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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Dai Jian (*Chairman*)

Mr. Wu Lili

Mr. Li Chong

Independent Non-executive Directors

Ms. Liu Qianli

Dr. Wang Qing

Mr. Ma Xiaofeng

Mr. Wei Kevin Cheng (with effect from 1 July 2023)

AUDIT COMMITTEE

Ms. Liu Qianli (*Chairperson*)

Dr. Wang Qing

Mr. Ma Xiaofeng

Mr. Wei Kevin Cheng (with effect from 1 July 2023)

NOMINATION COMMITTEE

Mr. Dai Jian (*Chairperson*)

Mr. Ma Xiaofeng

Ms. Liu Qianli

REMUNERATION COMMITTEE

Dr. Wang Qing (*Chairperson*)

Mr. Ma Xiaofeng

Mr. Wu Lili

CHIEF EXECUTIVE OFFICER

Mr. Dai Jian

ACTING CHIEF FINANCIAL OFFICER

Ms. Chen Xiao Hong

COMPANY SECRETARY

Ms. Lau Yee Wa

AUTHORIZED REPRESENTATIVES

Mr. Wu Lili

Mr. Dai Jian

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants and Registered PIE Auditor

22/F, Prince's Building

Central

Hong Kong

COMPANY'S WEBSITE

www.baioo.com.hk

STOCK CODE

2100

HEADQUARTERS IN THE PRC

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120 Huangpu W Ave, Tianhe

Guangzhou, Guangdong

China 510623

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Hutchins Drive
Cricket Square
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

REGISTERED OFFICE

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Cricket Square
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Cayman Islands
British West Indies

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
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Kowloon
Hong Kong

PRINCIPAL BANKS

China Minsheng Bank, Guangzhou Branch
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Tianhe District
Guangzhou
Guangdong 510620
PRC

China Merchants Bank Guangzhou
Ti Yu Dong Road Sub Branch
30/F, Goldlion Centre, No. 138 Ti Yu Dong Road
Tianhe District
Guangzhou
Guangdong 510620
PRC

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Central
Hong Kong

LEGAL ADVISORS AS TO HONG KONG LAW

DLA Piper Hong Kong
25/F, Three Exchange Square
8 Connaught Place
Central
Hong Kong

LEGAL ADVISORS AS TO CAYMAN ISLANDS LAW

Conyers Dill & Pearman (Cayman) Limited
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INVESTOR RELATIONS

Christensen China Limited
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Company Profile

Founded in 2009 and listed on the Hong Kong Stock Exchange in 2014, BAIOO Family Interactive Limited is a leading internet content and service provider in China. BAIOO primarily focuses on niche game genres, excelling in female-oriented games, pet collection and raising games, and “nijigen” (「二次元」) games. BAIOO has achieved a leading position in its targeted niche game segments in China and built a gaming brand that is popular among Generation Z users.

Since its establishment, BAIOO has been committed to developing and operating online content of various types, with its major products having accumulated over 100 million registered users. Leveraging its track record of business growth and the emergence of the mobile internet market, BAIOO has launched a series of hit game titles in China. The Company’s games have also been well-received by users in Hong Kong, Macau, Taiwan, Japan, South Korea, Europe, and the United States.

Looking ahead, BAIOO will continue to focus on developing games in its core niche segments of female-oriented, pet collection and raising, and “nijigen” (「二次元」) gaming content. Through its “IP Super Evolution” strategy, BAIOO will continue to leverage the IPs it has developed and accumulated throughout the years to launch a series of creative and attractive products, provide young users with premium, differentiated IP-based experiences and services, create a succession of hit titles and sequels, and become a platform that brings great joy to young people.

Financial Summary

INCOME STATEMENT HIGHLIGHT

	Unaudited		Period over-period change
	six months ended 30 June		
	2023	2022	change
	RMB'000	RMB'000	%
Revenue	450,609	289,641	55.6%
Gross profit	169,229	117,738	43.7%
Operating loss	(38,905)	(61,884)	(37.1%)
Non-international Financial Reporting Standards (“IFRSs”) Measures			
— Adjusted Net Loss ⁽¹⁾	(3,153)	(7,834)	(59.8%)
— Adjusted EBITDA ⁽²⁾	(10,485)	(18,002)	(41.8%)

Notes:

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

BALANCE SHEET HIGHLIGHT

	Unaudited As of 30 June 2023 RMB'000	Audited As of 31 December 2022 RMB'000
Assets		
Non-current assets	463,364	476,709
Current assets	1,538,949	1,579,558
Total assets	2,002,313	2,056,267
Equity and Liabilities		
Total equity	1,657,964	1,698,084
Non-current liabilities	42,564	52,574
Current liabilities	301,785	305,609
Total liabilities	344,349	358,183
Total Equity and Liabilities	2,002,313	2,056,267

Chairman Letter

Dear Shareholders

In the first half of 2023, the global macroeconomic situation continued to evolve, with positive factors still predominating. The gaming industry witnessed sustained revival and growth thanks to eased restrictions and new advancements in AIGC technology, factors which point toward continued innovation and progress in the sector.

During the reporting period, BAIOO remained focused on developing differentiated hit games in three major niches, namely female-oriented games, pet collection and raising games, and “nijigen” (「二次元」) games, actively practiced our three core values of IP companionship, immersive experiences, and casual socializing, consolidated our reputation and leading position in these subcategories, and committed to bringing more high-quality IP games to global users.

CONSISTENT INVESTMENT IN R&D, KEEPING UP WITH CUTTING-EDGE TECHNOLOGY ADVANCEMENTS, AND CONTINUOUSLY BUILDING A ROBUST COMPETITIVE EDGE

Through years of dedicated work in three major niches, BAIOO has won the appreciation and loyalty of a large number of users, accumulated extensive experience in R&D, publishing, and operations, and established a stellar reputation and considerable brand influence. BAIOO continues to invest heavily in R&D. As of June 30 2023, the proportion of R&D personnel in the company was about 81.4%, reaching 777. We actively recruit top industry talent, discover and empower high-potential individuals, and strengthen our teams to maintain high product quality. We strive to bring users interesting and innovative gaming experiences while continuously iterating and upgrading our products to better meet market demand. Meanwhile, we pay close attention to the development of cutting-edge technologies in our market, constantly seek technological breakthroughs compatible with our product characteristics, actively apply AIGC technology in our R&D and publishing operations, and play a positive role in promoting the improvement of game quality and R&D efficiency across the industry.

Chairman Letter

OUTLOOK

Looking ahead to the second half of 2023, BAIOO will maintain its focus on its three core values and three game genres. We aim to capitalize on opportunities in both the Chinese and international gaming markets while continuing to invest in innovation with a view to upgrading our R&D capabilities and producing high-quality game content. At the same time, we will persist in exploring the potential applications and advancements of AIGC technology in game development, thereby strengthening our Company's R&D-based competitive edge within the niche gaming market.

In the near future, we will continue to practice corporate social responsibility and explore cross-border integration of traditional cultural content and games. We will incorporate more traditional Chinese elements into our games, provide innovative, entertaining and rewarding game content to our global users, and communicate the spirit and value of Chinese culture to the rest of the world.

ACKNOWLEDGEMENTS

On behalf of our management team, I would like to extend our sincerest appreciation to our devoted employees for their unwavering commitment and diligence, as well as to our numerous partners, users, and investors for their enduring trust and support. We remain steadfast in our pursuit of cross-border integration of cultural and creative content, integration of diverse resources, active promotion of intellectual property awareness, and provision of upgraded IP-enhanced experiences and services to our users, with the aim of fostering a sustainable business model that creates long-term value for shareholders. Once again, we thank you for your support and trust, and we eagerly anticipate collaborating with you to forge a brighter future.

DAI Jian

Chairman, Chief Executive Officer and Executive Director

BAIOO Family Interactive Limited

30 August 2023

Definitions and Glossaries

DEFINITIONS

“AGM”	the annual general meeting of the Company to be convened and held in accordance with the Articles of Association
“AI”	artificial intelligence
“AIGC”	AI-generated content
“Articles of Association”	the articles of association of the Company as amended, supplemented or revised from time to time
“associate”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Company
“Board” or “Board of Directors”	the board of Directors
“BVI”	the British Virgin Islands
“CEO” or “Chief Executive Officer”	the chief executive officer of the Company
“Chairman”	the chairman of the Board
“Company” or “us” or “our Company”	BAIOO Family Interactive Limited (百奧家庭互動有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 25 September 2009 with its Shares listed on the Main Board of the Stock Exchange on 10 April 2014
“Company Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Contractual Arrangements”	a series of agreements entered into among Guangzhou WFOE, Guangzhou Baitian and the registered shareholders on 4 December 2013 and amended on 20 March 2014
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, collectively refers to Mr. DAI Jian and Stmoritz Investment Limited
“Corporate Governance Code” or “CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules

Definitions and Glossaries

“DAE Trust”	a discretionary trust set up by Mr. DAI Jian for which TMF (Cayman) Ltd. acts as the trustee, and the beneficiaries of which are Mr. DAI and his family members
“Director(s)” or “our Director(s)”	the director(s) of our Company or any one of them
“Group” or “our Group” or “BAIOO”	our Company, its subsidiaries and the PRC Operating Entity (the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Contractual Arrangements), or, where the context so requires, in respect of the period before our Company became the holding company of its current subsidiaries, our Company’s current subsidiaries or the business operated by such subsidiaries or their predecessors (as the case may be)
“Guangzhou Baitian” or “PRC Operating Entity”	Guangzhou Baitian Information Technology Ltd.* (廣州百田信息科技有限公司), a company incorporated on 2 June 2009 and existing under the laws of the PRC. As of the date hereof, Mr. DAI Jian, Mr. WU Lili, Mr. LI Chong, Mr. CHEN Ziming and Mr. WANG Xiaodong hold 46.92%, 28.37%, 12.9%, 7.08% and 4.73% equity interests in Guangzhou Baitian, respectively
“Guangzhou Tianti”	Guangzhou Tianti Internet Technology Co., Ltd.* (廣州天梯網絡科技有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of Guangzhou Baitian
“Guangzhou WFOE”	Baiduo (Guangzhou) Information Technology Limited* (百多(廣州)信息科技有限公司), a company incorporated on 29 October 2013 under the laws of the PRC, an indirect wholly-owned subsidiary of the Company
“independent third party”	any entity or party which is not connected (as defined in the Listing Rules) to any of our Directors, substantial shareholders or chief executives of our Company or its subsidiaries, or any of their respective associates
“IP”	intellectual property
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on 10 April 2014
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Memorandum and Articles of Association”	the memorandum and articles of association of the Company

Definitions and Glossaries

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Nomination Committee”	the nomination committee of the Company
“Option(s)”	an option or right to purchase Shares under the Pre-IPO Share Option Scheme
“PC(s)”	personal computer(s)
“Post-IPO RSU Scheme”	the post-IPO restricted share unit scheme adopted by the Company on 18 March 2014, which took effect on 10 April 2014 and was amended on 19 June 2015 and 17 December 2020
“PRC” or “China”	the People’s Republic of China
“Pre-IPO RSU Scheme”	the restricted share unit plan approved and adopted by the Company on 30 September 2013
“Pre-IPO Share Option Scheme”	the share option plan approved and adopted by the Company on 18 June 2010
“Prospectus”	the prospectus of the Company dated 28 March 2014
“R&D”	research and development
“Register of Members”	the register of members of the Company
“Registered Shareholders”	the registered shareholders of Guangzhou Baitian, namely Mr. DAI Jian, Mr. WU Lili, Mr. LI Chong, Mr. CHEN Ziming and Mr. WANG Xiaodong
“Remuneration Committee”	the remuneration committee of the Company
“reporting period”	the six months ended 30 June 2023
“RSU(s)”	restricted share unit(s), being a contingent right to receive Shares which is granted pursuant to the Pre-IPO RSU Scheme and/or the Post-IPO RSU Scheme
“SFO”	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

Definitions and Glossaries

“Share(s)” or “Ordinary Share(s)”	ordinary share(s) in the share capital of our Company with par value US\$0.0000005 each (or of such other nominal amount as shall result from capitalization, subdivision, consolidation, re-classification or re-construction of the share capital of the Company from time to time) with the rights ascribed in the Articles of Association
“Shareholder(s)”	holder(s) of our Share(s)
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“The Zhen Family Trust”	a discretionary trust set up by Mr. LI Chong for which TMF (Cayman) Ltd. acts as the trustee, and the beneficiaries of which are Mr. LI and his family members
“WHZ Trust”	a discretionary trust set up by Mr. WU Lili for which TMF (Cayman) Ltd. acts as the trustee, and the beneficiaries of which are Mr. WU and his family members
“WSW Family Trust”	a discretionary trust set up by Mr. WANG Xiaodong for which TMF (Cayman) Ltd. acts as the trustee, and the beneficiaries of which are Mr. WANG and his family members

GLOSSARY

“ARQPA”	average revenue per QPA, which is revenue from our virtual worlds in a particular quarter divided by the number of quarterly paying accounts in that quarter
“average quarterly ARQPA”	average quarterly average revenue per QPA, which is revenue from our virtual worlds in a particular period divided by the total number of QPA in that period
“QAA”	quarterly active accounts, which is the number of active accounts for our virtual worlds in the relevant quarter. A quarterly active account is defined as a registered account that was accessed at least once during a quarter. An account that logged into two virtual worlds in the same quarter is counted as two QAA. Average QAA for a particular period is the average of the QAA in each quarter during that period
“QPA”	quarterly paying accounts, which is the number of paying accounts in the relevant quarter. An account that paid subscription fees or for virtual items in two virtual worlds in the same quarter is counted as two QPA. Average QPA for a particular period is the average of the QPA in each quarter during that period

Management Discussion and Analysis

BUSINESS OVERVIEW

BAIOO grew steadily, responding to industry headwinds with an active and innovative campaign to revitalize older titles

During the first half of 2023, BAIOO continued to practice its three core values of IP companionship, immersive experiences, and casual socializing, and remained focused on developing differentiated hit games in three major niche subcategories, namely female-oriented games, pet collection and raising games, and “nijigen” (「二次元」) games. The Company successfully consolidated its reputation and leading position in these subcategories, and remained committed to bringing more high-quality IP games to global users.

In the reporting period, BAIOO’s core mobile games and web games enjoyed stable operations. In particular, BAIOO’s core web game Legend of Aoqi (「奧奇傳說」), which has been in operation for 11 years, bucked the wider industry trend by recording year-on-year (“YOY”) revenue growth. In the mobile games portfolio, BAIOO’s signature titles, namely Aobi Island: Dreamland (「奧比島：夢想國度」), Legend of Aoqi Mobile (「奧奇傳說手遊」) and Shiwuyu (「食物語」), experienced a natural decline in revenue performance as their life cycles progressed. BAIOO continued to cultivate a positive reputation among users and broad popularity in the market through high-frequency content output and by deeply integrating elements of Chinese traditional culture into its games.

To provide our users with creative and engaging new gaming experiences, BAIOO actively cooperated with various cultural groups, new cultural spaces, and brands favored by Generation Z. Through these efforts, BAIOO caters to the new generation’s cultural interests and aesthetic sensibility, significantly enhancing the brand reputation of its IP. In particular, Shiwuyu (「食物語」) promoted a special New Year game edition featuring Guangcai (The Canton Famille Rose Porcelain Making Technique, an intangible cultural heritage property). Shiwuyu (「食物語」) also carried out a series of crossover activities with Fang Suo Commune, during which the hashtag #Shiwuyu X Fang Suo Commune# appeared on Weibo Hot Search after amassing nearly 10 million views, generating animated discussion among players. Legend of Aoqi Mobile (「奧奇傳說手遊」) cooperated with the Guangdong Lingnan Folk Art Institute to launch a new game edition integrating elements of Guangdong Lion Dance, which generated intense interest among players while promoting traditional Guangdong culture. Meanwhile, Aobi Island: Dreamland (「奧比島：夢想國度」) jointly produced a series of short films with CCTV Animation Group, including “Journey to the West”, “Legend of Nezha” and “The Adventures of Little Carp”, which garnered two million views in three days, while Aobi Island topics readership rises nearly 200 million in a week and gained wide attention in the market.

While continuing to grow domestically, BAIOO has also been actively expanding in overseas markets, introducing more and more overseas users to the Company’s IP. During the reporting period, Shiwuyu (「食物語」) launched multilingual versions in Korean, English and Traditional Chinese, topping the iOS free card game rankings in five countries and making the top 10 list in 10 countries. In addition, BAIOO has also leveraged AIGC technology to assist in product development and distribution, which has improved its R&D efficiency and reduced manufacturing costs.

INDUSTRY TRENDS

China's game industry is gradually rebounding from its low point and picking up momentum

In the first half of 2023, the social and macroeconomic impact of the pandemic continued to subside, but high inflation, a significant global tightening of monetary policy, and the lingering effects of geopolitical tensions and the energy crisis continued to create uncertainty for the global economic recovery. According to the China Game Industry Report January-June 2023 (the “**Report**”), China's domestic game market from January to June 2023 recorded sales revenues of RMB144.26 billion, a YoY decline of 2.39%. Of this, sales revenues of China's self-developed games in the domestic market amounted to RMB121.784 billion, a YoY decrease of 2.25%. Sales revenue of self-developed games in the overseas market totalled USD8.21 billion, a YoY decrease of 8.72%. In major overseas markets, the economic downturn affected users' willingness and ability to consume, and increasingly fierce market competition drove a significant rise in overseas marketing costs.

Despite the challenging external environment, under the leadership of the government of the PRC and the concerted efforts of the public, the domestic economy and consumer market rebounded and showed positive growth momentum, with GDP growing by 5.5% YoY in the first half of the year. According to the Report, China's domestic game market showed sales revenue increase by 22.16% in January-June 2023 compared to the same period of 2022. China's game industry recovered quickly in the first half of 2023, with the number of users hitting a new high of 668 million, up 0.35% YoY. Based on this trend, it is expected that the second half of the year will see a strong rebound, with the domestic game industry gradually emerging from its low point and sustaining positive momentum against the backdrop of the overall downturn in the global game market.

OUTLOOK FOR THE SECOND HALF OF 2023

Actively enriching our product pipeline to prepare for industry rebound

As China's game industry heats up, BAIOO will continue to focus on its three core value propositions, leverage its three core niche game segments, and invest in R&D to strengthen its engineering capabilities and build out its pipeline of high-quality games. BAIOO will also continue to explore the latest breakthroughs in AIGC technology and their potential applications to the field of game R&D, so as to continuously enhance its competitive edge in its core segments.

BAIOO has a wealth of products in the pipeline that it plans to launch in various global markets in the coming period. Among these, Aola Star 2 (formerly code-named “project bn”) was officially introduced to the public and opened for pre-registration in the first half of this year, following which it earned a pre-registration recommendation from bilibili.com and was shortlisted for the second phase of the 2023 Superstar Game Gathering. In addition, Aola Star Mobile has been in operation for more than three years and its reputation among players continues to improve. Loved by tens of millions of fans, the mobile game has steadily grown in popularity throughout its lifecycle, with its TapTap score increasing from 5.2 point to a peak of 8.8 points. We are also actively preparing for the launch of oversea version of Aobi Island: Dreamland.

Management Discussion and Analysis

In the future, BAIOO will continue to improve its ecosystem layout, remain committed to its values, faithfully fulfill its social responsibilities, continue to practice corporate social responsibility, actively promote Chinese traditional culture, and organize more cross-border partnerships to integrate traditional Chinese culture into games. In addition, it will continue to actively respond to various challenges in international market competition, promote the values of standardization, excellence, diversification and internationalization in China's game industry and strive to create a vibrant Chinese cultural experience for global users.

OPERATION INFORMATION

The following table sets out average QAA, average QPA and average quarterly ARQPA for our online virtual worlds for the periods indicated below (Notes):

	For the six months ended		
	30 June 2023 ⁽¹⁾	30 June 2022	Period- over-period Change
	<i>(QAA & QPA in millions, ARQPA in RMB)</i>		
Average QAA ⁽²⁾	7.5	6.3	19.0%
Average QPA ⁽³⁾	1.2	1.0	20.0%
Average quarterly ARQPA ⁽⁴⁾	188.7	149.1	26.6%

Notes:

- (1) As of 30 June 2023, 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 and Aobi Island Mobile (「奧比島手遊」).
- (2) The average QAA for online virtual worlds was approximately 7.5 million for the six months ended 30 June 2023, representing an increase of approximately 19.0% compared with the same period last year. The increase was primarily due to new mobile game Aobi Island Mobile launched in the second half of 2022 and still maintains high popularity in the first half of 2023.
- (3) The average QPA for online virtual worlds was approximately 1.2 million for the six months ended 30 June 2023, representing an increase of approximately 20.0% compared with the same period last year. This was primarily due to outstanding performance of successful new game Aobi Island Mobile launched in July 2022.
- (4) The average quarterly ARQPA for online virtual worlds was approximately RMB188.7 for the six months ended 30 June 2023, representing an increase of approximately 26.6% compared with the same period last year. The increase was primarily due to the existing games' successful operation and increased willingness of users paying.

OVERALL BUSINESS AND FINANCIAL PERFORMANCE

The following table sets forth our interim condensed consolidated income statements for the six months ended 30 June 2023 and 2022, respectively:

	(Unaudited)			
	30 June 2023 RMB'000	% of Revenue	30 June 2022 RMB'000	% of Revenue
Revenue	450,609	100	289,641	100
Online entertainment business	450,527	100	289,565	100
Other businesses	82	0	76	0
Cost of revenue	(281,380)	(62)	(171,903)	(59)
Gross profit	169,229	38	117,738	41
Selling and marketing costs	(40,454)	(9)	(31,481)	(11)
Administrative expenses	(41,946)	(9)	(46,687)	(16)
Research and development expenses	(126,427)	(28)	(104,963)	(36)
Net impairment (loss on)/reversal of financial assets	(312)	0	1	0
Other income	1,340	0	1,786	1
Other (loss)/gain — net	(335)	0	1,722	1
Operating loss	(38,905)	(9)	(61,884)	(21)
Finance income — net	21,060	5	19,991	7
Loss before income tax	(17,845)	(4)	(41,893)	(14)
Income tax (expense)/credit	(2,068)	(0)	2,042	1
Loss for the period	(19,913)	(4)	(39,851)	(14)

Management Discussion and Analysis

The following table sets forth our consolidated statement of comprehensive income for the six months ended 30 June 2023 and 2022 respectively:

	(Unaudited)			
	30 June 2023 RMB'000	% of Revenue	30 June 2022 RMB'000	% of Revenue
Loss for the period	(19,913)	(4)	(39,851)	(14)
Other comprehensive income, net of tax	—	—	—	—
Total comprehensive loss for the period	(19,913)	(4)	(39,851)	(14)
Other financial data				
Adjusted net loss ⁽¹⁾ (unaudited)	(3,153)	(1)	(7,834)	(3)
Adjusted EBITDA ⁽²⁾ (unaudited)	(10,485)	(2)	(18,002)	(6)

Notes:

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

Revenue

Our revenue for the six months ended 30 June 2023 was RMB450.6 million, representing a 55.6% increase from RMB289.6 million for the six months ended 30 June 2022.

Online Entertainment Business: Our online business revenue for the six months ended 30 June 2023 was RMB450.5 million, a 55.6% increase from RMB289.6 million for the six months ended 30 June 2022. This was primarily due to the new mobile game Aobi Island Mobile (「奥比島手遊」) was launched in the second half of 2022 and made excellent performance at its debut and partly offset by the existing games which has a usual decline as a result of life cycle.

Other Businesses: Revenue from other businesses for the six months ended 30 June 2023 was RMB0.08 million, the same with the six months ended 30 June 2022.

Cost of Revenue

Our cost of revenue for the six months ended 30 June 2023 was RMB281.4 million, representing a 63.7% increase from RMB171.9 million for the six months ended 30 June 2022.

Online Entertainment Business: Our cost of revenue on online entertainment business for the six months ended 30 June 2023 was RMB281.3 million, representing a 63.6% increase from RMB171.9 million for the six months ended 30 June 2022. The increase was mainly due to the increase of third-party revenue sharing.

Other Businesses: Our cost of revenue on other businesses for the six months ended 30 June 2023 was RMB0.04 million, comparing with the cost of nil for the six months ended 30 June 2022. The increase primarily reflected an increase of derivative products expenses.

Gross Profit

As a result of the foregoing, our gross profit for the six months ended 30 June 2023 was RMB169.2 million, compared with RMB117.7 million for the six months ended 30 June 2022. Gross profit margin was 37.6% for the six months ended 30 June 2023, compared with 40.6% for the six months ended 30 June 2022. The gross profit margin decreased 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 six months ended 30 June 2023 were RMB40.5 million, a 28.6% increase from RMB31.5 million for the six months ended 30 June 2022. This increase was mainly driven by the increase in promoting and advertising expenses.

Administrative Expenses

Our administrative expenses for the six months ended 30 June 2023 were RMB41.9 million, a 10.3% decrease from RMB46.7 million for the six months ended 30 June 2022. The decrease was mainly driven by the decrease in staff benefit expenses relating to as restricted shares units (“RSUs”) granted to employees.

Research and Development Expenses

Our research and development expenses for the six months ended 30 June 2023 were RMB126.4 million, a 20.4% increase from RMB105.0 million for the six months ended 30 June 2022. This was primarily driven by the Group’s strategy to enhance in-house game development capabilities and improve user experience through continuous investment in the Group’s R&D team.

Net Impairment (Loss on)/Reversal of Financial Assets

We recorded net impairment loss of financial assets of RMB0.3 million for the six months ended 30 June 2023, compared with net impairment reversal of financial assets of RMB0.001 million for the six months ended 30 June 2022.

Management Discussion and Analysis

Other Income

The Company recognized RMB1.3 million in other income for the six months ended 30 June 2023, compared with RMB1.8 million for the six months ended 30 June 2022. The other income was generated from our fulfillment of certain performance conditions related to government grants.

Other (Loss)/Gain – net

The Company recognized net other loss of RMB0.3 million primarily due to foreign exchange gain and the interest income of structural deposits for the six months ended 30 June 2023 compared with net other gain of RMB1.7 million for the six months ended 30 June 2022.

Operating Loss

As a result of the foregoing, our operating loss for the six months ended 30 June 2023 was RMB38.9 million, compared with operating loss of RMB61.9 million for the six months ended 30 June 2022.

Finance Income – net

We had net finance income of RMB21.1 million for the six months ended 30 June 2023, compared with net finance income of RMB20.0 million for the six months ended 30 June 2022. Net finance income was primarily consisted of interest income on term deposits and cash and bank balance, as well as exchange gains on cash and bank balance, which was partly offset by interest expenses on lease liabilities.

Loss before Income Tax

As a result of the foregoing, we had a loss of RMB17.8 million for the six months ended 30 June 2023, compared with a loss of RMB41.9 million for the six months ended 30 June 2022.

Income Tax (Expense)/Credit

Our income tax expense for the six months ended 30 June 2023 was RMB2.1 million, compared with income tax credit of RMB2.0 million for the six months ended 30 June 2022.

Loss for the Period

We had a loss of RMB20.0 million for the six months ended 30 June 2023, compared with a loss of RMB39.9 million for the six months ended 30 June 2022.

Non-IFRSs Measure — Adjusted Net Loss/EBITDA

Our adjusted net loss for the six months ended 30 June 2023 was RMB3.2 million, representing a 59.0% decrease from net loss of RMB7.8 million for the six months ended 30 June 2022. Our adjusted EBITDA for the six months ended 30 June 2023 was loss of RMB10.5 million, representing a 41.7% decrease from loss of RMB18.0 million for the six months ended 30 June 2022.

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

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Loss for the period	(19,913)	(39,851)
Add:		
Share-based compensation	16,760	32,017
Adjusted net loss	(3,153)	(7,834)
Add:		
Depreciation and amortization	11,660	11,865
Finance income — net	(21,060)	(19,991)
Income tax expense/(credit)	2,068	(2,042)
Adjusted EBITDA	(10,485)	(18,002)

Management Discussion and Analysis

LIQUIDITY AND CAPITAL RESOURCES

During the Period, we met our working capital and other capital requirements principally from cash flow generated from our operating activities.

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

	Unaudited As of 30 June 2023 RMB'000	Audited As of 31 December 2022 RMB'000
Total liabilities	344,349	358,183
Total assets	2,002,313	2,056,267
Gearing ratio ⁽¹⁾	17%	17%

Note:

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

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

As of 30 June 2023, our cash and cash equivalents consisted of cash in bank and cash on hand, which amounted to RMB1,244.1 million, compared with RMB1,303.7 million as of 31 December 2022. We had short-term deposits of RMB163.7 million as of 30 June 2023, compared with RMB110.0 million as of 31 December 2022, representing bank deposits which we intend to hold for over three months but less than one year. We had long-term deposits of RMB45.0 million as of 30 June 2023, compared with RMB95.0 million long-term deposit as of 31 December 2022, representing bank deposits which we intend to hold for over one year but less than three years.

As of 30 June 2023, the Group had no restricted cash.

The effective interest rate per annum for cash in bank balances and deposits as of 30 June 2023 was 2.7%, compared with 2.3% as of 31 December 2022. Our policy is to place our cash in interest-bearing principal-protected call or deposits with reputable domestic or international banks.

Management Discussion and Analysis

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

Group	Unaudited	Audited
	As of 30 June 2023 RMB'000	As of 31 December 2022 RMB'000
RMB	1,299,800	1,364,918
US\$	82,365	77,203
HK\$	70,572	66,505
Others	81	85
	1,452,818	1,508,711

Bank Loans and Other Borrowings

The Group had no bank loans and other borrowings as of 30 June 2023.

Treasury Policies

As of 30 June 2023, the Group had conservative treasury policies in terms of cash and financial management. The Group does not use any financial instruments for hedging purposes.

Foreign Currency Risk

As of 30 June 2023, RMB153.0 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.

Management Discussion and Analysis

Capital Expenditures and Investments

Our capital expenditures consist 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 six months ended 30 June 2023, our total capital expenditures were RMB52.6 million, compared with RMB5.0 million for the six months ended 30 June 2022. The following table sets out our expenditures for the periods indicated:

	Unaudited	
	For the six months ended	
	2023	2022
	RMB'000	RMB'000
Capital Expenditures		
— Payment for construction in progress and other long-term assets	50,300	2,949
— Purchase of intangible assets	1,253	1,085
— Purchase of property and equipment	1,067	930
Total	52,620	4,964

Contingent Liabilities

As of 30 June 2023, the Group did not have any material contingent liabilities, guarantees or litigation against it.

Charges on Assets

As of 30 June 2023, there were no charges on the Group's assets.

Material Acquisitions and Future Plans for Major Investment

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

The Group currently has no specific plan for other major investments or acquisitions for significant capital assets or other businesses. However, the Group will continue to look for new opportunities for business development.

Employees and Staff Costs

As of 30 June 2023, the Group had 955 full-time employees. The following table sets forth the number of full-time employees by function as of 30 June 2023:

	As of 30 June 2023	
	Number of Employees	% of Total
Operations	25	2.6
R&D operations	220	23.0
Development and research	557	58.4
Sales and Marketing	92	9.6
General and administration	61	6.4
Total	955	100

In addition to salary, we also provide various incentives, including share-based awards, such as RSUs granted pursuant to the share incentive schemes of the Company, and performance-based bonuses to better motivate our employees. As required by the PRC law, we contribute to housing funds and maintain mandatory social insurance plans for our employees, covering pension, medical, unemployment, work injury and maternity leave. We are required by the PRC law to make contributions to these social insurance plans at specified percentages of the compensation of each employee, up to a maximum amount as may be specified by the local government from time to time. Such social insurance plans include defined contribution retirement benefit plans organized by the relevant governmental authorities. Forfeited contributions by the Group to these plans may not be used by the Group to reduce the existing level of contributions. The total amount of contributions we made for employee social insurance plans in the first half of 2023 were approximately RMB37.3 million, compared with RMB30.8 million in the first half of 2022. We incurred staff costs of approximately RMB206.4 million and RMB201.0 million, for the six months ended 30 June 2023 and 2022, representing 45.8% and 69.4% of our revenue for those periods respectively.

We will continue to grant RSUs to our employees to incentivize them pursuant to the 2023 RSU Scheme (as defined below). The maximum aggregate number of the Shares from time to time for a three-year period from the date of the Company's annual general meeting ("AGM") held on 27 June 2023, underlying all the RSUs which we may grant pursuant to the 2023 RSU Scheme (as defined below) is no more than 282,284,400 shares, representing approximately 10% of our share capital as of the date of the AGM.

Management Discussion and Analysis

Dividend

At the Company's AGM on 27 June 2023, shareholders approved the Board recommended special dividend of HK\$0.015 (equivalent to approximately RMB0.014) per share for the year ended 31 December 2022. The special dividend was paid to shareholders of the Company on 20 July 2023.

The Board did not propose any interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: nil).

CHANGES SINCE 31 DECEMBER 2022

Save as disclosed in this interim report, there were no other significant changes in the Group's financial position or from the information disclosed under management discussion and analysis in the annual report for the year ended 31 December 2022.

SIGNIFICANT EVENTS AFTER 30 JUNE 2023

To the best knowledge of the Board, the Group did not have any significant events which have occurred after 30 June 2023.

Report on Review of Interim Financial Information



羅兵咸永道

TO THE BOARD OF DIRECTORS OF BAI00 FAMILY INTERACTIVE LIMITED
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 28 to 55, which comprises the interim condensed consolidated balance sheet of BAI00 Family Interactive Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2023 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 August 2023

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Interim Condensed Consolidated Income Statement

	Note	Unaudited Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Revenue	6	450,609	289,641
Cost of revenue		(281,380)	(171,903)
Gross profit		169,229	117,738
Selling and marketing expenses		(40,454)	(31,481)
Administrative expenses		(41,946)	(46,687)
Research and development expenses		(126,427)	(104,963)
Net impairment (loss on)/reversal of financial assets		(312)	1
Other income		1,340	1,786
Other (loss)/gain — net		(335)	1,722
Operating loss	7	(38,905)	(61,884)
Finance income		22,538	21,911
Finance costs		(1,478)	(1,920)
Finance income — net		21,060	19,991
Loss before income tax		(17,845)	(41,893)
Income tax (expense)/credit	8	(2,068)	2,042
Loss for the period		(19,913)	(39,851)
Loss attributable to:			
— Shareholders of the Company		(19,988)	(39,928)
— Non-controlling interests		75	77
		(19,913)	(39,851)
Loss per share for loss attributable to shareholders of the Company (expressed in RMB per share)	9		
Basic and diluted loss per share		(0.0075)	(0.0152)

The notes on pages 34 to 55 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Loss for the period	(19,913)	(39,851)
Other comprehensive income	—	—
Total comprehensive loss for the period	(19,913)	(39,851)
Loss attributable to:		
— Shareholders of the Company	(19,988)	(39,928)
— Non-controlling interests	75	77
	(19,913)	(39,851)

The notes on pages 34 to 55 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Balance Sheet

		Unaudited As at 30 June 2023 RMB'000	Audited As at 31 December 2022 RMB'000
	Note		
ASSETS			
Non-current assets			
Right-of-use assets	11	267,177	276,304
Property and equipment	11	117,186	71,816
Intangible assets	11	4,561	2,820
Prepayments and other receivables		4,073	4,090
Long-term bank deposits	14	45,000	95,000
Deferred income tax assets		20,367	21,679
Financial assets at fair value through profit or loss	13	5,000	5,000
		463,364	476,709
Current assets			
Inventories		169	207
Contract costs		61,058	71,633
Trade receivables	12	43,559	71,807
Prepayments and other receivables		26,345	22,200
Short-term bank deposits	14	163,729	110,000
Cash and cash equivalents (excluding bank overdrafts)	14	1,244,089	1,303,711
		1,538,949	1,579,558
Total assets		2,002,313	2,056,267
EQUITY			
Share capital	15	8	8
Share premium	15	1,080,649	1,099,859
Reserves	16	74,037	75,034
Retained earnings		496,005	515,993
Capital and reserves attributable to shareholders of the Company		1,650,699	1,690,894
Non-controlling interests		7,265	7,190
Total equity		1,657,964	1,698,084

Interim Condensed Consolidated Balance Sheet

	Note	Unaudited As at 30 June 2023 RMB'000	Audited As at 31 December 2022 RMB'000
		LIABILITIES	
Non-current liabilities			
Lease liabilities		28,496	37,148
Contract liabilities		14,068	15,426
		42,564	52,574
Current liabilities			
Trade payables	17	19,309	8,199
Other payables and accruals	18	103,440	93,498
Advances from distributors		18,602	25,342
Lease liabilities		19,292	18,828
Contract liabilities		141,082	159,684
Income tax liabilities		59	52
Bank overdrafts		1	6
		301,785	305,609
Total liabilities		344,349	358,183
Total equity and liabilities		2,002,313	2,056,267

Li Chong

Wu Lili

The notes on pages 34 to 55 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity

	Note	Unaudited Attributable to shareholders of the Company						
		Share capital	Share premium	Reserves	Retained earnings	Subtotal	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2022		8	1,106,699	62,911	506,004	1,675,622	7,018	1,682,640
Comprehensive loss								
Loss for the period		–	–	–	(39,928)	(39,928)	77	(39,851)
Total comprehensive loss		–	–	–	(39,928)	(39,928)	77	(39,851)
Transactions with owners, recognized directly in equity								
RSU Scheme:								
– Value of employee services	16	–	–	32,017	–	32,017	–	32,017
– Vesting of RSUs	16	–	14,842	(14,842)	–	–	–	–
Special dividend of 2021	10	–	(45,087)	–	–	(45,087)	–	(45,087)
Total transactions with owners, recognized directly in equity		–	(30,245)	17,175	–	(13,070)	–	(13,070)
Balance at 30 June 2022		8	1,076,454	80,086	466,076	1,622,624	7,095	1,629,719
Balance at 1 January 2023		8	1,099,859	75,034	515,993	1,690,894	7,190	1,698,084
Comprehensive loss								
Loss for the period		–	–	–	(19,988)	(19,988)	75	(19,913)
Total comprehensive loss		–	–	–	(19,988)	(19,988)	75	(19,913)
Transactions with owners, recognized directly in equity								
RSU Scheme:								
– Value of employee services	16	–	–	16,760	–	16,760	–	16,760
– Vesting of RSUs	16	–	17,757	(17,757)	–	–	–	–
Special dividend of 2022	10	–	(36,967)	–	–	(36,967)	–	(36,967)
Total transactions with owners, recognized directly in equity		–	(19,210)	(997)	–	(20,207)	–	(20,207)
Balance at 30 June 2023		8	1,080,649	74,037	496,005	1,650,699	7,265	1,657,964

The notes on pages 34 to 55 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows

	Note	Unaudited Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash used in operations		(15,382)	(44,733)
Interest received from cash and cash equivalents		14,771	14,280
Income tax paid		(749)	(11,475)
Net cash used in operating activities		(1,360)	(41,928)
Cash flows from investing activities			
Purchase of property and equipment		(51,367)	(3,879)
Purchase of intangible assets		(1,253)	(1,085)
Investment in term bank deposits		(178,729)	(380,000)
Investment in financial assets at fair value through profit or loss		—	(50,000)
Maturity of term bank deposits		175,000	174,000
Maturity of financial assets at fair value through profit or loss		—	50,000
Interest received from term bank deposits and financial assets at fair value through profit or loss		2,621	2,020
Net cash used in investing activities		(53,728)	(208,944)
Cash flows from financing activities			
Principal elements of lease payments		(8,187)	(7,285)
Interest elements of lease payments		(1,478)	(1,920)
Net cash used in financing activities		(9,665)	(9,205)
Net decrease in cash and cash equivalents		(64,753)	(260,077)
Cash and cash equivalents at beginning of the period		1,303,705	1,429,190
Foreign exchange gains on cash and cash equivalents		5,136	5,518
Cash and cash equivalents at end of the period		1,244,088	1,174,631
Cash and cash equivalents comprises:			
Bank overdrafts		(1)	—
Cash and bank balances	14	1,244,089	1,174,631
Cash and cash equivalents		1,244,088	1,174,631

The notes on pages 34 to 55 form an integral part of this interim condensed consolidated financial information.

Notes to the Interim Condensed Consolidated Financial Information

1 General information

BAIOO Family Interactive Limited (the “Company” or “Baioo”) was incorporated in the Cayman Islands on 25 September 2009 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Hutchins Drive, Cricket Square, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, British West Indies.

The Company and its subsidiaries and the PRC operating entities (collectively the “Group”) are principally engaged in the development and operation of online virtual world business in the People’s Republic of China (the “PRC”) and some other off-line businesses.

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 10 April 2014.

The interim condensed consolidated financial information is presented in Renminbi (“RMB”), unless otherwise stated, and have been approved for issue by the Board on 30 August 2023.

The interim condensed consolidated financial information has not been audited.

2 Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with International Accounting Standard (“IAS”) 34, ‘Interim financial reporting’. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board.

Notes to the Interim Condensed Consolidated Financial Information

3 Accounting policies

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

3.1 The following new standards and amendments to existing standards are mandatory for adoption for the financial year beginning 1 January 2023 for the Group:

IFRS 17	Insurance Contracts
IFRS 17 (Amendment)	Amendments to IFRS 17
IAS 8 (Amendment)	Definition of Accounting Estimates
IAS 12 (Amendment)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
IAS 1 and IFRS Practice Statement 2 (Amendment)	Disclosure of Accounting Policies

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

3.2 The following new standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2023 and have not been early adopted:

		Effective for accounting periods beginning on or after
IAS 1 (Amendment)	Classification of Liabilities as Current or Non-current	1 January 2024
IAS 1 (Amendment)	Non-current liabilities with covenants	1 January 2024
IFRS 16 (Amendment)	Lease liability in sale and leaseback	1 January 2024
IFRS 10 and IAS 28 (Amendment)	Sale or Contribution of Assets between An Inventory and its Associate or Joint Venture	To be determined

The above new standards and amendments to existing standards are effective for annual periods beginning on or after 1 January 2024 and have not been applied in preparing this interim condensed consolidated financial information. None of these is expected to have a significant effect on the interim condensed consolidated financial information of the Group.

Notes to the Interim Condensed Consolidated Financial Information

4 Estimates

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

5 Financial risk management and financial instruments

5.1 Financial risk factors

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

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2022.

There have been no changes in the risk management department or in any risk management policies since 31 December 2022.

5.2 Liquidity risk

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

Notes to the Interim Condensed Consolidated Financial Information

5 Financial risk management and financial instruments (continued)

5.2 Liquidity risk (continued)

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total contractual cash flows RMB'000	Carrying amount RMB'000
As at 30 June 2023					
Trade payables	19,309	—	—	19,309	19,309
Other payables and accruals (excluding other tax liabilities and staff costs and welfare accruals)	61,713	—	—	61,713	61,713
Lease liabilities	19,815	20,805	10,656	51,276	47,788
Bank overdraft	1	—	—	1	1
	100,838	20,805	10,656	132,299	128,811
As at 31 December 2022					
Trade payables	8,199	—	—	8,199	8,199
Other payables and accruals (excluding other tax liabilities and staff costs and welfare accruals)	30,544	—	—	30,544	30,544
Lease liabilities	19,331	20,298	21,312	60,941	55,976
Bank overdraft	6	—	—	6	6
	58,080	20,298	21,312	99,690	94,725

Notes to the Interim Condensed Consolidated Financial Information

5 Financial risk management and financial instruments (continued)

5.3 Fair value estimation

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

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

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

5 Financial risk management and financial instruments (continued)

5.3 Fair value estimation (continued)

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

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

There were no changes in valuation techniques.

- (b) Fair value of financial assets at fair value through profit or loss (Note 13)

Investment in a private equity fund ("the Fund")

The Group invested in the Fund which was valued based on the net asset value. As at 30 June 2023 and 31 December 2022, the Fund was financial instruments in level 3.

Structure deposits

The Group invested in short-term structural deposits that contained derivatives which are financial instruments in level 3. As these structural deposits were not traded in an active market, their fair values have been determined using various applicable valuation techniques, including comparable transactions approaches, equity allocation model and other option pricing models, etc.

Notes to the Interim Condensed Consolidated Financial Information

6 Segment information

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company that make strategic decisions.

The Group determined that it has operating segments as follows:

- Online entertainment business
- Other businesses

The Group's online entertainment business involves development, operation and exclusive distribution of online virtual world business through its own web-based platform and mobile platforms. Other businesses mainly include sales of peripheral products and other services.

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

There were no material inter-segment sales during six months ended 30 June 2023 and 2022, respectively. The revenues from external customers reported to CODM are measured as segment revenue.

Other information, together with the segment information, provided to the CODM, is measured in a manner consistent with that applied in the financial information. There was no separate segment assets and segment liabilities information provided to the CODM.

Notes to the Interim Condensed Consolidated Financial Information

6 Segment information (continued)

The segment revenue provided to the Group's CODM for the reportable segments for the six months ended 30 June 2023 and 2022, respectively, are as follows:

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

	Unaudited		
	Six months ended 30 June 2022		
	Online	Other	Total
	entertainment	businesses	
business	businesses		
	RMB'000	RMB'000	RMB'000
Timing of revenue recognition			
– At a point in time	88,725	–	88,725
– Over time	200,840	76	200,916
	289,565	76	289,641

Notes to the Interim Condensed Consolidated Financial Information

6 Segment information (continued)

The Company is domiciled in the Cayman Islands while the Group mainly operates its business in the Mainland China. For six months ended 30 June 2023 and 2022, the geographical information on the total revenue is as follows:

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
— Mainland China	425,220	262,946
— Outside Mainland China	25,389	26,695
	450,609	289,641

As summarized in the table below, the online virtual worlds revenue contributing more than 10% of the Group's total revenue account for 81.7% and 92.2% of the total revenue for the six months ended 30 June 2023 and 2022, respectively.

	Six months ended 30 June	
	2023	2022
Aobi Island Mobile	38.8%	**
Shiwuyu	17.3%	26.8%
Legend of Aoqi	15.4%	18.2%
Legend of Aoqi Mobile	10.2%	15.3%
Aola Star Mobile	*	17.0%
Aola Star	*	14.9%

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

** Game has not launched in the particular period.

As at 30 June 2023, the total non-current assets, other than financial instruments and deferred tax assets, located in Mainland China and Hong Kong were RMB388,828,000 (31 December 2022: RMB350,878,000) and RMB96,000 (31 December 2022: RMB239,000), respectively.

Notes to the Interim Condensed Consolidated Financial Information

7 Operating loss

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

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Distribution cost and payment handling fees	210,369	93,972
Employee benefit expenses	206,397	200,960
Promotion and advertising expenses	22,742	16,737
Depreciation of property and equipment and right-of-use assets and amortization of intangible assets	11,660	11,865
Net impairment loss on/(reversal of) financial assets	312	(1)

8 Income tax (expense)/credit

The income tax (expense)/credit of the Group for the six months ended 30 June 2023 and 2022 is analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Current income tax expense		
– Current year	(754)	(1,246)
– Under provision in prior year	(2)	(1,397)
Deferred income tax (expense)/credit	(1,312)	4,685
	(2,068)	2,042

8 Income tax (expense)/credit (continued)

(a) PRC corporate income tax

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

Guangzhou Baitian and Guangzhou Tianti were qualified as “High and New Technology Enterprise” in 2023 and were entitled to a preferential income tax rate of 15% on its estimated assessable profits for the six months ended 30 June 2023 (2022: same).

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

Guangzhou WFOE and Xiaoyunxiong was qualified as “Small Low-Profit Enterprise” in 2023 and 2022, 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 5% for the six months ended 30 June 2022.

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

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 six months ended 30 June 2022.

Notes to the Interim Condensed Consolidated Financial Information

8 Income tax (expense)/credit (continued)

(a) PRC corporate income tax (continued)

Super Deduction (continued)

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

(b) Cayman Islands income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(c) Hong Kong profits tax

The provision for Hong Kong profits tax for the six months ended 30 June 2023 are calculated in accordance with the two-tiered profits tax rates regime (2022: same). Under the two-tiered profits tax rates regime, the first Hong Kong Dollar (“HKD”) 2 million of profit of a qualifying corporation is taxed at 8.25%, and profit above HKD2 million is taxed at 16.5%.

(d) PRC withholding tax (“WHT”)

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

For the six months ended 30 June 2023, 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 each of the reporting periods (2022: same).

Notes to the Interim Condensed Consolidated Financial Information

9 Loss per share

(a) Basic

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

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

	Unaudited Six months ended 30 June	
	2023	2022
Loss attributable to shareholders of the Company (RMB'000)	(19,988)	(39,928)
Weighted average number of ordinary shares in issue less shares held for RSU Schemes	2,665,958,981	2,626,702,445
Basic loss per share (in RMB/share)	(0.0075)	(0.0152)

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the six months ended 30 June 2023, the Company had potential ordinary shares, the RSUs, which had to be considered for calculating diluted losses per share. No adjustment was made to basic losses per share to derive the diluted losses per share for the six months ended 30 June 2023 as potential ordinary shares was anti-dilutive (2022: same).

Notes to the Interim Condensed Consolidated Financial Information

10 Dividend

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Special dividend of HKD0.015 (2022: HKD0.02) per ordinary share (Note a)	39,038	47,109
Less: dividend for shares held for the RSU Schemes	(2,071)	(2,022)
	36,967	45,087

- (a) The 2022 special dividend of HKD0.015 (equivalent to approximately RMB0.014) per ordinary share, totaling HKD42,343,000 (equivalent to approximately RMB39,038,000), was approved at the Company's annual general meeting held on 27 June 2023 and was paid on 20 July 2023.
- (b) The 2021 special dividend of HKD0.02 (equivalent to approximately RMB0.017) per ordinary share, totaling HKD55,424,000 (equivalent to approximately RMB47,109,000), was approved at the Company's annual general meeting held on 6 June 2022 and was paid on 28 July 2022.

The Company did not declare an interim dividend for the six months ended 30 June 2023 (2022: nil).

Notes to the Interim Condensed Consolidated Financial Information

11 Property and equipment, intangible assets and right-of-use assets

	Unaudited		
	Property and equipment RMB'000	Intangible assets RMB'000	Right-of-use assets RMB'000
Six months ended 30 June 2023			
Opening net book amount	71,816	2,820	276,304
Additions	49,279	2,836	—
Depreciation and amortization charge	(3,909)	(1,095)	(9,127)
Closing net book amount	117,186	4,561	267,177
Six months ended 30 June 2022			
Opening net book amount	25,399	2,542	294,558
Additions	11,065	672	—
Depreciation and amortization charge	(3,453)	(932)	(9,127)
Closing net book amount	33,011	2,282	285,431

During the six months ended 30 June 2023, the depreciation of RMB2,471,000 from right-of-use assets was recognized in construction in progress (during the six months ended 30 June 2022: 1,647,000).

Notes to the Interim Condensed Consolidated Financial Information

12 Trade receivables

	Unaudited As at 30 June 2023 RMB'000	Audited As at 31 December 2022 RMB'000
Receivables from third parties	43,756	72,135
Less: allowance for impairment	(197)	(328)
	43,559	71,807

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

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

	Unaudited As at 30 June 2023 RMB'000	Audited As at 31 December 2022 RMB'000
0–30 days	25,608	62,931
31–60 days	15,832	6,056
61–90 days	2,265	3,006
91–180 days	—	40
181–365 days	—	73
Over 365 days	51	29
	43,756	72,135

Notes to the Interim Condensed Consolidated Financial Information

13 Financial assets at fair value through profit or loss

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Opening amount	5,000	5,000
Addition	—	50,000
Net gains recognized in profit or loss	—	325
Settlement	—	(50,325)
Closing amount	5,000	5,000

Structural deposits are recognized as financial assets at fair value through profit or loss. No fair value gain or loss related to the structural deposits for the six months ended 30 June 2023 is recognised (2022: gain of RMB325,000).

The amount comprised the Group's investment in private equity funds amounting to RMB5,000,000 as at 30 June 2023 and 31 December 2022. Please refer to Note 5.3 for information about the methods used in determining fair value of the investment in private equity funds of the Group.

Notes to the Interim Condensed Consolidated Financial Information

14 Cash and cash equivalents and term bank deposits

	Unaudited As at 30 June 2023 RMB'000	Audited As at 31 December 2022 RMB'000
Short-term bank deposits (Note (a))	163,729	110,000
Long-term bank deposits (Note (b))	45,000	95,000
Cash and cash equivalents		
— Cash at banks and on hand	1,244,089	1,303,711
	1,452,818	1,508,711
Maximum exposure to credit risk (Note (e))	1,452,737	1,508,622

- (a) Short-term bank deposits represent the Group's deposits placed in banks with an expected maturity of over three months but less than one year.
- (b) Long-term bank deposits represent the Group's deposit placed in a bank with an expected maturity of over one year but less than three years.
- (c) All cash and bank balances as at 30 June 2023 and 31 December 2022 were demand deposits in nature.
- (d) The effective interest rate per annum for all bank balances and term deposits as at 30 June 2023 was approximately 2.66% (31 December 2022: 2.33%).
- (e) As at 30 June 2023, substantially all the Group's bank deposits included in cash and bank balances were deposited with major financial institutions incorporated in the PRC, which has a minimum external credit rating of "A". There has been no recent history of default in relation to these financial institutions.

Notes to the Interim Condensed Consolidated Financial Information

15 Share capital and share premium

As at 30 June 2023, the total number of issued ordinary shares of the Company was 2,822,844,000 shares (30 June 2022: 2,771,194,000 shares) which included 149,747,849 shares (30 June 2022: 136,565,676 shares) held under the RSU Scheme.

	Number of shares	Nominal value of shares US\$'000	Share capital RMB'000	Share premium RMB'000	Total RMB'000
As at 1 January 2023	2,822,844,000	2	8	1,099,859	1,099,867
RSU Scheme:					
– Vesting of RSUs	–	–	–	17,757	17,757
2022 special dividend payable to equity holders of the Company (Note 10)	–	–	–	(36,967)	(36,967)
As at 30 June 2023	2,822,844,000	2	8	1,080,649	1,080,657
As at 1 January 2022	2,771,194,000	2	8	1,106,699	1,106,707
RSU Scheme:					
– Vesting of RSUs	–	–	–	14,842	14,842
2021 special dividend payable to equity holders of the Company (Note 10)	–	–	–	(45,087)	(45,087)
As at 30 June 2022	2,771,194,000	2	8	1,076,454	1,076,462

Notes to the Interim Condensed Consolidated Financial Information

16 Reserves

	Other reserves RMB'000	Statutory reserves RMB'000	Share-based compensation reserve RMB'000	Total RMB'000
As at 1 January 2023	2,069	6,661	66,304	75,034
RSU Scheme:				
– Value of employee services	–	–	16,760	16,760
– Vesting of RSUs	–	–	(17,757)	(17,757)
As at 30 June 2023	2,069	6,661	65,307	74,037
As at 1 January 2022	2,069	6,483	54,359	62,911
RSU Scheme:				
– Value of employee services	–	–	32,017	32,017
– Vesting of RSUs	–	–	(14,842)	(14,842)
As at 30 June 2022	2,069	6,483	71,534	80,086

In accordance with the relevant laws and regulations in the PRC and the Articles of Association of the companies incorporated in the PRC now comprising the Group, the companies are required to appropriate 10% of the annual net profits, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing any net profit. When the balance of the statutory surplus reserve reaches 50% of the registered capital of the companies, any further appropriation is at the discretion of shareholders. The statutory surplus reserve can be used to offset prior years' losses, if any, and may be capitalized as capital, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of registered capital.

In addition, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions of the articles of association of wholly owned foreign subsidiaries in the PRC, appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by these companies to their respective reserve funds. The percentage of net profit to be appropriated to the reserve fund is not less than 10% of the net profit. When the balance of the reserve fund reaches 50% of the registered capital, such transfer needs not be made.

Notes to the Interim Condensed Consolidated Financial Information

17 Trade payables

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

The credit period for trade payables was generally 30 days from the date of billing. The ageing analysis of trade payables based on recognition date is as follows:

	Unaudited As at 30 June 2023 RMB'000	Audited As at 31 December 2022 RMB'000
0–30 days	17,245	7,220
31–60 days	1,577	308
61–180 days	315	569
181–365 days	154	42
Over 365 days	18	60
	19,309	8,199

18 Other payables and accruals

	Unaudited As at 30 June 2023 RMB'000	Audited As at 31 December 2022 RMB'000
Staff costs and welfare accruals	37,680	57,482
Dividend payable (Note 10)	36,967	—
Construction cost payable	19,890	24,956
Other tax liabilities	4,047	5,472
Professional service fees payable	3,543	4,464
Others	1,313	1,124
	103,440	93,498

Notes to the Interim Condensed Consolidated Financial Information

19 Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	Unaudited As at 30 June 2023 RMB'000	Audited As at 31 December 2022 RMB'000
Construction in progress	84,478	138,646

20 Significant related party transactions

The ultimate parent of the Group is TMF (Cayman) Ltd. (incorporated in the Cayman Islands).

In addition to those disclosed elsewhere in the financial statements, the following transactions were carried out with related parties:

(a) Key management personnel compensations paid or payable for employee services

	Unaudited Six months ended 30 June 2023 RMB'000	2022 RMB'000
Wages, salaries and bonuses	4,647	5,245
Pension costs — defined contribution plans	117	166
Other social security costs, housing benefits and other employee benefits	168	207
Share-based compensation expenses	8,308	16,055
	13,240	21,673

21 Contingencies

The Group did not have any material contingent liabilities as at 30 June 2023 and 31 December 2022.

Other Information

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed the Group's auditing, risk management, internal control and financial reporting matters. The Audit Committee has also reviewed the Group's unaudited Interim Condensed Consolidated Financial Information for the six months ended 30 June 2023 and this interim report. Based on this review and discussions with the management, the Audit Committee was satisfied that the financial statements were prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

The Company's auditor has reviewed the Interim Condensed Consolidated Financial Information in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own securities dealing code to regulate all Directors' dealings of securities in the Company and other matters covered by the Model Code. The Company has made specific enquiry with all Directors and the Directors have confirmed that they had complied with all relevant requirements as set out in the Model Code during the reporting period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance, the principles of which serve to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business and to ensure that its affairs are conducted in accordance with the applicable laws and regulations. The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

Save as the deviation from code provision C.2.1 of Part 2 of the CG Code, the Company has applied the principles and complied with all applicable code provisions of the CG Code during the six months ended 30 June 2023.

Code provision C.2.1 of Part 2 of the CG Code provides that the responsibilities between the chairman and CEO should be segregated and should not be performed by the same individual. Mr. DAI Jian currently acts as the CEO and the Chairman. Mr. DAI, as one of the founders of the Group, is instrumental to the Group's growth and business expansion since 2009. The Board believes that vesting the roles of both Chairman and CEO in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board further believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive Directors.

BOARD OF DIRECTORS AND BOARD COMMITTEES

The compositions of the Board, the Audit Committee, the Nomination Committee and the Remuneration Committee remain the same as set out in the annual report of the Company for the year ended 31 December 2022.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

The Company is not aware of any changes in the Directors' information which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

INTERIM DIVIDEND

The Directors do not recommend the payment of dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2023, the Group did not purchase, sell or redeem any of the listed securities of the Company.

Other Information

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2023, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name	Position	Relevant company (including associated corporation)	Capacity/Nature of interest	Number of Shares/ underlying Shares held	Approximate percentage of shareholding ⁽⁹⁾
DAI Jian (戴堅) ⁽¹⁾	Chairman, Executive Director and Chief Executive Officer	The Company	Founder of a discretionary trust Interest of controlled corporation	687,944,180(L) ⁽⁸⁾	24.37%(L)
		The Company	Beneficial owner	10,000,000(L)	0.35%(L)
WU Lili (吳立立) ⁽²⁾	Executive Director	The Company	Founder of a discretionary trust Interest of controlled corporation	365,596,180(L)	12.95%(L)
LI Chong (李冲) ⁽³⁾⁽⁴⁾	Executive Director	The Company	Founder of a discretionary trust Interest of controlled corporation	114,816,360(L)	4.07%(L)
		The Company	Beneficial owner	15,000,000(L)	0.53%(L)
LIU Qianli (劉千里) ⁽⁵⁾	Independent Non-executive Director	The Company	Beneficial owner	200,000(L)	0.01%(L)
WANG Qing (王慶) ⁽⁶⁾	Independent Non-executive Director	The Company	Beneficial owner	200,000(L)	0.01%(L)
MA Xiaofeng (馬肖風) ⁽⁷⁾	Independent Non-executive Director	The Company	Beneficial owner	200,000(L)	0.01%(L)

Notes:

- (1) Mr. DAI Jian established DAE Trust on 27 December 2013 for the benefit of himself and his family members, and acts as its settlor and protector. The trustee of DAE Trust is TMF (Cayman) Ltd., and independent third party and sole shareholder of DAE Holding Investments Limited, a trust holding company owns 100% of equity interest in Stmoritz Investment Limited. In addition, 10,000,000 RSUs were granted to Mr. DAI Jian under the Pre-IPO RSU Scheme entitling him to receive 10,000,000 Shares and subject to vesting. As at 30 June 2023, all the RSUs granted to Mr. DAI Jian were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Pre-IPO RSU Scheme.
- (2) Mr. WU Lili established WHZ Trust on 27 December 2013 for the benefit of himself and his family members, and acts as its settlor and protector. The trustee of WHZ Trust is TMF (Cayman) Ltd., and independent third party and sole shareholder of WHEZ Holding Ltd., a trust holding company owns 100% of equity interest in Bright Stream Holding Limited.
- (3) Mr. LI Chong established the Zhen Family Trust on 27 December 2013 for the benefit of himself and his family members, and acts as its settlor and protector. The trustee of The Zhen Family Trust is TMF (Cayman) Ltd., and independent third party and sole shareholder of Golden Water Management Limited, a trust holding company owns 100% of equity interest in LNZ Holding Limited.
- (4) Mr. Li Chong was interested in 15,000,000 RSUs granted to him under the Post-IPO RSU Scheme entitling him to receive 15,000,000 Shares subject to vesting. For details, please refer to the Company's announcements dated 12 April 2021 and 30 March 2022, the circulars dated 21 May 2021 and 27 April 2022 and the poll results announcements dated 25 June 2021 and 6 June 2022. As at 30 June 2023, 20% of the RSUs granted to Mr. Li on 12 April 2021 under the Post-IPO RSU Scheme were vested.
- (5) Ms. LIU Qianli was interested in 200,000 RSUs granted to her under the Pre-IPO RSU Scheme entitling her to receive 200,000 Shares subject to vesting. As at 30 June 2023, all the RSUs granted to Ms. LIU were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Pre-IPO RSU Scheme.
- (6) Dr. WANG Qing was interested in 200,000 RSUs granted to him under the Pre-IPO RSU Scheme entitling him to receive 200,000 Shares subject to vesting. As at 30 June 2023, all the RSUs granted to Dr. WANG were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Pre-IPO RSU Scheme.
- (7) Mr. MA Xiaofeng was interested in 200,000 RSUs granted to him under the Pre-IPO RSU Scheme entitling him to receive 200,000 Shares subject to vesting. As at 30 June 2023, all the RSUs granted to Mr. MA were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Pre-IPO RSU Scheme.
- (8) The Letter "L" denotes the person's Long position in such Shares.
- (9) These percentages are calculated on the basis of 2,822,844,000 Shares in issue as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, none of the Directors and chief executive of the Company and their respective associates had registered an interest or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that are required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

Other Information

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2023, the following persons had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity/Nature of Interest	Number of Shares	Approximate percentage of shareholding in the total issued share capital of the Company ⁽⁸⁾
TMF (Cayman) Ltd. ⁽¹⁾	Trustee of trusts	1,193,824,720(L) ⁽⁷⁾	42.29%(L)
DAE Holding Investments Limited ⁽²⁾	Trust holding company	687,944,180(L)	24.37%(L)
Stmoritz Investment Limited ⁽²⁾	Registered owner	687,944,180(L)	24.37%(L)
DAI Jian (戴堅) ⁽²⁾⁽⁵⁾	Founder of a discretionary trust Interest of a controlled corporation	687,944,180(L)	24.37%(L)
	Beneficial owner	10,000,000(L)	0.35%(L)
Bright Stream Holding Limited ⁽³⁾	Registered owner	365,596,180(L)	12.95%(L)
WHEZ Holding Ltd. ⁽³⁾	Trust holding company	365,596,180(L)	12.95%(L)
WU Lili (吳立立) ⁽³⁾	Founder of a discretionary trust	365,596,180(L)	12.95%(L)
THL H Limited ⁽⁴⁾	Registered owner	326,063,280(L)	11.55%(L)
Tencent Holdings Limited ⁽⁴⁾	Interest of controlled corporation	326,063,280(L)	11.55%(L)
The Core Trust Company Limited ⁽⁶⁾	Trustee of a trust	235,194,037(L)	8.33%(L)

Notes:

- (1) TMF (Cayman) Ltd. is the trustee of DAE Trust, WHZ Trust, The Zhen Family Trust and WSW Family Trust.
- (2) The entire share capital of Stmoritz Investment Limited is wholly-owned by DAE Holding Investments Limited and ultimately owned by TMF (Cayman) Ltd. as the trustee of the DAE Trust, which is a discretionary trust set up by Mr. DAI Jian ("**Mr. DAI**") on 27 December 2013 for the benefit of himself and his family members, and Mr. DAI is a settlor and protector. Mr. DAI (as founder of the DAE Trust), DAE Holding Investments Limited and TMF (Cayman) Ltd. are taken to be interested in 687,944,180 Shares held by Stmoritz Investment Limited (without taking into account any Shares to be issued upon exercise of any share options and/or any vesting of the RSUs under the Pre-IPO Share Option Scheme, Pre-IPO RSU Scheme and/or Post-IPO RSU Scheme) pursuant to Part XV of the SFO.
- (3) The entire share capital of Bright Stream Holding Limited is wholly-owned by WHEZ Holding Ltd. and ultimately owned by TMF (Cayman) Ltd. as the trustee of the WHZ Trust, which is a discretionary trust set up by Mr. WU Lili ("**Mr. WU**") on 27 December 2013 for the benefit of himself and his family members, and Mr. WU is a settlor and protector. Mr. WU (as founder of the WHZ Trust), WHEZ Holding Ltd. and TMF (Cayman) Ltd. are taken to be interested in 365,596,180 Shares held by Bright Stream Holding Limited (without taking into account any Shares to be issued upon exercise of any share options and/or any vesting of the RSUs under the Pre-IPO Share Option Scheme, Pre-IPO RSU Scheme and/or Post-IPO RSU Scheme) pursuant to Part XV of the SFO.
- (4) The entire share capital of THL H Limited is owned by Tencent Holdings Limited, which is a company listed on the Main Board of the Stock Exchange (stock code: 700). Tencent Holdings Limited is taken to be interested in 326,063,280 Shares held by THL H Limited pursuant to Part XV of the SFO.
- (5) 10,000,000 RSUs were granted to Mr. DAI under the Pre-IPO RSU Scheme entitling him to receive 10,000,000 Shares and subject to vesting. As at 30 June 2023, all the RSUs granted to Mr. DAI were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Pre-IPO RSU Scheme.
- (6) The Core Trust Company Limited is the trustee to administer the Pre-IPO Share Option Scheme, the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme.
- (7) The Letter "L" denotes the person's Long position in such Shares.
- (8) These percentages are calculated on the basis of 2,822,844,000 Shares in issue as of 30 June 2023.

Save as disclosed above, as at 30 June 2023, the Directors and the chief executive of the Company are not aware of any other person who had an interest or short position in the Shares or underlying Shares of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE INCENTIVE SCHEMES

In order to incentivize the Directors, senior management and other employees of the Group for their contribution to the Group and to attract and retain suitable personnel of our Group, the Company adopted the Pre-IPO Share Option Scheme, the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme, respectively.

Summaries of the terms of the Pre-IPO Share Option Scheme, the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme have been disclosed in the sections headed “Statutory and General Information — Pre-IPO Share Option Scheme”, “Statutory and General Information — Pre-IPO RSU Scheme” and “Statutory and General Information — Post-IPO RSU Scheme” in Appendix IV to the Prospectus, the previous annual reports of the Company, the circular of the Company dated 24 April 2015, the supplementary circular of the Company dated 14 May 2015 and the circular of the Company dated 26 November 2020.

(1) Pre-IPO RSU Scheme

The eligible participants under the Pre-IPO RSU Scheme includes existing employees, Directors, or officers of the Group and any other person selected by the Board at its discretion.

Unless otherwise duly approved by the Shareholders, the total number of Shares underlying RSUs under the Pre-IPO RSU Scheme shall not exceed 188,733,600 Shares (excluding Shares underlying RSUs that have lapsed or been cancelled in accordance with this Pre-IPO RSU Scheme). There is no requirement regarding the maximum entitlement of each participant under the Pre-IPO RSU Scheme. The Board has sole discretion to determine the vesting period and vesting criteria (if any) for any grant of RSUs under the Pre-IPO RSU Scheme, which may also be adjusted and re-determined by the Board from time to time. The grantee(s) shall not be required to bear or pay any price or fee for the grant of RSU under the Pre-IPO RSU Scheme. The Pre-IPO RSU Scheme is valid and effective until 30 September 2023.

No more RSUs will be granted after the Listing under the Pre-IPO RSU Scheme. As at 31 December 2022 and 30 June 2023, there were no outstanding RSUs under the Pre-IPO RSU Scheme, respectively.

Prior to the Listing on 10 April 2014, the Company appointed The Core Trust Company Limited as the trustee (the “**Pre-IPO RSU Trustee**”) and Peto Holding Limited, a company incorporated in the BVI and an independent third party, as its nominee (the “**Pre-IPO RSU Nominee**”) to administer the Pre-IPO RSU Scheme. To increase the public float, the Company further engaged The Core Services Limited, as the new trustee (the “**New RSU Trustee**”), and ZEA Holding Limited, a company incorporated in the BVI and an independent third party, as the new nominee (the “**New RSU Nominee**”), to administer certain RSUs granted to the Directors and the senior management under our Pre-IPO RSU Scheme on 10 June 2014. As at 30 June 2023, the Pre-IPO RSU Nominee holds 75,015,620 Shares and the New RSU Nominee hold 22,802,000 Shares respectively, underlying the RSUs granted under the Pre-IPO RSU Scheme for the benefit of eligible participants pursuant to the Pre-IPO RSU Scheme.

(2) Post-IPO RSU Scheme

The eligible participants under the Post-IPO RSU Scheme includes existing and former employees, directors or officers of the Company, Guangzhou Baitian Information Technology Ltd. (廣州百田信息科技有限公司) or other companies in the Group, or any other person selected by the Board or the Remuneration Committee at its sole discretion.

The maximum number of Shares which may be awarded under the Scheme may not exceed 2% of the issued share capital of the Company as of the date of approval of the refreshed scheme limit. The maximum number of Shares which may be awarded to any one grantee under the Post-IPO RSU Scheme may not exceed 2% of the issued share capital of the Company as of the date of approval of the refreshed scheme limit. The Board or the Remuneration Committee has the sole discretion to determine the vesting schedule and vesting criteria (if any) for any grant of RSU(s) to any grantee, which may also be adjusted and re-determined by the Board from time to time. The grantee(s) shall not be required to bear or pay any price or fee for the grant of RSU under the Post-IPO RSU Scheme.

During the six months ended 30 June 2023, there were no RSUs granted under the Post-IPO RSU Scheme. No more RSUs will be granted under the Post-IPO RSU Scheme following its termination on 3 March 2023. As at 31 December 2022 and 30 June 2023, there were a total of 118,711,250 and 97,548,750 RSUs outstanding (i.e. granted but unvested) under the Post-IPO RSU Scheme, respectively. If all the outstanding RSUs under the Post-IPO RSU Scheme are vested according to the relevant vesting schedules, there would be a dilution effect on the issued share capital of the Company of approximately 3.46% as at 30 June 2023.

The Company appointed The Core Trust Company Limited as the trustee and Baiduo Investment Holding Limited, a company incorporated in the BVI and an independent third party, as the nominee to administer the Post-IPO RSU Scheme pursuant to its scheme rules. On 27 May 2021, the Company further appointed Ms. Zhang Xiaoting as the trustee and Gusto Limited, a limited liability company incorporated under the laws of the BVI and an independent third party as the nominee to administer the RSUs granted to the Directors and CEO under the Post-IPO RSU Scheme. As at 30 June 2023, Baiduo Investment Holding Limited and Gusto Limited hold 137,376,417 Shares and 25,000,000 Shares, respectively, underlying the RSUs granted under the Post-IPO RSU Scheme for the benefit of eligible participants pursuant to the Post-IPO RSU Scheme.

(3) 2023 RSU Scheme

Since 1 January 2023, Chapter 17 of the Listing Rules governs both share option schemes and share award schemes.

According to their respective scheme rules, the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme (collectively, the “**Previous RSU Schemes**”) were valid and effective until 30 September 2023 and 1 October 2030, respectively, unless terminated. The Board considered that (i) the Pre-IPO RSU Scheme would expire soon; and (ii) any amendments to the

Other Information

Post-IPO RSU Scheme to comply with Chapter 17 of the Listing Rules would be costly and unduly burdensome and such amendments will result in the 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 Previous RSU Schemes, effective upon the approval of the 2023 RSU Scheme (as defined below) by the Shareholders. The Previous RSU Schemes 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 Previous RSU Schemes. All awards granted prior to such termination and not vested on the date of termination shall remain valid.

As approved by the Shareholders an ordinary resolution at the AGM, a new RSU Scheme in compliance with Chapter 17 of the Listing Rules (the “**2023 RSU Scheme**”) was adopted. Eligible persons under the 2023 RSU Scheme include any employee participant, related entity participant or a service provider who are selected by the Board or the Remuneration Committee at its sole discretion from time to time and permissible under applicable laws and regulations (including Listing Rules), but excluding excluded persons as defined under the 2023 RSU Scheme. The Core Trust Company Limited has been appointed by the Board to administer the granting and vesting of RSUs pursuant to the 2023 RSU Scheme.

The aggregate number of Shares underlying all grants made pursuant to the 2023 RSU Scheme (excluding awards that have lapsed or been cancelled in accordance with the rules of the same scheme) and all other share schemes as adopted by the Company from time to time for a three-year period from the date of approval of the limit by the Shareholders at the AGM (unless otherwise refreshed within such three-year period by the Shareholders’ prior approval) shall not exceed 282,284,400 Shares, representing 10% of the number of Shares in issue as at the same date.

The aggregate number of Shares underlying all grants made to the service providers pursuant to the 2023 RSU Scheme (excluding awards that have lapsed in accordance with the rules of the 2023 RSU Scheme) and all other share schemes adopted by the Company granting options and/or awards to the service providers as adopted by the Company from time to time for a three-year period from the date of approval of the limit by the Shareholders at the AGM (unless otherwise refreshed within such three-year period by the Shareholders’ prior approval) shall not exceed 28,228,440 Shares, representing 1% of the number of Shares in issue as at the same date.

During the six months ended 30 June 2023, there were no RSUs granted under the 2023 RSU Scheme. As at 31 December 2022 and 30 June 2023, there were no RSUs outstanding (i.e. granted but unvested) under the 2023 RSU Scheme, respectively. If all the outstanding RSUs under the 2023 RSU Scheme are vested according to the relevant vesting schedules, there would be no dilution effect on the issued share capital of the Company as at 30 June 2023.

The number of Shares underlying RSUs available for grant under the share schemes adopted by the Company as at 31 December 2022 and 30 June 2023 was 38,813,880 and 282,284,400, respectively. The number of Shares that may be issued in respect of the RSUs granted under the share schemes adopted by the Company for the six months ended 30 June 2023, divided by the weighted average number of Shares for the six months ended 30 June 2023, is 10.59%.

Movements of the RSUs under the share schemes of the Company during the six month ended 30 June 2023

Name of grantees	Nature	Number of Shares underlying the RSUs as at 31 December 2022	Granted during the period (note 10)	Date of grant	Vesting schedule	Consideration (US\$) (note 11)	Vested during the period	Lapsed during the period	Number of Shares underlying the RSUs as at 30 June 2023	Approximate percentage of issued Shares of the Company (note 9)	The purchase price on which the RSU were vested during the period	The weighted average closing price of the shares immediately before the dates on which the RSU were vested
Post-IPO RSU Scheme												
(a) Director												
Mr. LI Chong	RSUs	8,000,000	–	12 April 2021	Note 1	–	–	–	8,000,000	0.28%	HK\$0.00	NA
	RSUs	5,000,000	–	30 March 2022	Note 2	–	–	–	5,000,000	0.18%	HK\$0.00	NA
Sub-total		13,000,000	–	–		–	–	–	13,000,000	0.46%		
(b) Senior management												
Mr. WANG Xiaodong	RSUs	12,000,000	–	12 April 2021	Note 1	–	–	–	12,000,000	0.43%	HK\$0.00	NA
	RSUs	10,000,000	–	30 March 2022	Note 2	–	–	–	10,000,000	0.35%	HK\$0.00	NA
Sub-total		22,000,000	–	–		–	–	–	22,000,000	0.78%		
(c) Other grantees												
33 employees	RSUs	24,165,000	–	2 April 2020	Note 3	–	8,055,000	–	16,110,000	0.57%	HK\$0.00	HK\$0.43
12 employees	RSUs	18,716,250	–	11 September 2020	Note 4	–	5,347,500	–	13,368,750	0.47%	HK\$0.00	HK\$0.43
38 employees	RSUs	14,240,000	–	11 June 2021	Note 5	–	3,500,000	240,000	10,500,000	0.37%	HK\$0.00	HK\$0.39
29 employees	RSUs	10,880,000	–	3 September 2021	Note 6	–	–	–	10,880,000	0.39%	HK\$0.00	NA
17 employees	RSUs	14,100,000	–	12 May 2022	Note 7	–	2,660,000	1,360,000	10,080,000	0.36%	HK\$0.00	HK\$0.43
4 employees	RSUs	1,610,000	–	9 December 2022	Note 8	–	–	–	1,610,000	0.06%	HK\$0.00	NA
Sub-total		83,711,250	–	–			19,562,500	1,600,000	62,548,750	2.22%		
Total		118,711,250	–	–			19,562,500	1,600,000	97,548,750	3.46%		

Note:

(1) The RSUs granted to the subjected RSU grantees under the Post-IPO RSU Scheme shall be vested in accordance with the vesting schedule as follow:

- 20% of the RSUs granted shall vest on 1 July 2022;
- 20% of the RSUs granted shall vest on 1 July 2023;
- 30% of the RSUs granted shall vest on quarterly basis from 1 July 2023 to July 2024; and
- 30% of the RSUs granted shall vest on quarterly basis from 1 July 2024 to July 2025.

Other Information

- (2) The RSUs granted to the subjected RSU grantees under the Post-IPO RSU Scheme shall be vested in accordance with the vesting schedule as follow:
- 20% of the RSUs granted shall vest on 1 July 2023;
 - 20% of the RSUs granted shall vest on 1 July 2024;
 - 30% of the RSUs granted shall vest on quarterly basis from on 1 July 2024 to July 2025; and
 - 30% of the RSUs granted shall vest on quarterly basis from on 1 July 2025 to July 2026.
- (3) The RSUs granted to the subjected RSU grantees under the Post-IPO RSU Scheme shall be vested in accordance with the vesting schedule as follow:
- 20% of the RSUs granted shall vest on 2 April 2021;
 - 20% of the RSUs granted shall vest on 2 April 2022; and
 - 7.5% of the RSUs granted shall vest on a quarterly basis commencing from 2 April 2022 to 2 April 2024.
- (4) The RSUs granted to the subjected RSU grantees under the Post-IPO RSU Scheme shall be vested in accordance with the vesting schedule as follow:
- 20% of the RSUs granted shall vest on 1 July 2021;
 - 20% of the RSUs granted shall vest on 1 July 2022; and
 - 7.5% of the RSUs granted shall vest on a quarterly basis commencing from 1 July 2022 to 1 July 2024.
- (5) The RSUs granted to the subjected RSU grantees under the Post-IPO RSU Scheme shall be vested in accordance with the vesting schedule as follow:
- 20% of the RSUs granted shall vest on 11 June 2022;
 - 20% of the RSUs granted shall vest on 11 June 2023; and
 - 7.5% of the RSUs granted shall vest on a quarterly basis commencing from 11 June 2023 to 11 June 2025.
- (6) The RSUs granted to the subjected RSU grantees under the Post-IPO RSU Scheme shall be vested in accordance with the vesting schedule as follow:
- 20% of the RSUs granted shall vest on 1 July 2022;
 - 20% of the RSUs granted shall vest on 1 July 2023; and
 - 7.5% of the RSUs granted shall vest on a quarterly basis commencing from 1 July 2023 to 1 July 2025.
- (7) The RSUs granted to the subjected RSU grantees under the Post-IPO RSU Scheme shall be vested in accordance with the vesting schedule as follow:
- 20% of the RSUs granted shall vest on 1 April 2023;
 - 20% of the RSUs granted shall vest on 1 April 2024; and
 - 7.5% of the RSUs granted shall vest on a quarterly basis commencing from 1 April 2024 to 1 April 2026.
- (8) The RSUs granted to the subjected RSU grantees under the Post-IPO RSU Scheme shall be vested in accordance with the vesting schedule as follow:
- 20% of the RSUs granted shall vest on 9 December 2023;
 - 20% of the RSUs granted shall vest on 9 December 2024; and
 - 7.5% of the RSUs granted shall vest on a quarterly basis commencing from 9 December 2024 to 9 December 2026.

- (9) Approximate percentage of issued Shares of the Company is calculated by dividing the RSUs held by the relevant grantees by the issued and outstanding Shares of the Company (as enlarged by the vest in full of all the RSUs granted under the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme) as at 30 June 2023.
- (10) The grantee(s) are not required to bear or pay any price or fee for the grant of RSU under the Post-IPO RSU Scheme.
- (11) No performance targets were set out for the above grants (if any).
- (12) There were no RSU(s) cancelled during the six months ended 30 June 2023.

Further details of the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme are set out in note 25 to the section headed “Notes to the Financial Statements” of the previous annual report of the Company and the Prospectus. Further details of the 2023 RSU Scheme are set out in the announcement and the circular of the Company dated 3 March 2023 and 27 April 2023, respectively.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the six months ended 30 June 2023.

PUBLIC FLOAT

As of the date of this report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under the Listing Rules.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Shares of the Company were listed on the main board of the Stock Exchange on 10 April 2014 with net proceeds from the initial public offering of approximately RMB1,121.2 million, after deducting underwriting fees and commissions and other expenses paid by the Company in connection with the initial public offering.

As of 31 December 2022, unutilised proceeds from the abovementioned issuances amounted to RMB398.5 million. During the reporting period, a total of RMB0.012 million had been utilised in accordance with the intended use as disclosed in the Prospectus. Unutilised proceeds from the aforementioned issuances as of 30 June 2023, being RMB398.5 million, are intended to be applied in the manner consistent with the intended use as disclosed in the Prospectus in the coming financial year.

COMPLIANCE WITH THE QUALIFICATION REQUIREMENT

As set out in the section headed “Contractual Arrangements — Legality of the Contractual Arrangements” in the Prospectus, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the “**Qualification Requirement**”). Despite the lack of clear guidance or interpretation on the Qualification Requirement, we have been gradually building up our track record of overseas business operations to comply with the Qualification Requirement. We have continued to engage a local distributor in Hong Kong through whom our overseas users can purchase our physical prepaid cards. In addition, we have launched a Hong Kong website offering investor relations and other corporate information. Save as above, as of 30 June 2023, the Company has no further update to disclose in relation to the Qualification Requirement.

MATERIAL LITIGATION

As at 30 June 2023, the Company was not involved in any material litigation or arbitration. Nor were the Directors aware of any material litigation or claims that were pending or threatened against the Company.