, a strong sense of belonging and are active in their interest groups.

BAIOO’s mobile games performed well during the Year. The Company’s three signature mobile games, Shiwuyu (「食物語」), Aola Star Mobile (「奧拉星手遊」) and Zaowufaze II (「造物法則二：先鋒英雄」), were well received by users and have won numerous industry awards. By constantly updating in-game content and launching versions with new themes, BAIOO was able to offer more diversified and higher quality gaming experiences to users.

Shiwuyu (「食物語」) is primarily designed for women and features traditional Chinese cuisine and promotes local culture. The game was well received by both users and the market since its launch. During the Year, with an aim to offer a more novel and interesting gaming experience to users, BAIOO continued to update in-game content and launch new versions with new game themes, including a Peking Opera-themed version. Aola Star Mobile (「奧拉星手遊」), another core mobile game of BAIOO, is a pet combat mobile game adapted from BAIOO’s original web game intellectual properties (“IP”) with the same title. Since the title was launched over a year ago, BAIOO has been constantly optimizing the game. Its rating on the game platform TapTap continued to rise, and generated positive comments and acclaim among users and the industry. Zaowufaze II (「造物法則二：先鋒英雄」), a nijigen adventure game, is a sequel of Zaowufaze (「造物法則」), one of BAIOO’s most successful original comic IP.

Operating metrics, including user retention and user activities, for the three core mobile games remained at steady and high levels, as BAIOO continued to upgrade and operate the games. At the same time, BAIOO’s overseas business also performed particularly well as the Company expanded its international presence, enabling more users around the world to experience BAIOO’s games and understand the Chinese culture. Leveraging its strong user insights and solid localization strategies, BAIOO added new features and characters to all of the game versions that were released in different regions, which successfully attracted more local users.

At present, BAIIO's mobile games have been launched in Hong Kong, Macau, Taiwan, Japan, South Korea, Europe and the United States. In particular, Shiwuyu (「食物語」) was launched in Hong Kong, Macau and Taiwan in February 2020, Singapore and Malaysia in May 2020, and in Japan in November 2020; Zaowufaze II (「造物法則二：先鋒英雄」) was launched in Hong Kong, Macau and Taiwan in April 2020, Japan in July 2020, and in South Korea in September 2020; and Aola Star Mobile (「奧拉星手遊」) was launched in Europe and the United States in October 2020. The three mobile games were well received by local users after their respective launches, which significantly improved the revenue of BAIIO's overseas business. Revenue from the overseas business as a percentage of total revenue increased significantly from 4.0% in 2019 to 22.6% in 2020, demonstrating the initial success of BAIIO's internationalization strategy.

BAIOO is committed to strengthening its capabilities in areas such as art and content creation as it continues to expand its domestic and overseas businesses, and as demands from the game market become increasingly diversified. In 2020, BAIIOO increased its investments in R&D and recruited 178 game developers, who focus on updating game versions of existing games and developing new games with innovative game content and designs that are more appealing to users. As of 31 December 2020, R&D personnel related to game operations and innovation accounted for 77.8% of the Company's total number of staff, which demonstrates BAIIOO's commitment to strengthening its innovation and R&D capabilities.

INDUSTRY TRENDS

In 2020, guided by a series of strategic decisions made by the Chinese government, China's gaming industry was resilient to the impact of the COVID-19 epidemic. Both industry revenues and users grew steadily, laying a solid foundation for the high-quality development of the overall 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 revenue generated by the domestic gaming industry reached RMB278.69 billion, representing a significant increase of 20.71% compared with the same period last year. In addition, the number of gaming users continued to expand at a rate of 3.7% from 2019 to 670 million.

The report pointed out that Chinese gaming enterprises have accelerated the development and reform of the gaming industry by leveraging innovative technologies such as 5G, cloud computing and artificial intelligence, which in turn has created more development opportunities for gaming enterprises and has improved their core competitiveness. In addition, proprietary games from China continued to maintain rapid growth overseas. The influence, market share and global user base continued to expand, allowing more and more players overseas to experience the charms of Chinese culture.

As the Chinese gaming industry continues to develop and improve its competitiveness, BAIIOO had actively seized development opportunities, particularly for mobile games, in the domestic and overseas markets, and further developed and explored niche game segments with the aim of enhancing its brand influence, user loyalty and market position.

OUTLOOK FOR 2021

In January 2021, Tencent Holdings Limited (“**Tencent**”) acquired a 12% stake in BAIOO through its wholly-owned subsidiaries and became a major shareholder of BAIOO. The investment demonstrated Tencent’s recognition and confidence in BAIOO’s business model and development prospects. In fact, BAIOO had already established a long-term and deep cooperative relationship with Tencent before the investment. After the investment, both companies will continue to leverage their respective strengths and resources in mobile games to create synergies and jointly promote the high quality and sustainable development of the gaming market.

Looking ahead to 2021, the Company will continue to focus on niche game segments, constantly strengthen its operation of existing games, proactively develop more mobile games, and accelerate its development in both the domestic and overseas markets in order to enlarge the Company’s user base around the world. Meanwhile, BAIOO will continue to increase its investments in R&D, as well as design and develop more creative and interesting mobile games, with an aim to provide users with better quality gaming content and experiences.

BAIOO has an exciting pipeline of games, and a number of mobile games are expected to be launched in the domestic and overseas markets in 2021, 2022 and 2023. In particular, Legend of Aoqi Mobile (「奧奇傳說手遊」), Aobi Island Mobile (「奧比島手遊」), Dawn: Azure Aria (「拂曉」) and other mobile games will be launched successively, offering a more differentiated gaming experience for users. Legend of Aoqi Mobile(「奧奇傳說手遊」) and Aobi Island Mobile (「奧比島手遊」) have incorporated the classic virtual world IP of the original blockbuster games of the same name, and each has accumulated more than 200 million registered users.

The pet battle mobile game, Legend of Aoqi Mobile (「奧奇傳說手遊」), was developed by the same R&D team that produced the original web game. The original game, Legend of Aoqi (「奧奇傳說」), has been well received since it was initially launched in 2012. Since pre-registration for the new mobile version started in April 2020, the game has accumulated over 7 million pre-registered users, and has also topped TapTap’s pre-registration rankings and Bilibili’s top search list several times. In addition, it was awarded the “Most Anticipated Mobile Game” at the 2020 OPPO Developers Conference, and the “Most Anticipated New Game of the Year” at the fifth Golden Gyros Awards, reflecting strong user anticipation and acclaim. Currently, Legend of Aoqi Mobile (「奧奇傳說手遊」) is undergoing final preparations and optimizations before its beta test, and is expected to be launched in China in the second quarter of 2021.

The female-oriented Aobi Island Mobile (「奧比島手遊」) and the “nijigen” (「二次元」) game Dawn: Azure Aria (「拂曉」) are also expected to be launched in China in the second half of the year. In addition to the domestic market, the overseas market will continue to be one of BAIOO’s key development areas, and revenue contribution from the overseas business is expected to increase further. In recent years, BAIOO has been actively exploring and developing more mobile game titles in niche segments, including strategy games and action games that are more popular in overseas markets. In addition, the Company will integrate more high-quality traditional Chinese cultural elements into its gaming content to create products that show off China’s rich cultural heritage to users. BAIOO will successively launch its original mobile games in China and different regions overseas, with an aim to strengthen the Company’s brand influence and consolidate its market position in the rapidly growing pan-entertainment industry.

In the face of tighter regulations, fierce competition and the rapid development of the gaming market, BAIIO is committed to strengthening its R&D capabilities, technology and IP productization. The Company aims to enhance its core competitiveness, offer more diversified games and content to users, enlarge its user base and revenue growth drivers, and establish a high-quality and sustainable business model.

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 2020 ⁽¹⁾	31 December 2019	Year-over-year Change
	<i>(QAA & QPA in millions, ARQPA in RMB)</i>		
average QAA ⁽²⁾	13.4	15.3	(12.4%)
average QPA ⁽³⁾	1.7	1.7	—
average quarterly ARQPA ⁽⁴⁾	166.9	88.2	89.2%

Notes:

1. As of 31 December 2020, our online virtual worlds under commercial operation included Aobi Island, Aola Star, Dragon Knights, Light of Aoya, Legend of Aoji, Aoyi Alliance, Helix Waltz, Typoman, Shiwuyu (「食物語」), Aola Star Mobile (「奧拉星手遊」) and Zaowufaze II (「造物法則二：先鋒英雄」).
2. The average QAA for online virtual worlds was approximately 13.4 million for the year ended 31 December 2020, representing a decrease of approximately 12.4% compared with the year ended 31 December 2019. This was primarily due to the trend of users migrating from PCs to mobile devices.
3. The average QPA for online virtual worlds was approximately 1.7 million for the year ended 31 December 2020, the same compared with the year ended 31 December 2019.
4. The average quarterly ARQPA for online virtual worlds was approximately RMB166.9 for the year ended 31 December 2020, representing an increase of approximately 89.2% compared with the year ended 31 December 2019. The increase was primarily because the Company’s mobile game products are shifting to an elder user base that has greater paying power.

OVERALL BUSINESS AND FINANCIAL PERFORMANCE

The following table sets forth our consolidated income statement for the years ended 31 December 2020 and 2019, respectively:

	For the year ended			
	31 December 2020 RMB'000	% of Revenue	31 December 2019 RMB'000	% of Revenue
Revenue	1,128,967	100.0	680,598	100.0
Online entertainment business	1,126,264	99.8	678,889	99.7
Other businesses	2,703	0.2	1,709	0.3
Cost of revenue	(699,620)	(62.0)	(318,452)	(46.8)
Gross profit	429,347	38.0	362,146	53.2
Selling and marketing expenses	(58,811)	(5.2)	(77,249)	(11.4)
Administrative expenses	(56,241)	(5.0)	(52,903)	(7.8)
Research and development expenses	(106,486)	(9.4)	(97,062)	(14.3)
Net impairment losses on financial assets	(687)	(0.1)	(2,669)	(0.4)
Other income	3,741	0.3	3,247	0.5
Other gains — net	5,344	0.5	17,053	2.5
Gain on disposal of equity interest in an associate	65,417	5.8	7,274	1.1
Operating profit	281,624	24.9	159,837	23.5
Finance income — net	11,175	1.0	14,557	2.1
Share of losses of associates	(3,300)	(0.3)	(18,144)	(2.7)
Profit before income tax	289,499	25.6	156,250	23.0
Income tax expense	(16,268)	(1.4)	(5,083)	(0.7)
Profit for the year	273,231	24.2	151,167	22.2

The following table sets forth our consolidated statement of comprehensive income for the years ended 31 December 2020 and 2019, respectively:

	31 December 2020 RMB'000	For the year ended % of Revenue	31 December 2019 RMB'000	% of Revenue
Profit for the year	273,231	24.2	151,167	22.2
Other comprehensive income, net of tax	—	—	—	—
Total comprehensive income for the year	<u>273,231</u>	<u>24.2</u>	<u>151,167</u>	<u>22.2</u>
Other financial data				
Adjusted net profit ⁽¹⁾ (unaudited)	289,214	25.6	151,416	22.2
Adjusted EBITDA ⁽²⁾ (unaudited)	<u>317,056</u>	<u>28.1</u>	<u>164,193</u>	<u>24.1</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 and right-of-use assets and amortization of intangible assets.

Revenue

Our revenue for the year ended 31 December 2020 was RMB1,129.0 million, representing a 65.9% increase from RMB680.6 million for the year ended 31 December 2019.

Online Entertainment Business: Our online entertainment business revenue for the year ended 31 December 2020 was RMB1,126.3 million, a 65.9% increase from RMB678.9 million for the year ended 31 December 2019. The increase was primarily due to remarkable performance of the mobile games.

Other Businesses: Revenue from other businesses for the year ended 31 December 2020 was RMB2.7 million, a 58.2% increase from RMB1.7 million for the year ended 31 December 2019.

Cost of Revenue

Our cost of revenue for the year ended 31 December 2020 was 699.6 million, a 119.7% increase from RMB318.5 million for the year ended 31 December 2019.

Online Entertainment Business: Our online entertainment business cost for the year ended 31 December 2020 was RMB695.4 million, a 119.9% increase from RMB316.3 million for the year ended 31 December 2019. The increase was driven by payment of third-party revenue sharing.

Other Businesses: Cost of other businesses for the year ended 31 December 2020 was RMB4.2 million, a 92.8% increase from RMB2.2 million for the year ended 31 December 2019.

Gross Profit

As a result of the foregoing, our gross profit for the year ended 31 December 2020 was RMB429.3 million, compared with RMB362.1 million for the year ended 31 December 2019. Gross profit margin was 38.0% for the year ended 31 December 2020, compared with 53.2% for the year ended 31 December 2019. The gross profit margin decrease was primarily due to the increase in payment of distribution cost.

Selling and Marketing Expenses

Our selling and marketing expenses for the year ended 31 December 2020 were RMB58.8 million, a 23.9% decrease from RMB77.2 million for the year ended 31 December 2019. This was primarily due to a decrease in marketing promotional programs.

Administrative Expenses

Our administrative expenses for the year ended 31 December 2020 were RMB56.2 million, a 6.3% increase from RMB52.9 million for the year ended 31 December 2019. This increase was primarily due to the increase in staff cost.

R&D Expenses

Our R&D expenses for the year ended 31 December 2020 were RMB106.5 million, a 9.7% increase from RMB97.1 million for the year ended 31 December 2019. This increase was primarily due to greater R&D staff cost driven by the recruitment of more talents for the development of new mobile games.

Other Income

The Company recognized RMB3.7 million in other income for the year ended 31 December 2020, representing an increase of 15.2% from RMB3.2 million for the year ended 31 December 2019.

Other Gains — net

The Company recognized a net gain of RMB5.3 million primarily due to the interest income of structural deposits, fair value gains on financial asset at fair value through profit or loss and expenditure of donation for the year ended 31 December 2020, compared with net gain of RMB17.1 million for the year ended 31 December 2019.

Gain on Disposal of Equity Interest in an Associate

During the year ended 31 December 2020, the Group disposed all of its 31.2% equity interest of investment in Guangzhou Baiman Culture Communications Company Limited (“**Guangzhou Baiman**”) to a third party for a cash consideration of RMB124.8 million, which resulted in a disposal gain of RMB65.4 million.

Operating Profit

As a result of the foregoing, our operating profit for the year ended 31 December 2020 was RMB281.6 million, compared with RMB159.8 million for the year ended 31 December 2019.

Finance Income — net

We had a net finance income of RMB11.2 million for the year ended 31 December 2020, compared with a net finance income of RMB14.6 million for the year ended 31 December 2019. Finance income for the year ended 31 December 2020 was primarily attributable to (i) RMB23.9 million in interest income on bank deposits; (ii) RMB7.3 million in exchange loss related to non-Renminbi bank deposit; and (iii) RMB5.4 million interest expenses impact due to the application of IFRS16 since 1 January 2019.

Share of Losses of Associates

We recorded share of losses of associates of RMB3.3 million for the year ended 31 December 2020 due to our investee companies having registered losses, compared to share of losses of RMB18.1 million for the year ended 31 December 2019.

Profit before Income Tax

As a result of the foregoing, we had a profit of RMB289.5 million for the year ended 31 December 2020, compared with a profit of RMB156.3 million for the year ended 31 December 2019.

Income Tax Expense

Our income tax expense for the year ended 31 December 2020 was RMB16.3 million, representing a 220.0% increase from RMB5.1 million for the year ended 31 December 2019. This was primarily due to the increase of assessable profit.

Profit for the Year

As a result of the foregoing, we had a profit of RMB273.2 million for the year ended 31 December 2020, representing a 80.7% increase compared with a profit of RMB151.2 million for the year ended 31 December 2019.

Non-IFRS Measure — Adjusted Net Profit/EBITDA

Our adjusted net profit for the year ended 31 December 2020 was RMB289.2 million, representing a 91.0% increase from RMB151.4 million for the year ended 31 December 2019. Our adjusted EBITDA for the year ended 31 December 2020 was a profit of RMB317.1 million, representing a 93.1% increase from a profit of RMB164.2 million for the year ended 31 December 2019.

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 (for net profit):

	Unaudited	
	For the year ended	
	31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	273,231	151,167
Add:		
Share-based compensation	15,983	249
Adjusted net profit	289,214	151,416
Add:		
Depreciation and amortization	22,749	22,251
Finance income-net	(11,175)	(14,557)
Income tax	16,268	5,083
Adjusted EBITDA	317,056	164,193

LIQUIDITY AND CAPITAL RESOURCES

In 2020, 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 2020 RMB'000	As of 31 December 2019 RMB'000
Total liabilities	346,555	382,294
Total assets	2,080,884	1,932,735
Gearing ratio ⁽¹⁾	17%	20%

Note:

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

Cash and Cash Equivalents, Short-Term Deposits, Long-Term Deposits and Structural Deposits Classified as “Financial Assets at Fair Value through Profit or Loss”

As of 31 December 2020, our cash and cash equivalents consisted of cash in bank and cash on hand, which amounted to RMB1,382.0 million, compared with RMB1,274.0 million as of 31 December 2019. We had short-term deposits of RMB229.6 million as of 31 December 2020, compared with RMB226.0 million as of 31 December 2019, representing bank deposits which we intend to hold for over three months but less than one year. We had no long-term deposits and structural deposits classified as “financial asset at fair value through profit or loss” as of 31 December 2020.

As of 31 December 2020, the Group had no restricted cash.

The effective interest rate per annum for cash in bank balances and short-term deposits as of 31 December 2020 was 2.0%, compared with 1.9% as of 31 December 2019. Our policy is to place our cash in interest-bearing principal-protected demand or deposits with reputable domestic or international banks.

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

Group	As of 31 December 2020 RMB'000	As of 31 December 2019 RMB'000
RMB	1,484,112	1,414,529
US\$	76,744	28,801
HK\$	50,667	56,618
Others	103	104
	<u>1,611,626</u>	<u>1,500,052</u>

Bank Loans and Other Borrowings

The Group had no bank loans or other borrowings as of 31 December 2020.

Treasury Policies

As of 31 December 2020, 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 2020, RMB127.5 million of our financial resources were held in deposits in non-RMB currencies. Since there are no cost-effective hedges against the fluctuations of the RMB, there is a risk that we may experience a loss as a result of any foreign currency exchange rate fluctuations in connection with our cash in bank balances.

Capital Expenditures and Investments

Our capital expenditures consist of purchases of land use right, property and equipment such as servers and computers and intangible assets such as computer software. For the year ended 31 December 2020, our total capital expenditures were RMB250.3 million, compared with RMB4.3 million for the year ended 31 December 2019. The following table sets out our expenditures for the years indicated:

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Capital Expenditures		
— Purchase of land use right	247,077	—
— Purchase of property and equipment	1,989	3,568
— Purchase of intangible assets	1,218	697
	<hr/>	<hr/>
Total	250,284	4,265

Contingent Liabilities

As of 31 December 2020, the Group did not have any material contingent liabilities, guarantees or litigation against it.

Charges on Assets

As of 31 December 2020, 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 2020, the Group had 884 full-time employees. The following table sets forth the number of full-time employees by function as of 31 December 2020:

	As of 31 December 2020	
	Number of Employees	% of Total
Operations	57	6.4
R&D operations	331	37.4
Development and research	357	40.4
Sales and marketing	74	8.4
General and administration	65	7.4
	<hr/>	<hr/>
Total	884	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 2020 was approximately RMB40.1 million, compared with RMB38.4 million for the year ended 2019. We incurred staff costs of approximately RMB244.8 million and RMB181.9 million, for the years ended 31 December 2020 and 2019, representing 21.7% and 26.7% of our revenue for the years 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 Pre-IPO share options and Pre-IPO RSUs outstanding as of 31 December 2020.

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 55,012,680 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 90,980,000 RSUs outstanding as at 31 December 2020.

Dividend

At the Company’s annual general meeting (“AGM”) held on 26 June 2020, the then shareholders of the Company approved a final dividend of HK\$0.025 (equivalent to approximately RMB0.023) per share for the year ended 31 December 2019. The final dividend was paid to shareholders on 22 July 2020.

The Board is pleased to recommend the payment of a special dividend of HK\$0.06 (equivalent to RMB0.05) per share for the year ended 31 December 2020 out of our share premium account, subject to the approval of the shareholders at the forthcoming AGM to be held on Friday, 25 June 2021. The proposed dividend will be payable on Wednesday, 28 July 2021 to the shareholders whose names appear on the register of members of the Company (the “**Register of Members**”) on Wednesday, 7 July 2021.

CHANGES SINCE 31 DECEMBER 2020

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 results announcement for the year ended 31 December 2020.

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December	
		2020	2019
		RMB'000	RMB'000
Revenue	3	1,128,967	680,598
Cost of revenue	4	(699,620)	(318,452)
Gross profit		429,347	362,146
Selling and marketing expenses	4	(58,811)	(77,249)
Administrative expenses	4	(56,241)	(52,903)
Research and development expenses	4	(106,486)	(97,062)
Net impairment losses on financial assets		(687)	(2,669)
Other income		3,741	3,247
Other gains — net		5,344	17,053
Gain on disposal of the equity interest in an associate		65,417	7,274
Operating profit		281,624	159,837
Finance income	5	23,896	20,558
Finance costs	5	(12,721)	(6,001)
Finance income — net	5	11,175	14,557
Share of losses of associates		(3,300)	(18,144)
Profit before income tax		289,499	156,250
Income tax expense	6	(16,268)	(5,083)
Profit for the year		273,231	151,167
Attributable to:			
— Shareholders of the Company		274,190	151,625
— Non-controlling interests		(959)	(458)
		273,231	151,167
Earnings per share for profit attributable to shareholders of the Company (expressed in RMB per share)	7		
Basic earnings per share		0.1040	0.0566
Diluted earnings per share		0.1034	0.0566

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	273,231	151,167
Other comprehensive income	<u>—</u>	<u>—</u>
Total comprehensive income for the year	<u>273,231</u>	<u>151,167</u>
Attributable to:		
— Shareholders of the Company	274,190	151,625
— Non-controlling interests	<u>(959)</u>	<u>(458)</u>
	<u>273,231</u>	<u>151,167</u>

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2020	2019
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property and equipment		21,637	26,631
Right-of-use assets		316,463	84,905
Intangible assets		1,915	2,796
Investment in an associate		4,227	60,910
Prepayments and other receivables		6,063	6,766
Loans to an associate		—	20,000
Deferred income tax assets		4,706	13,494
Financial assets at fair value through profit or loss		—	5,071
		<u>355,011</u>	<u>220,573</u>
Current assets			
Contract costs		49,234	63,694
Trade receivables	8	50,551	134,533
Prepayments and other receivables		14,462	13,883
Short-term deposits		229,631	226,008
Cash and cash equivalents (excluding bank overdrafts)		1,381,995	1,274,044
		<u>1,725,873</u>	<u>1,712,162</u>
Total assets		<u>2,080,884</u>	<u>1,932,735</u>
EQUITY			
Share capital		8	8
Share premium		1,222,644	1,326,987
Treasury shares		(930)	—
Reserves		26,374	10,302
Retained earnings		479,686	205,638
		<u>1,727,782</u>	<u>1,542,935</u>
Capital and reserves attributable to Shareholders of the Company		<u>1,727,782</u>	<u>1,542,935</u>
Non-controlling interests		<u>6,547</u>	<u>7,506</u>
Total equity		<u>1,734,329</u>	<u>1,550,441</u>

		As at 31 December	
		2020	2019
	<i>Note</i>	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Contract liabilities		11,598	8,613
Lease liabilities		69,477	83,161
Deferred income tax liabilities		—	3,639
		<u>81,075</u>	<u>95,413</u>
Current liabilities			
Trade payables	9	6,786	16,195
Other payables and accruals		60,580	53,209
Advances from customers and distributors		43,712	17,871
Contract liabilities		121,919	159,234
Income tax liabilities		13,826	22,519
Lease liabilities		18,627	17,807
Bank overdrafts		30	46
		<u>265,480</u>	<u>286,881</u>
Total liabilities		<u>346,555</u>	<u>382,294</u>
Total equity and liabilities		<u>2,080,884</u>	<u>1,932,735</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 to standards and for the first time for its annual reporting period commencing 1 January 2020:

Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting
IFRS 3 (Amendment)	Definition of a Business
IAS 1 and IAS 8 (Amendment)	Definition of Material
IFRS 9, IAS 39 and IFRS 7 (Amendment)	Interest Rate Benchmark Reform — Phase 1

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
IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16 (Amendment)	Interest Rate Benchmark Reform — Phase 2	1 January 2021
Accounting Guideline 5 (revised)	Revised Accounting Guideline 5 Merger	1 January 2022
IFRS 3, IAS 16 and IAS 37(Amendments)	Narrow-scope amendments	1 January 2022
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	Improvements to IFRSs	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
IFRS 10 and IAS 28 (Amendment)	Sale or Contribution of Assets between An Inventory 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 other businesses mainly include rental 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, 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 2020 and 2019, 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 2020 and 2019 are as follows:

	Year ended 31 December 2020		
	Online entertainment business RMB'000	Other businesses RMB'000	Total RMB'000
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

	Year ended 31 December 2019		
	Online entertainment business <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	678,889	1,709	680,598
Timing of revenue recognition			
At a point in time	185,046	—	185,046
Over time	493,843	1,709	495,552
Gross profit/(loss)	362,604	(458)	362,146
Other profit and loss disclosures:			

	Year ended 31 December 2020		
	Online entertainment business <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Total <i>RMB'000</i>
Depreciation	17,183	3,467	20,650
Amortization	2,099	—	2,099
Share of losses of associates	(1,773)	(1,527)	(3,300)

	Year ended 31 December 2019		
	Online entertainment business <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Total <i>RMB'000</i>
Depreciation	16,891	3,525	20,416
Amortization	1,835	—	1,835
Share of losses of an associate	—	(18,144)	(18,144)

The Company is domiciled in the Cayman Islands while the Group mainly operates its business in the PRC and Hong Kong. For the years ended 31 December 2020 and 2019, the geographical information on the total revenues is as follows:

	Year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue		
— Mainland China	874,359	653,198
— Outside Mainland China	254,608	27,400
Total	1,128,967	680,598

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 87.3% and 83.4% of the total revenue for the years ended 31 December 2020 and 2019, 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	
	2020	2019
Shiwuyu	45.1%	30.4%
Aola Star Mobile	18.7%	21.3%
Legend of Aoqi	11.8%	17.4%
Zaowufaze II	11.7%	*
Aola Star	*	14.3%

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 2020 (2019: same).

The games were distributed to individual game players through own web-based platform and Third Party Platforms. The revenue generated through Group A and Company B of Third Party Platforms, accounted for 33.5% (2019: 32.1%) and 18.6% (2019: nil) of the Group's revenue for the year ended 31 December 2020, 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 2020, the total non-current assets, other than financial assets and deferred tax assets, located in Mainland China and Hong Kong were RMB346,498,000 (31 December 2019: RMB177,848,000) and RMB7,000 (31 December 2019: RMB19,000), respectively.

4 Expenses by nature

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Distribution costs and payment handling fees	562,700	233,420
Employee benefit expenses	248,547	184,552
Promotion and advertising expenses	35,419	59,009
Depreciation of right-of-use assets	15,474	15,249
Bandwidth and server custody fees	9,464	8,454
Utilities and office expenses	7,078	7,516
Professional fees	7,232	7,028
Depreciation of property and equipment and amortization of intangible assets	7,275	7,002
Content expenses	14,391	8,343
Auditors' remuneration	4,062	4,025
Travelling and entertainment expenses	2,597	3,130
Operating lease rentals	468	370
Others	6,451	7,568
	<hr/>	<hr/>
Total cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses	921,158	545,666
	<hr/> <hr/>	<hr/> <hr/>

5 Finance income — net

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income:		
— Interest income from bank deposits	23,036	18,685
— Net foreign exchange gains	—	815
— Interest income on loans to an associate	860	1,058
	<u>23,896</u>	<u>20,558</u>
Finance costs:		
— Interest charge for lease liabilities	(5,417)	(6,001)
— Net foreign exchange losses	(7,304)	—
	<u>(12,721)</u>	<u>(6,001)</u>
Finance income — net	<u><u>11,175</u></u>	<u><u>14,557</u></u>

6 Income tax expense

The income tax expense of the Group for the years ended 31 December 2020 and 2019 is analyzed as follows:

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	11,119	24,166
Deferred income tax	5,149	(19,083)
Income tax expense	<u><u>16,268</u></u>	<u><u>5,083</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	
	2020	2019
	RMB'000	RMB'000
Profit before income tax expense	289,499	156,250
Add: share of losses of an associate	1,773	18,144
	291,272	174,394
Tax calculated at income tax rates applicable to profits of the consolidated entities in their respective jurisdictions (Note (a), (b), (c))	19,119	21,015
Tax effects of:		
Tax losses for which no deferred income tax asset was recognized	2,607	1,775
Utilisation of previously unrecognised tax losses and temporary timing differences	(1,935)	(7,346)
Super deduction for research and development expenses (Note (c))	(5,211)	(6,743)
Change of applicable tax rates (Note (e))	1,020	(3,076)
Income not subject to tax	(1,105)	(725)
Expenses not deductible for income tax purposes:		
— Share-based compensation	1,598	25
— Others	175	158
Income tax expense	16,268	5,083

(a) 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.

(b) Hong Kong profits tax

The provision for Hong Kong profits tax for the year ended 31 December 2020 are calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HKD2 million of profits of qualifying corporations are taxed at 8.25%, and profits above HKD2 million are taxed at 16.5% (2019: same).

(c) *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 Information Technology Limited (“**Guangzhou Baitian**”), Guangzhou Tianti Internet Technology (“**Guangzhou Tianti**”) and Baiduo (Guangzhou) Information Technology Limited (“**Baiduo**”).

Guangzhou Baitian was qualified as “Key Software Enterprise” in 2020 and was entitled to a preferential income tax rate of 10% on its estimated assessable profits for the year ended 31 December 2020 (2019: same).

Guangzhou Tianti was qualified as “Key Software Enterprise” in 2020 and was entitled to a preferential income tax rate of 0% on its estimated assessable profits for the year ended 31 December 2020 (2019: Note(e)).

Baiduo was qualified as “Small Low-Profit Enterprise” in 2020 and was entitled to a preferential income tax rate of 10% on its estimated assessable profits for the year ended 31 December 2020 (2019: 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 2020, according to a new tax incentives policy promulgated by the State Tax Bureau of the PRC in September 2018. 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 2020 (2019: same).

(d) *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 2020, 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 (2019: same).

(e) *Applicable tax rate of Guangzhou Tianti*

The applicable PRC corporate income tax rate for Guangzhou Tianti was 25% before 2019.

Over-provision of RMB12,448,000 was reversed for the year ended 31 December 2020 given the applicable income tax rate changed from 25% to 10% for Guangzhou Tianti, for its profit for the year ended 31 December 2019, as it was qualified as “Small Low-Profit Enterprise” in May 2020.

Deferred tax assets of RMB13,468,000 as at 31 December 2019, relative to Guangzhou Tianti, were reversed at expected applicable income tax rate 0% and charged to the consolidated income statement for the year ended 31 December 2020.

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	
	2020	2019
Profit attributable to shareholders of the Company (<i>RMB'000</i>)	274,190	151,625
Weighted average number of ordinary shares in issue less treasury shares and shares held for RSU Scheme	<u>2,636,885,749</u>	<u>2,679,031,094</u>
Basic earnings per share (<i>in RMB/share</i>)	<u>0.1040</u>	<u>0.0566</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 years ended 31 December 2020 and 2019, the Company had two categories of potential ordinary shares, 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 total proceeds receivable upon exercising the outstanding share options and RSUs. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and RSUs. 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	
	2020	2019
Earnings		
Profit attributable to shareholders of the Company and profit used to determine diluted earnings per share (<i>RMB'000</i>)	<u>274,190</u>	<u>151,625</u>
Weighted average number of ordinary shares		
Weighted average number of ordinary shares in issue less treasury shares and shares held for RSU Scheme	2,636,885,749	2,679,031,094
Adjustments for:		
— RSUs	15,458,783	704,394
— Share options	163,140	1,013,229
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u>2,652,507,672</u>	<u>2,680,748,717</u>
Diluted earnings per share (<i>in RMB/share</i>)	<u>0.1034</u>	<u>0.0566</u>

8 Trade receivables

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Receivables from third parties	51,617	138,249
Less: allowance for impairment	(1,066)	(3,716)
	<u>50,551</u>	<u>134,533</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	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
0–30 days	22,244	54,447
31–60 days	10,897	79,630
61–90 days	11,587	276
91–180 days	6,574	358
181–365 days	149	357
Over 365 days	166	3,181
	<u>51,617</u>	<u>138,249</u>

- (b) The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9. For the year ended 31 December 2020, provision for impairment RMB687,000 was made against the gross amounts of trade receivables (2019: RMB2,669,000).
- (c) As at 31 December 2020 and 2019, 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, Company B and Company C, accounted for 37.1% (2019: 58.5%), 18.2% (2019: nil) and 14.9% (2019: nil) of the Group's trade receivables as at 31 December 2020, 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's own platforms 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	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
0–30 days	5,494	10,622
31–60 days	599	4,365
61–180 days	87	648
181–365 days	62	9
Over 365 days	544	551
	<u>6,786</u>	<u>16,195</u>

(a) As at 31 December 2020 and 2019, the fair value of trade payables approximated their carrying amounts.

10 Dividend

The dividends paid in 2020 and 2019 amounted RMB60,223,000 and RMB109,192,000 respectively. The Board of Directors of the Company proposed a special dividend of HK\$0.06 (equivalent to approximately RMB0.05) per ordinary share, which will be recognized in share premium account, totalling approximately RMB130,309,000. Such dividend is to be approved by the shareholders at the annual general meeting on 25 June 2021. These financial statements do not reflect this dividend payable as a liability as at 31 December 2020.

(a) Dividend paid to ordinary shares

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividend of 2019 HK\$0.025 (2018: HK\$0.021), equivalent to approximately RMB0.023 (2018: RMB0.018), per ordinary share	62,788	52,407
Less: dividend for shares held for the RSU Schemes	(2,565)	(2,614)
	<u>60,223</u>	<u>49,793</u>
Special dividend of nil (2019: HK\$0.025, equivalent to approximately RMB0.023), per ordinary share	—	61,929
Less: dividend for shares held for the RSU Schemes	—	(2,530)
	<u>—</u>	<u>59,399</u>
	<u>60,223</u>	<u>109,192</u>

(b) Dividends not recognized as at 31 December 2020

	As at 31 December 2020 RMB'000
Proposed special dividend of HK\$0.06, equivalent to approximately RMB0.05 per ordinary share	135,920
Less: dividend for treasury shares and shares held for the RSU Schemes	<u>(5,611)</u>
	<u><u>130,309</u></u>

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 2020. 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 presented the Group’s financial position and results for the year ended 31 December 2020.

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 2020 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 2020.

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 2020.

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 2020, the Company has applied the principles and complied with all the code provision as set out in the Corporate Governance Code (the “**CG Code**”) in Appendix 14 to the Listing Rules, save and except for code provisions A.2.1 and E.1.2. with details as 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 of 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 2020 AGM held on 26 June 2020.

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 developments.

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

During the year ended 31 December 2020, the Company repurchased a total of 54,226,000 Shares on the Stock Exchange at an aggregate consideration (before expenses) of HK\$50,524,700. All the repurchased shares were subsequently cancelled. Particulars of the repurchases during the year ended 31 December 2020 are as follows:

Month	Number of shares repurchased	Purchase price per share		Aggregate consideration (before expenses) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January	3,520,000	0.78	0.75	2,731,920
April	9,300,000	0.93	0.86	8,386,720
May	4,410,000	0.95	0.80	3,761,580
June	4,556,000	0.99	0.84	4,163,500
July	3,800,000	0.98	0.94	3,631,580
September	11,176,000	1.14	1.01	12,077,640
October	5,416,000	0.96	0.82	4,848,880
November	6,948,000	0.93	0.82	6,006,000
December	5,100,000	1.01	0.89	4,916,880
Total	54,226,000			50,524,700

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 2020.

Annual General Meeting and Closure of Register of Members

The AGM is scheduled to be held on Friday, 25 June 2021. 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, 22 June 2021 to Friday, 25 June 2021, 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, 21 June 2021.

Special Dividend and Closure of Register of Members

The Board recommended the payment of a special dividend of HK\$0.06 (equivalent to approximately RMB0.05) per Share for the year ended 31 December 2020, subject to the approval of the shareholders at the AGM. The proposed special dividend is expected to be payable on Wednesday, 28 July 2021 to the shareholders whose names appear on the Register of Members as of Wednesday, 7 July 2021.

The Register of Members will be closed from Monday, 5 July 2021 to Wednesday, 7 July 2021, both days inclusive, for the purpose of ascertaining the shareholders' entitlement to the proposed special dividend. In order to qualify for the proposed special dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 2 July 2021.

Publication of 2020 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 2020 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, 30 March 2021

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, 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.