Boyaa Interactive International Limited
博雅互動國際有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 0434)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

Highlights:

- Our revenue for the year ended 31 December 2018 amounted to approximately RMB453.2 million, representing a decrease of approximately 38.4% from approximately RMB735.6 million recorded in 2017.

- Our gross profit for the year ended 31 December 2018 amounted to approximately RMB305.0 million, representing a decrease of approximately 33.3% from approximately RMB457.3 million recorded in 2017.

- Profit attributable to owners of the Company for the year ended 31 December 2018 amounted to approximately RMB201.5 million, representing a decrease of approximately 17.1% from approximately RMB243.2 million recorded in 2017.

- Our unaudited non-IFRS adjusted net profit for the year ended 31 December 2018 derived by excluding share-based compensation expenses amounted to approximately RMB204.8 million, representing a reduction of approximately 19.1% from approximately RMB253.1 million recorded in 2017.

- The Board recommends a dividend of approximately HKD0.276 per share (equivalent to approximately RMB0.237 per share) with a total amount of approximately HKD200 million (equivalent to approximately RMB171 million) for approval by shareholders of the Company (the "**Shareholders**") at the Annual General Meeting (the "**AGM**").

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		Year-on-Year
	2018	2017	Change*
	RMB'000	*RMB'000*	%
	(audited)	(audited)	
Revenue	**453,234**	735,602	(38.4)
– Web-based games	**168,362**	220,730	(23.7)
– Mobile games	**284,872**	514,872	(44.7)
Gross profit	**304,970**	457,267	(33.3)
Profit attributable to owners of the Company	**201,532**	243,245	(17.1)
Non-IFRS adjusted net profit (unaudited)***	**204,753**	253,110	(19.1)
Earnings per share (expressed in RMB cents per share)			
– Basic	**29.97**	35.42	(15.4)
– Diluted	**29.54**	34.24	(13.7)

	For the three months ended 31 December		Year-on-Year
	2018	2017	Change*
	RMB'000	*RMB'000*	%
	(unaudited)	(unaudited)	
Revenue	**84,262**	159,467	(47.2)
– Web-based games	**38,403**	49,759	(22.8)
– Mobile games	**45,859**	109,708	(58.2)
Gross profit	**54,869**	96,133	(42.9)
Profit attributable to owners of the Company	**13,530**	35,191	(61.6)
Non-IFRS adjusted net profit (unaudited)***	**14,004**	36,698	(61.8)

REVENUE BY GAMES

	For the year ended 31 December		
	2018	2017	Year-on-Year Change*
	RMB'000	*RMB'000*	%
	(audited)	(audited)	
Texas Hold'em Series	**342,815**	529,732	(35.3)
Other Card and Board*****	**110,419**	205,870	(46.4)
Total	**453,234**	735,602	(38.4)

	For the three months ended 31 December		
	2018	2017	Year-on-Year Change*
	RMB'000	*RMB'000*	%
	(unaudited)	(unaudited)	
Texas Hold'em Series	**62,909**	126,090	(50.1)
Other Card and Board*****	**21,353**	33,377	(36.0)
Total	**84,262**	159,467	(47.2)

REVENUE BY LANGUAGE VERSIONS OF GAMES

	For the year ended 31 December 2018 *RMB'000* (audited)	2017 *RMB'000* (audited)	Year-on-Year Change* %
Simplified Chinese	**143,658**	383,704	(62.6)
Other languages	**309,576**	351,898	(12.0)
Total	**453,234**	735,602	(38.4)

	For three months ended 31 December 2018 *RMB'000* (unaudited)	2017 *RMB'000* (unaudited)	Year-on-Year Change* %
Simplified Chinese	**13,456**	83,020	(83.8)
Other languages	**70,806**	76,447	(7.4)
Total	**84,262**	159,467	(47.2)

OPERATIONAL HIGHLIGHTS

	For the three months ended			Year-on-Year Change*	Quarter-on-Quarter Change**
	31 December 2018 (unaudited)	30 September 2018 (unaudited)	31 December 2017 (unaudited)	%	%
Paying Players *(in thousands)*	**490**	535	816	(40.0)	(8.4)
• Web-based games	**19**	17	30	(36.7)	11.8
• Mobile games	**471**	518	786	(40.1)	(9.1)
Daily Active Users ("**DAUs**") *(in thousands)*****	**2,923**	3,183	4,201	(30.4)	(8.2)
• Web-based games	**180**	201	302	(40.4)	(10.4)
• Mobile games	**2,743**	2,982	3,899	(29.6)	(8.0)
Monthly Active Users ("**MAUs**") *(in thousands)*****	**10,532**	10,990	17,436	(39.6)	(4.2)
• Web-based games	**772**	839	1,198	(35.6)	(8.0)
• Mobile games	**9,760**	10,151	16,238	(39.9)	(3.9)
Average Revenue Per Paying User ("**ARPPU**") of Texas Hold'em *(in RMB)*					
• Web-based games	**704.8**	664.4	569.0	23.9	6.1
• Mobile games	**122.0**	126.8	268.7	(54.6)	(3.8)
ARPPU of Other Card and Board *(in RMB)*					
• Web-based games	**28.8**	29.3	86.0	(66.5)	(1.7)
• Mobile games	**17.8**	18.0	16.0	11.3	(1.1)

* *Year-on-Year Change % represents a comparison between the current reporting period and the corresponding period last year.*

** *Quarter-on-Quarter Change % represents a comparison between the quarter ended 31 December 2018 and the immediately preceding quarter.*

*** *Non-IFRS adjusted net profit was derived from the net profit for the period excluding share-based compensation expenses.*

**** *The numbers of DAUs and MAUs shown above are calculated based on the number of active users in the last calendar month of the relevant reporting period.*

***** *The categories of "Fight the landlord" and "others" set out in the summary in the previous annual results announcement is combined and referred to as "Other Card and Board" above.*

BUSINESS OVERVIEW AND OUTLOOK

Review of 2018

In terms of financial performance, in 2018, we recorded a revenue of approximately RMB453.2 million, representing a year-on-year decrease of approximately 38.4% compared to the same period in 2017, which was mainly attributable to (1) the impact from the incident of Apple Inc. carrying out rectification and inspection of the applications launched on its system starting from the second quarter of 2017 (the "**Apple Incident**"); (2) the effect of regulatory risk regarding the market rumor of the implementation of the "Administrative Measures of Online Chess and Card Games" by the Chinese government aiming to shut down Texas Hold'em poker games and prohibiting the operation of Texas Hold'em poker games starting from 1 June 2018. Although such policy has not yet been implemented, certain platforms have removed relevant products, which affected our revenue to a certain extent ("**Policy Risk Factor**"); and (3) revenue generated from web-based games decreased due to the industry trend of a gradual shift from web-based games to mobile terminals. However, due to the continuous and smooth implementation of the Company's cost control policy, part of the impact caused by these factors had been offset. For the year ended 31 December 2018, we recorded an unaudited non-IFRS adjusted net profit of approximately RMB204.8 million, representing a year-on-year decrease of approximately 19.1% compared to the same period in 2017.

In terms of the Company's operating performance, the number of paying players and users recorded a decline in the fourth quarter of 2018 compared to the fourth quarter of 2017. The number of paying players decreased by approximately 40.0% from approximately 0.8 million players in the fourth quarter of 2017 to approximately 0.5 million players in the fourth quarter of 2018. The number of daily active players decreased by approximately 30.4% from approximately 4.2 million players in the fourth quarter of 2017 to 2.9 million players in the fourth quarter of 2018. The number of monthly active players decreased by approximately 39.6% from approximately 17.4 million players in the fourth quarter of 2017 to approximately 10.5 million players in the fourth quarter of 2018, while Average Revenue Per Paying User ("**ARPPU**") of Texas Hold'em web-based games and ARPPU of Other Card and Board mobile games increased.

In terms of gaming products, we provided a total of 79 online gaming product portfolio with 17 language versions as at 31 December 2018. During 2018, we still continued to focus on product development and innovation, product enrichment and user experience optimisation by a steady manner in order to constantly refine our products and diversify our operation and eventually enhance the quality of our gaming products.

Outlook for 2019

In 2019, we intend to place emphasis on developing the following:

- continue to further explore the domestic and overseas operational model of card and board games;

- continue to further explore overseas market for card and board games;

- keep focusing on the development and innovation of mobile-based products and devote more efforts to expand other card and board gaming business to continually enrich the contents and rules of the games;

- constantly improve our basic infrastructure and gaming features, and focus on enhancing the experience and service quality we provide to our users; and

- continue to research and develop new competition gaming to enhance and consolidate the loyalty of our players and develop Boyaa into a century-old brand.

We responded to a challenging year of 2018 by proactively tacking the challenges and making proper adjustments. We will continue to strictly comply with various laws and regulations of the People's Republic of China (the "**PRC**") and strive to achieve our goal of becoming the global leading brand in online card and board games by upholding the player-oriented philosophy and leveraging our dedication to and steady growth of the card and board games business. We are full of confidence and anticipation for 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Year Ended 31 December 2018 Compared to Year Ended 31 December 2017

Revenue

Our revenue for the year ended 31 December 2018 amounted to approximately RMB453.2 million, representing a decrease of approximately 38.4% from approximately RMB735.6 million recorded in 2017. The year-on-year decrease was primarily due to the impact of the Apple Incident from the second quarter of 2017, the effect of Policy Risk Factor from the second quarter of 2018 and revenue generated from web-based games decreased due to the industry trend of a gradual transfer of web-based games to mobile terminals. For the year ended 31 December 2018, revenue generated from our mobile games and web-based games accounted for approximately 62.9% and 37.1% of our total revenue, respectively, as compared with approximately 70.0% and 30.0%, respectively, for the year ended 31 December 2017.

Cost of revenue

Our cost of revenue decreased by approximately 46.7% from approximately RMB278.3 million in 2017 to approximately RMB148.3 million in 2018 primarily due to the reduction in commission charges.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by approximately 33.3% from approximately RMB457.3 million for the year ended 31 December 2017 to approximately RMB305.0 million for the year ended 31 December 2018.

For the year ended 31 December 2018 and the same period in 2017, our gross profit margin were approximately 67.3% and 62.2%, respectively.

Selling and marketing expenses

Our selling and marketing expenses decreased by approximately 18.2% from approximately RMB34.1 million in 2017 to approximately RMB27.9 million in 2018, accounting for approximately 6.2% of our revenue in 2018, increased from approximately 4.6% in 2017. The year-on-year decrease in selling and marketing expenses was mainly attributable to the decrease in expenses for advertising and promotional activities.

Administrative expenses

Our administrative expenses decreased by approximately 46.0% from approximately RMB248.5 million in 2017 to approximately RMB134.3 million in 2018. The decrease in administrative expenses was mainly due to the control of internal cost and the decrease in employee benefit expenses.

Other gains – net

For the year ended 31 December 2018, we recorded other gains (net) of approximately RMB43.4 million, compared to approximately RMB55.9 million recorded for the same period in 2017. The other gains (net) primarily consisted of fair value gains on financial assets at fair value through profit or loss and dividend income relating to the non-quoted investments in equity investment partnerships and certain wealth management products we purchased.

Finance income – net

Our finance income (net) was approximately RMB19.0 million in 2018 and approximately RMB38.7 million in 2017. The change was primarily due to an decrease in interest income compared to that in 2017.

Share of result of associates

We held investments in six associates, namely Shenzhen Fanhou Technology Co., Ltd. (深圳市飯後科技有限公司), Shenzhen HuifuWorld Network Technology Co., Ltd. (深圳市滙富天下網絡科技有限公司), Shenzhen Easething Technology Co., Ltd. (深圳市易新科技有限公司), Shenzhen Jisiwei Intelligent Technology Co., Ltd. (深圳市極思維智能科技有限公司), Chengdu Boyu Interactive Technology Co., Ltd. (成都博娛互動科技有限公司) and Shanghai Allin Network Technology Co., Ltd. (上海傲英網絡科技有限公司) as at 31 December 2018 (31 December 2017: six), all of which were online game or internet technology companies. We recorded a share of profit of associates of approximately RMB2.0 million for the year ended 31 December 2018, compared to a share of profit of associates of approximately RMB0.5 million recorded for the same period in 2017.

Income tax expenses

Our income tax expenses decreased by approximately 78.5% from approximately RMB26.5 million for the year ended 31 December 2017 to approximately RMB5.7 million for the year ended 31 December 2018, primarily due to overprovision of income tax expenses of previous years. The effective income tax rate decreased from approximately 9.8% in 2017 to approximately 2.7% in 2018.

Profit attributable to owners of the Company

As a result of the foregoing, our profit attributable to owners of the Company decreased by approximately 17.1% from approximately RMB243.2 million in 2017 to approximately RMB201.5 million in 2018.

Non-International Financial Reporting Standards ("Non-IFRS") adjusted net profit

To supplement our consolidated financial statements which are presented in accordance with IFRS we also use unaudited non-IFRS adjusted net profit as an additional financial measure to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. The term "adjusted net profit" is not defined under IFRS. Other companies in the industry which the Group operates in may calculate such non-IFRS items differently from the Group. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact our net profit for the reporting period and should not be considered in isolation or as a substitute for analysis of the Group's results as reported under IFRS.

Our unaudited non-IFRS adjusted net profit for the year ended 31 December 2018 of approximately RMB204.8 million was derived from our unaudited profit of the same period excluding share-based compensation expenses of approximately RMB0.7 million, RMB0.9 million and RMB1.7 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively. Our unaudited non-IFRS adjusted net profit for the year ended 31 December 2017 of approximately RMB253.1 million was derived from our unaudited profit for the same period excluding share-based compensation expenses of approximately RMB2.1 million, RMB2.7 million and RMB5.1 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively.

Fourth Quarter of 2018 Compared to Fourth Quarter of 2017

Revenue

Our revenue for the three months ended 31 December 2018 amounted to approximately RMB84.3 million, representing a year-on-year decrease of approximately 47.2% from approximately RMB159.5 million recorded for the same period of 2017. The year-on-year decrease in revenue was primarily due to the impact of the Apple Incident from the second quarter of 2017, the effect of Policy Risk Factor from the second quarter of 2018 and revenue generated from web-based games decreased due to the industry trend of a gradual transfer of web-based games to mobile terminals. For the three months ended 31 December 2018, revenue generated from our mobile games amounted to approximately RMB45.9 million as compared to approximately RMB109.7 million recorded for the same period of 2017, representing a year-on-year decrease of approximately 58.2%.

Cost of revenue

Our cost of revenue for the three months ended 31 December 2018 amounted to approximately RMB29.4 million, representing a year-on-year decrease of approximately 53.6% from approximately RMB63.3 million recorded for the same period in 2017. The year-on-year decrease was primarily due to the reduction in commission charges.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by approximately 42.9% from approximately RMB96.1 million for the three months ended 31 December 2017 to approximately RMB54.9 million for the three months ended 31 December 2018. In addition, our gross profit margin increased from approximately 60.3% for the three months ended 31 December 2017 to approximately 65.1% for the three months ended 31 December 2018.

Selling and marketing expenses

Our selling and marketing expenses decreased from approximately RMB7.6 million recorded for the three months ended 31 December 2017 to approximately RMB1.1 million for the same period of 2018, representing a year-on-year decrease of approximately 86.2%, which was mainly attributable to the decrease in expenses for advertising and promotional activities.

Administrative expenses

Our administrative expenses for the three months ended 31 December 2018 amounted to approximately RMB33.8 million, representing a year-on-year decrease of approximately 60.7% from approximately RMB86.1 million recorded for the same period of 2017. The year-on-year decrease was mainly due to the control of internal cost and the decrease in employee benefit expenses.

Other (losses)/gains – net

For the three months ended 31 December 2018, we recorded other losses (net) of approximately RMB31.3 million, compared to other gains (net) of approximately RMB26.3 million recorded for the same period in 2017. The other (losses)/gains – net primarily consisted of fair value gains in financial assets at fair value through profit or loss relating to the non-quoted investments in equity investment partnership and certain wealth management products we purchased.

Finance income – net

Our finance income (net) for the three months ended 31 December 2018 was approximately RMB4.8 million, compared to approximately RMB4.8 million recorded for the same period of 2017, representing a year-on-year increase of approximately 0.7%. The increase was primarily due to an increase in interest income as compared to the same period of 2017.

Share of result of associates

We held investments in six associates, namely Shenzhen Fanhou Technology Co., Ltd. (深圳市飯後科技有限公司), Shenzhen HuifuWorld Network Technology Co., Ltd. (深圳市匯富天下網絡科技有限公司), Shenzhen Easething Technology Co., Ltd. (深圳市易新科技有限公司), Shenzhen Jisiwei Intelligent Technology Co., Ltd. (深圳市極思維智能科技有限公司), Chengdu Boyu Interactive Technology Co., Ltd. (成都博娛互動科技有限公司) and Allin Network Technology Co., Ltd. (上海傲英網絡科技有限公司) as at 31 December 2018 (31 December 2017: six), all of which were online game or internet technology companies. We recorded a share of profit of associates of approximately RMB0.4 million for the three months ended 31 December 2018, compared to a share of profit of associates of approximately RMB1.5 million recorded for the same period in 2017.

Income tax credit

Our income tax credit for the three months ended 31 December 2018 was approximately RMB19.6 million, representing a year-on-year increase of 10,380.7% from approximately RMB0.2 million of income tax credit recorded for the same period of 2017.

Profit attributable to owners of the Company

As a result of the foregoing, our profit attributable to owners of the Company for the three months ended 31 December 2018 amounted to approximately RMB13.5 million, representing a year-on-year decrease of approximately 61.6% from approximately RMB35.2 million recorded for the same period of 2017.

Non-IFRS adjusted net profit

Our unaudited non-IFRS adjusted net profit for the three months ended 31 December 2018 of approximately RMB14.0 million was derived from our unaudited profit of the same period excluding share-based compensation expenses of approximately RMB0.1 million, RMB0.1 million and RMB0.2 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively. Our unaudited non-IFRS adjusted net profit for the three months ended 31 December 2017 of approximately RMB36.7 million was derived from our unaudited profit for the same period excluding share-based compensation expenses of approximately RMB0.3 million, RMB0.4 million and RMB0.8 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively.

Liquidity and capital resources

For the year ended 31 December 2018, we financed our operations primarily through cash generated from our operating activities as well as the net proceeds we received from the global offering completed in November 2013. We intend to finance our expansion, investment and business operations by internal resources and through organic and sustainable growth. We will make investments in line with our capital and investment management policies and strategies.

Gearing ratio

As at 31 December 2018, the Group's gearing ratio (total liabilities divided by total assets) was 10.4% (31 December 2017: 11.2%).

Term deposits

As at 31 December 2018, we had term deposits of approximately RMB500.9 million (31 December 2017: approximately RMB119.9 million), which were mainly denominated in United States dollars ("**USD**"). The original maturities of the term deposits are over 3 months and less than 1 year. The effective interest rate for the term deposits of the Group for the year ended 31 December 2018 was 2.88%.

Cash and cash equivalents

As at 31 December 2018, we had cash and cash equivalents of approximately RMB390.3 million (31 December 2017: approximately RMB858.2 million), which primarily consisted of cash at bank and in hand and short-term bank deposits, which were mainly denominated in Renminbi (as to 69.2%), USD (as to 10.9%) and other currencies (as to 19.9%). We currently do not hedge transactions undertaken in foreign currencies. Due to our persistent efforts in managing our exposure to foreign currencies through constant monitoring to limit as much as possible the amount of foreign currencies held by us, fluctuations in currency exchange rates do not have any material adverse impact on our financial results.

Net proceeds from our initial public offering, after deducting the underwriting commission and other estimated expenses in connection with the offering which the Company received, amounted to approximately HKD837.9 million. Up to 31 December 2018, a total amount of approximately RMB666.0 million from the net proceeds from our initial public offering had been utilised for the following purposes:

(a) approximately RMB295.0 million for our marketing activities and business expansion;

(b) approximately RMB101.2 million for investments in technologies and complementary online games or businesses; and

(c) approximately RMB269.8 million for research and development activities, working capital and other general corporate purposes, including but not limited to the investment in our technology infrastructure and enhancement of our game portfolio.

As at 31 December 2018, approximately RMB8.6 million raised from our initial public offering remains unused.

The unutilised net proceeds has been deposited into short-term demand deposits in the bank account maintained by the Group.

Financial assets at fair value through other comprehensive income

We accounted for financial assets at fair values through other comprehensive income (transferred from available-for-sale financial assets upon adoption of IFRS 9 on 1 January 2018) at their respective fair values. As at 31 December 2018, the fair value of our unlisted and listed investments classified as financial assets at fair values through other comprehensive income amounted to approximately RMB64.5 million (31 December 2017: Nil). These financial assets at fair value through other comprehensive income consisted of both listed and unlisted equity securities, which are mainly represented by our equity investment in Dalian Zeus Entertainment Co., Ltd. ("**Zeus Entertainment**"). Zeus Entertainment is mainly engaged in research and development and publication of web-based and mobile games.

As at 31 December 2018, we held 6,678,260 shares in Zeus Entertainment. The fair value of the investment in Zeus Entertainment as at 31 December 2018 was approximately RMB35.0 million (31 December 2017: approximately RMB114.2 million).

We consider that, none of the other unlisted and listed investments classified as financial assets at fair value through other comprehensive income in our investment portfolio is a significant investment as none of such investments has a carrying amount that accounts for more than 5% of our total assets as at 31 December 2018.

Financial assets at fair value through profit or loss

As at 31 December 2018, we also recorded financial assets at fair value through profit or loss amounted to approximately RMB1,409.0 million (31 December 2017: approximately RMB1,219.1 million), which consisted of non-quoted investments in asset management plans and equity investment partnerships included in non-current assets, and non-quoted investments in asset management plan and certain wealth management products included in current assets. As at 31 December 2018, the fair values of the investments in asset management plans were determined by an independent professional valuer using valuation techniques in combination of discounted cash flow model and market comparable approach; the fair values of the investments in equity investment partnerships were determined by an independent professional valuer using market comparable approach and the fair values of investments in wealth management products, which have an initial term ranging from 30 days to 364 days, were determined based on the estimated rate of return of investments. For the year ended 31 December 2018, we recorded realised/unrealised fair value gains on financial assets at fair value through profit or loss of approximately RMB23.8 million (for the year ended 31 December 2017: approximately RMB49.8 million).

The investments in wealth management products under financial assets at fair value through profit or loss were made in line with our treasury and investment policies, after taking into account, among others, the level of risk, return on investment, liquidity and the term to maturity. Generally, the Company has in the past selected wealth management products that are principal guaranteed and relatively low risk products. Prior to making an investment, the Company had also ensured that there remains sufficient working capital for the Company's business needs even after the investments in wealth management products. Except for the notified transactions disclosed on the websites of the Company and the Stock Exchange during the year ended 31 December 2018, each of such investments made during the year ended 31 December 2018 does not constitute a notifiable transaction or a connected transaction of the Company under the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). As agreed with the financial institutions, the underlying investment portfolio of the wealth management products of the Company were primarily represented by inter-bank loan market instruments and exchange traded fixed-income financial instruments, such as inter-bank loans, government bonds, central bank bills and similar products, which were highly liquid with a relatively short term of maturity, and which were considered to akin to placing deposits with banks whilst enabling the Group to earn an attractive rate of return.

During the year ended 31 December 2018, the Group, through Shenzhen Dong Fang Bo Ya Technology Co., Ltd. ("**Boyaa Shenzhen**"), contributed the remaining capital commitment of RMB100.0 million out of the total capital commitment of RMB300.0 million in cash to establish a limited partnership namely Jiaxing Boyaa ChunLei Equity Investments Limited Partnership Enterprise ("**Jiaxing Boyaa**") with Shanghai Tailai Tianji Asset Management Co., Ltd ("**Tailai Tianji**"). The capital commitment of RMB300.0 million represented 99% of the total capital contribution of Jiaxing Boyaa. The fair value of the investment in Jiaxing Boyaa as at 31 December 2018 was approximately RMB312.8 million. Jiaxing Boyaa is established for carrying out equity investments, venture capital investments and investments in securities, subject to certain investment restrictions. We are optimistic about the on-going performance of Jiaxing Boyaa. Nevertheless, we will closely monitor the performance of Jiaxing Boyaa on an on-going basis.

We consider that, save for our capital investment in Jiaxing Boyaa as a limited partnership, no other single investment that was designated as financial assets at fair value through profit or loss in our investment portfolio is a significant investment as none of such investments has a carrying amount that accounts for more than 5% of our total assets as at 31 December 2018.

Borrowings

During the year ended 31 December 2018, we did not have any short-term or long-term bank borrowings and we had no outstanding, utilised or unutilised banking facilities.

Capital expenditures

For the year ended 31 December 2018, our total capital expenditures amounted to approximately RMB8.9 million (2017: approximately RMB8.0 million), mainly including purchasing of additional furniture and equipment, motor vehicles and leasehold improvements of approximately RMB8.9 million (2017: approximately RMB8.0 million), which was funded by using our cash flow generated from our operations.

Contractual obligations

As at 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of servers and office buildings which amounted to approximately RMB18.0 million (31 December 2017: approximately RMB8.2 million).

Save as disclosed above, the Group did not have other significant outstanding commitments as at 31 December 2018.

Contingent liabilities and guarantees

As at 31 December 2018, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against us.

Significant investments and future plans for major investments

For the year ended 31 December 2018, the Group's investment in Jiaxing Boyaa amounted to RMB300.0 million. Jiaxing Boyaa mainly carries out equity investments and venture capital investments.

In the future, the Group will continue to identify new opportunities for business development. The Group has not executed any agreement in respect of material acquisitions, investments or capital asset and did not have any other future plans relating to material acquisitions, investments or capital asset as at the date of this announcement. Nonetheless, if any potential investment opportunity arises in the future, the Group will perform feasibility studies and prepare implementation plans to consider whether it is beneficial to the Group and the shareholders of the Company as a whole.

Pledge/charge of the Group's assets

As at 31 December 2018, none of the Group's assets was pledged or charged.

Employees and staff costs

As at 31 December 2018, we had a total of 340 full-time employees, who are mainly based in China. In particular, 292 employees are responsible for our game development and operation functions, 8 for game support and 40 for administration and senior management functions.

We organise and launch various training programs on a regular basis for our employees to enhance their knowledge of online game development and operation, improve time management and internal communications and strengthen team bonds. We also provide various incentives, including share-based awards, such as share options and restricted share units ("**RSUs**") granted pursuant to the share incentive schemes of the Company, and performance-based bonuses to better motivate our employees. As required by PRC laws and regulations, we have also made contributions to various mandatory social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance and maternity insurance, and to mandatory housing accumulation funds, for or on behalf of our employees.

For the year ended 31 December 2018, the total staff costs of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to approximately RMB106.4 million, representing approximately 34.9% of the total expenses of the Group. Pursuant to the post-IPO share option scheme adopted by the Company in October 2013 (the "**Post-IPO Share Option Scheme**") and the pre-IPO share option scheme adopted by the Company in January 2011 and amended in September 2013 (the "**Pre-IPO Share Option Scheme**") as well as the RSU Scheme adopted by the Company in September 2013 (the "**RSU Scheme**"), there were a total of 8,323,315 share options and 7,781,613 shares underlying the RSUs outstanding and/or granted to a total of 205 senior management members and employees of the Group as at 31 December 2018. There were also 53,043,004 shares underlying the RSUs allowed to be granted under the RSU Scheme which were held by The Core Admin Boyaa RSU Limited as nominee for the benefit of eligible participants pursuant to the RSU Scheme. Further details of the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the RSU Scheme will be set out in the section headed "Share Option Schemes and Restricted Share Unit Scheme" in the Directors' Report in our 2018 annual report to be issued in due course.

The board of directors (the "**Board**") of Boyaa Interactive International Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018 (the "**Reporting Period**"). The annual results have been prepared in accordance with International Financial Reporting Standards (the "**IFRS**") and audited by Pan-China (H.K.) CPA Limited, the auditor of the Company. In addition, the annual results have also been reviewed by the audit committee of the Company (the "**Audit Committee**").

FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2018

	Notes	**As at 31 December** **2018** ***RMB'000***	2017 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**37,442**	40,014
Intangible assets		**1,384**	2,788
Interests in associates	*3*	**16,964**	14,958
Financial assets at fair value through other comprehensive income	*4*	**64,525**	–
Available-for-sale financial assets	*5*	**–**	128,280
Deferred income tax assets		**34,494**	1,055
Prepayments and other receivables		**25,435**	26,122
Financial assets at fair value through profit or loss	*7*	**589,331**	554,660
		769,575	767,877
Current assets			
Trade receivables	*6*	**18,365**	36,203
Prepayments and other receivables		**28,262**	59,497
Financial assets at fair value through profit or loss	*7*	**819,714**	664,424
Term deposits		**500,947**	119,879
Cash and cash equivalents		**390,350**	858,193
		1,757,638	1,738,196
Total assets		**2,527,213**	2,506,073

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2018

		As at 31 December	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	*8*	**235**	249
Share premium	*8*	**543,721**	642,365
Repurchased shares	*8*	**(2,060)**	(27,283)
Shares held for RSU Scheme	*8*	**(14)**	(15)
Reserves		**(87,524)**	93,634
Retained earnings		**1,810,676**	1,515,211
		2,265,034	2,224,161
Non-controlling interests		**–**	–
Total equity		**2,265,034**	2,224,161
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		**18,811**	2,899
Current liabilities			
Trade and other payables	*10*	**69,363**	97,218
Contract liabilities		**18,005**	–
Deferred revenue		**–**	18,176
Current income tax liabilities		**156,000**	163,619
		243,368	279,013
Total liabilities		**262,179**	281,912
Total equity and liabilities		**2,527,213**	2,506,073

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Year ended 31 December **2018** *RMB'000*	2017 *RMB'000*
Revenue	*11*	**453,234**	735,602
Cost of revenue	*12*	**(148,264)**	(278,335)
Gross profit		**304,970**	457,267
Selling and marketing expenses	*12*	**(27,904)**	(34,122)
Administrative expenses	*12*	**(134,272)**	(248,535)
Other gains – net	*13*	**43,396**	55,865
Operating profit		**186,190**	230,475
Finance income	*14*	**21,021**	40,181
Finance costs	*14*	**(2,000)**	(1,435)
Finance income – net	*14*	**19,021**	38,746
Share of profit of associates	*3*	**2,006**	492
Profit before income tax		**207,217**	269,713
Income tax expenses	*15*	**(5,685)**	(26,468)
Profit for the year		**201,532**	243,245
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
– Changes in fair value of financial assets at fair value through other comprehensive income, net of tax		**(96,525)**	–
Items that may be reclassified to profit or loss:			
– Changes in fair value of available-for-sale financial assets, net of tax		**–**	(61,038)
– Reclassification of changes in fair value of available-for-sale financial assets to profit or loss due to impairment of available-for-sale financial assets, net of tax		**–**	50,755
– Currency translation differences		**17,779**	(19,082)
Other comprehensive loss for the year, net of tax		**(78,746)**	(29,365)
Total comprehensive income for the year		**122,786**	213,880

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

		Year ended 31 December	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
Profit attributable to:			
– Owners of the Company		**201,532**	243,245
– Non-controlling interests		**–**	–
		201,532	243,245
Total comprehensive income attributable to:			
– Owners of the Company		**122,786**	213,880
– Non-controlling interests		**–**	–
		122,786	213,880
Earnings per share (expressed in RMB cents per share)			
– Basic	*16*	**29.97**	35.42
– Diluted	*16*	**29.54**	34.24

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

		Attributable to owners of the Company								
	Notes	Share capital RMB'000	Share premium RMB'000	Repurchased shares RMB'000	Shares held for RSU Scheme RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018		**249**	**642,365**	**(27,283)**	**(15)**	**93,634**	**1,515,211**	**2,224,161**	**-**	**2,224,161**
Adjustment on adoption of IFRS 9		-	-	-	-	(101,407)	101,407	-	-	-
Adjusted balance as at 1 January 2018		**249**	**642,365**	**(27,283)**	**(15)**	**(7,773)**	**1,616,618**	**2,224,161**	**-**	**2,224,161**
Comprehensive income										
Profit for the year		-	-	-	-	-	201,532	201,532	-	201,532
Other comprehensive income										
– changes in fair value of financial assets at FVTOCI, net of tax		-	-	-	-	(96,525)	-	(96,525)	-	(96,525)
– currency translation differences		-	-	-	-	17,779	-	17,779	-	17,779
Total comprehensive income for the year		-	-	-	-	(78,746)	201,532	122,786	-	122,786
Employee share option and RSU schemes										
– value of employee services		-	-	-	-	3,221	-	3,221	-	3,221
– proceeds from shares issued	8	-	1,915	-	-	-	-	1,915	-	1,915
– vesting of shares under RSU scheme	9	-	(1)	-	1	-	-	-	-	-
– lapse of share options and RSUs		-	11,700	-	-	(11,700)	-	-	-	-
Buy-back of shares	8	-	-	(87,049)	-	-	-	(87,049)	-	(87,049)
Cancellation of shares	8	(14)	(112,258)	112,272	-	-	-	-	-	-
Transfer to statutory surplus fund reserves		-	-	-	-	7,474	(7,474)	-	-	-
Total transactions with owners, recognised directly in equity		(14)	(98,644)	25,223	1	(1,005)	(7,474)	(81,913)	-	(81,913)
Balance at 31 December 2018		235	543,721	(2,060)	(14)	(87,524)	1,810,676	2,265,034	-	2,265,034

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

		Attributable to owners of the Company								
		Share capital	Share premium	Repurchased shares	Shares held for RSU Scheme	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2017		248	609,826	–	(17)	139,542	1,271,966	2,021,565	–	2,021,565
Comprehensive income										
Profit for the year		–	–	–	–	–	243,245	243,245	–	243,245
Other comprehensive income										
– changes in fair value of available-for-sale financial assets, net of tax		–	–	–	–	(61,038)	–	(61,038)	–	(61,038)
– reclassification of changes in fair value of available-for-sale financial assets to profit or loss due to impairment, net of tax		–	–	–	–	50,755	–	50,755	–	50,755
– currency translation differences		–	–	–	–	(19,082)	–	(19,082)	–	(19,082)
Total comprehensive income for the year		–	–	–	–	(29,365)	243,245	213,880	–	213,880
Employee share option and RSU schemes										
– value of employee services		–	–	–	–	9,865	–	9,865	–	9,865
– proceeds from shares issued	8	1	6,133	–	–	–	–	6,134	–	6,134
– vesting of shares under RSU scheme	9	–	(2)	–	2	–	–	–	–	–
– lapse of share options and RSUs		–	26,408	–	–	(26,408)	–	–	–	–
Buy-back of shares	8	–	–	(27,283)	–	–	–	(27,283)	–	(27,283)
Total transactions with owners, recognised directly in equity		1	32,539	(27,283)	2	(16,543)	–	(11,284)	–	(11,284)
Balance at 31 December 2017		249	642,365	(27,283)	(15)	93,634	1,515,211	2,224,161	–	2,224,161

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	For the year ended 31 December 2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash generated from operations		**185,812**	254,997
Income tax paid		**(24,727)**	(3,827)
Net cash generated from operating activities		**161,085**	251,170
Cash flows from investing activities			
Purchase of property, plant and equipment		**(8,862)**	(8,018)
Purchase of financial assets at fair value through other comprehensive income		**(28,352)**	–
Purchase of financial assets at fair value through profit or loss		**(2,512,463)**	(2,203,268)
Placement of term deposits with original maturities over three months		**(713,510)**	(119,879)
Proceeds from maturity of term deposits with original maturities over three months		**336,683**	27,748
Proceeds from disposals of financial assets at fair value through profit or loss		**2,289,664**	1,335,856
Proceeds on disposals of property, plant and equipment		**1,406**	27
Return on financial assets at fair value through profit or loss		**37,967**	19,445
Dividends from financial assets at fair value through profit or loss		**12,313**	–
Dividend from financial assets at fair value through other comprehensive income		**134**	–
Dividends from available-for-sale financial assets		**–**	1,576
Interest received		**20,904**	34,588
Net cash used in investing activities		**(564,116)**	(911,925)
Cash flows from financing activities			
Buy-back of shares	*8*	**(87,049)**	(27,283)
Proceeds from issuance of ordinary shares	*8*	**1,915**	6,134
Net cash used in financing activities		**(85,134)**	(21,149)
Net decrease in cash and cash equivalents		**(488,165)**	(681,904)
Cash and cash equivalents at the beginning of the year		**858,193**	1,563,281
Exchange gains/(losses) on cash and cash equivalents		**20,322**	(23,184)
Cash and cash equivalents at the end of the year		**390,350**	858,193

NOTES:

1. General information

The Company was incorporated in the Cayman Islands. The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 12 November 2013 (the "**Listing**").

The Company is an investment holding company. The Group is principally engaged in the development and operations of online card and board game business in the People's Republic of China (the "**PRC**"), Hong Kong and other countries and regions.

The operations of the Group were initially conducted through Shenzhen Dong Fang Bo Ya Technology Co., Ltd. ("**Boyaa Shenzhen**"), a limited liability company established in the PRC by certain shareholders of the Company on 13 February 2004.

Pursuant to applicable PRC laws and regulations, foreign investors are prohibited from holding equity interest in an entity conducting online games business and are restricted to conduct value-added telecommunications services. In order to make investments into the business of the Group, the Company established a subsidiary, Boyaa On-line Game Development (Shenzhen) Co., Ltd. ("**Boyaa PRC**"), which is a wholly foreign owned enterprise incorporated in the PRC on 29 November 2010.

Boyaa PRC, Boyaa Shenzhen and its then owners entered into a series of contractual arrangements (the "**Contractual Arrangements**"). The Group does not have any equity interest in Boyaa Shenzhen. However, as a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with Boyaa Shenzhen and has the ability to affect those returns through its power over Boyaa Shenzhen and is considered to control Boyaa Shenzhen. Consequently, the Company regards Boyaa Shenzhen as an indirect subsidiary for accounting purpose.

The consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

The consolidated financial statements have been approved for issue by the Board on 29 March 2019.

2. Basis of preparation and significant accounting policies

The consolidated financial statements of the Group have been prepared in accordance with all applicable IFRS and all applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, which were carried at fair value.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise their judgment in the process of applying the Group's accounting policies.

In the current year, the Group has applied a number of new standards and amendments to IFRSs issued by the IASB that are mandatorily effective for an accounting period that begins on or after 1 January 2018. These amendments have been applied by the Group for the first time in the current year unless otherwise specified. The impact of these amendments are described below.

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers and amendments to IFRS 15; and
- IFRIC 22 Foreign Currency Transactions and Advance Consideration.

The Group has not early applied any new standard or interpretation that is not yet mandatorily effective for the current year.

Application of IFRS 9 "Financial Instruments"

IFRS 9 has replaced IAS 39 Financial instruments: recognition and measurement. IFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. In accordance with the specific transitional provisions set out in IFRS 9, the Group has applied the classification and measurement requirements (including requirements relating to impairment) to items that existed as of the date of initial application (i.e. 1 January 2018) on a retrospective basis based on the facts and circumstances that existed as at 1 January 2018. However, the Group has decided not to restate the comparative figures. Accordingly, the comparative information continues to be presented based on the requirements of IAS 39 and hence may not be comparable with the current year information. The cumulative effect of initial application of IFRS 9 has been recognised as adjustments to the opening equity.

(I) Classification and measurement of financial assets

In general, IFRS 9 categories financial assets into the following three classification categories:

- measured at amortised cost;
- at fair value through other comprehensive income ("**FVTOCI**"); and
- at fair value through profit or loss ("**FVTPL**").

These classification categories are different from those set out in IAS 39 which included held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and the contractual cash flow characteristics of the financial asset.

The following table shows a reconciliation from how the Group's financial assets existed as of 1 January 2018 were classified and measured under IAS 39 to how they are classified and measured under IFRS 9:

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Carrying amount as at 1 January 2018 under IAS 39	Carrying amount as at 1 January 2018 under IFRS 9
			RMB'000	*RMB'000*
Trade receivables	Loans and receivables	Financial assets at amortised cost	36,203	36,203
Other receivables	Loans and receivables	Financial assets at amortised cost	67,777	67,777
Listed equity securities *(Note)*	Available-for-sale financial assets	Financial assets at FVTOCI	114,198	114,198
Unlisted equity investments *(Note)*	Available-for-sale financial assets	Financial assets at FVTOCI	1,000	1,000
Preference shares of private companies *(Note)*	Available-for-sale financial assets	Financial assets at FVTOCI	13,082	13,082
Asset management plans	Financial assets at FVTPL	Financial assets at FVTPL	160,000	160,000
Equity investment partnerships	Financial assets at FVTPL	Financial assets at FVTPL	394,660	394,660
Wealth management products	Financial assets at FVTPL	Financial assets at FVTPL	664,424	664,424
Term deposits	Loans and receivables	Financial assets at amortised cost	119,879	119,879
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost	858,193	858,193

Note:

The Group had designated certain investments in equity securities (that are neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies) as at FVTOCI as at the date of initial application of IFRS 9 (i.e. 1 January 2018) based on the specific transitional provisions set out in IFRS 9. These investments are listed equity investments, unlisted equity investments and preference shares of private companies.

(II) *Impairment*

IFRS 9 has introduced the "expected credit loss model" to replace the "incurred loss" model under IAS 39. The "expected credit loss model" requires an ongoing measurement of credit risk associated with a financial asset. The Group has applied the "expected loss model" to the following types of financial assets:

- Trade receivables
- Other receivables
- Term deposits
- Cash and cash equivalents

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The identified impairment loss of the above financial assets was immaterial.

(III) *Classification and measurement of financial liabilities*

Under IFRS 9, for a financial liability designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is required to be presented in other comprehensive income, with the remaining amount of change in the fair value of the liability being presented in profit or loss (unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss and in which case all gains or loss on that liability are presented in profit or loss).

The Group does not have any financial liabilities designated at fair value through profit or loss and therefore the classification and measurement of the Group's financial liabilities have not been impacted by the initial application of IFRS 9.

(IV) Hedge accounting

The Group has not applied any hedge accounting and hence the new general hedge accounting model set out in IFRS 9 has not had any impact on the Group's consolidated financial statements.

(V) Effect on the Group's retained earnings and other reserves as of 1 January 2018

On initial application of IFRS 9 as at 1 January 2018, the Group irrevocably designated its equity investments that are not held for trading as financial assets at FVTOCI as the management of the Group believed that these investments were held for strategic purpose and recognising short-term fair value fluctuations of these investments in profit or loss would not be consistent with the Group's strategy of holding the investment for long term investment purpose and realising the performance potential in the long run.

The Group applied IFRS 9 using transition adjustment method – i.e. by applying the requirements of IFRS 9 on a retrospective effect with cumulative effect of the application of IFRS being recognised as an adjustment to the opening balance of equity at 1 January 2018 without restating the comparative figures. Therefore, impairment losses of approximately RMB101,407,000 recognised in prior years under IAS 39 arising from the prolonged decline in fair value of certain equity investments designated as at as financial assets at FVTOCI upon initial recognition have been transferred from the retained earnings to other reserves at 1 January 2018. In addition, available-for-sale financial assets were reclassified to financial assets at FVTOCI upon adoption of IFRS 9 on 1 January 2018.

The following tables summarise the impact of transition to IFRS 9 on retained earnings and other reserves at 1 January 2018:

Retained earnings	***RMB'000***
Balance at 1 January 2018	1,515,211
Adjustment on adoption of IFRS 9	101,407
Adjusted balance at 1 January 2018	1,616,618

Other reserves	***RMB'000***
Balance at 1 January 2018	(17,577)
Adjustment on adoption of IFRS 9	(101,407)
Adjusted balance at 1 January 2018	(118,984)

Application of IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 has replaced IAS 11 Construction contracts, IAS 18 Revenue and other revenue-related interpretations. Under IAS 11 and IAS 18, revenue arising from construction contracts and provision of services was recognised over time whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 has introduced additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Based on the specific transitional provisions set out in IFRS 15, the Group had decided to use the cumulative effect transition method and had recognised the cumulative effect of initial application of IFRS 15 as an adjustment to the opening balance of equity as at the date of initial application (i.e. 1 January 2018) without restating the comparative figures. Accordingly, comparative information has not been restated and continues to be presented under IAS 11 and IAS 18. Also, the Group has applied the IFRS 15 requirements only to contracts that were not completed before 1 January 2018.

Revenue from game development operations

The Group is engaged in the development and operations of online card and board game business in the PRC. Under IFRS 15, the Group has an obligation to provide the services which enable the game tokens or other virtual items to be displayed or used in the games upon the sales of game tokens and other virtual items. Revenue from rendering services continues to be recognised upon the consumption of game tokens and virtual items by Paying Players. The application of IFRS 15 has not had any material impact on the consolidated financial statements except for the presentation of contract liabilities.

Contract balances

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

As a result of the adoption of IFRS 15, the Group has made the following changes to follow the requirements of IFRS 15:

– advance received from sales of prepaid game cards disclosed in trade and other payables and deferred revenue, which were presented separately in the consolidated balance sheet, are now presented under contract liabilities.

The Group does not have any contract assets and therefore no adjustment is necessary.

New and revised IFRS in issue but are not yet effective

The Group has not early applied any of the following new and revised standards and amendments to existing standards that have been issued and are relevant to the Group, but are not yet mandatorily effective for the financial year beginning on 1 January 2018 and have not been early adopted.

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IAS 28 (Amendments)	Long-term interest in Associates and Joint Ventures[1]
IFRS 3 (Amendments)	Definition of a Business[2]
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation[1]
IFRS 10 and IAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
IFRSs (Amendments)	Annual Improvements to IFRS 2015-2017 Cycle[1]
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective date not yet determined.

The adoption of IAS 28 (Amendments), IFRS 3 (Amendments), IFRS 9 (Amendments), IFRSs (Amendments) and IFRIC-Int 23 would not have any significant impact on the financial performance and position of the Group.

IFRS 16 will primarily affect the accounting for the Group's operating leases where the Group is a lessee. Upon adoption of IFRS 16 the majority of the Group's operating lease commitments will be recognised in the consolidated balance sheet as lease liabilities and right-of-use assets. The lease liabilities would subsequently be measured at amortised cost and the right-of-use assets will be depreciated on a straight-line basis during the lease term.

3. Interests in associates

	2018	2017
	RMB'000	*RMB'000*
At 1 January	**14,958**	14,466
Share of profit	**2,006**	492
At 31 December	**16,964**	14,958

The directors of the Company consider that all associates as at 31 December 2018 and 2017 were insignificant to the Group and thus the individual summarised financial information of these associates are not disclosed.

4. Financial assets at fair value through other comprehensive income

	2018	2017
	RMB'000	*RMB'000*
At 1 January	**–**	–
Transfer from available-for-sale financial assets upon initial application of IFRS 9	**128,280**	–
Additions	**43,670**	–
Fair value changes	**(109,007)**	–
Currency translation differences	**1,582**	–
At 31 December	**64,525**	–

Financial assets at fair value through other comprehensive income include the following:

	2018	2017
	RMB'000	*RMB'000*
Listed equity securities *(Note (a))*	**60,719**	–
Unlisted equity investments *(Note (b))*	**3,035**	–
Preference shares of private companies *(Note (c))*	**771**	–
	64,525	–

Notes:

(a) The listed equity securities represented the Group's (1) equity investment in Dalian Zeus Entertainment Co., Ltd. ("**Zeus Entertainment**"), a company whose shares are listed in the Shenzhen Stock Exchange; (2) equity investment in Xiaomi Corporation, a company whose shares are listed in the Hong Kong Stock Exchange; and (3) equity investment in Qudian Inc, a company whose shares are listed in the New York Stock Exchange. The fair value of these listed equity securities as at 31 December 2018 are approximately RMB34,994,000, RMB19,245,000 and RMB6,480,000 respectively.

(b) The unlisted equity investment mainly represented the Group's equity investment in (1) 進化時代科技(北京)有限責任公司 and (2) 北京春光里智力競技科技有限公司, private companies operating in the PRC. The fair value of these unlisted equity investment as at 31 December 2018 are approximately RMB35,000 and RMB3,000,000 respectively.

(c) The preference shares investments represented the Group's investment in the preference shares of uSens, Inc. ("**uSens**") and Hangzhou Linggan Technology Co., Ltd. ("**Hangzhou Linggan**"). The preference shares entitle the holders to receive dividends at the rate equal to 8% of the original issue price of preference shares per annum, payable only when, as and if declared by the board of directors of the uSens and Hangzhou Linggan. The fair value of these preference shares as at 31 December 2018 are approximately RMB542,000 and RMB229,000 respectively.

(d) The management of the Group is of the view that the investments are not held for trading and does not expect that the Group will realise the financial assets at fair value through other comprehensive income within 12 months from the end of the reporting period.

5. Available-for-sale financial assets

	2018	2017
	RMB'000	*RMB'000*
At 1 January	**128,280**	179,639
Transfer to financial assets at fair value through other comprehensive income upon initial application of IFRS 9 *(Note (a))*	**(128,280)**	–
Fair value changes *(Note (b))*	**–**	(50,755)
Currency translation differences	**–**	(604)
At 31 December	**–**	128,280

Available-for-sale financial assets include the following:

	2018	2017
	RMB'000	*RMB'000*
Listed equity securities in PRC *(Note (b))*	**–**	114,198
Unlisted equity investments	**–**	1,000
Preference shares of private companies	**–**	13,082
	–	128,280

Notes:

(a) All available-for-sale financial assets were reclassified to financial assets at fair value through other comprehensive income (non-recycling) upon the initial application of IFRS 9 on 1 January 2018.

(b) The listed equity securities represented the Group's equity investment in Zeus Entertainment. The fair value of the investment in Zeus Entertainment as at 31 December 2017 was approximately RMB114,198,000.

Due to prolonged decline in the fair value of Zeus Entertainment below its cost, directors considered that it is an evidence that the assets are impaired. Hence, the cumulative decrease in fair value recognised in "Other reserves" amounting to approximately RMB50,755,000 was reclassified as "Impairment loss of available-for-sale financial assets" included in "administrative expenses" in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017.

6. Trade receivables

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**22,955**	36,203
Less: loss allowance	**(4,590)**	–
	18,365	36,203

(a) Trade receivables were arising from the operation of online game business. Platforms and third party payment vendors collect the payment from the Paying Players and remit the cash net of commission charges which are pre-determined according to the relevant terms of the agreements entered into between the Group and Platforms or third party payment vendors. The credit terms of trade receivables granted to the platforms and third party payment vendors are usually 30 to 120 days. Ageing analysis based on recognition date of the gross trade receivables at the respective balance sheet dates is as follows:

	2018	2017
	RMB'000	*RMB'000*
0-60 days	**16,718**	27,369
61-90 days	**995**	2,952
91-180 days	**1,737**	2,155
Over 180 days	**3,505**	3,727
	22,955	36,203

(b) The movements of loss allowance are as follow:

	2018	2017
	RMB'000	*RMB'000*
Balance at the beginning of the year	–	–
Provision for the year	**6,314**	–
Amount written off as uncollectible	**(1,877)**	–
Currency translation difference	**153**	–
Balance at the end of the year	**4,590**	–

7. Financial assets at fair value through profit or loss

	2018	2017
	RMB'000	*RMB'000*
Included in non-current assets		
Non-quoted investments in:		
– asset management plans *(Note (a) and (d))*	**104,033**	160,000
– equity investment partnerships *(Note (b) and (d))*	**485,298**	394,660
	589,331	554,660
Included in current assets		
Non-quoted investments in:		
– asset management plan *(Note (a))*	**6,875**	–
– wealth management products *(Note (c))*	**812,839**	664,424
	819,714	664,424
	1,409,045	1,219,084

Notes:

(a) They represented the entrusted investments with the principal amount of RMB80 million each to 2 independent asset management companies incorporated in the PRC. The estimated minimum return of such asset management plans is 5.05% per annum. If the annual estimated return cannot be achieved, the Group or asset management companies have option to early terminate the asset management plans. The Group will obtain the accumulated return and the entrusted principal in 2022 or upon early termination.

During the year 31 December 2018, the Group and one of the asset management company entered into a supplemental agreement, pursuant to which the principal investment amount is revised to RMB40 million and the remaining balance RMB40 million is refunded to the Group in 2018. According to the supplemental agreement, an entrusted principal of RMB7 million and its accumulated return will be return to the Group in 2019.

(b) They represented investments in equity investment partnership as a limited partner, which are mainly engaged in investments in early-stage and high-growth companies in the technology, media and telecommunications industry in China. They have an initial term ranging from 7 to 10 years.

During the financial year 31 December 2017, the Group contributed RMB200 million out of the total capital commitment of RMB300 million in cash to establish Jiaxing Boyaa. During the financial year 31 December 2018, the Group contributed RMB100 million in cash to settle the remaining capital commitment. The contribution represented 99% of the total contribution of Jiaxing Boyaa.

(c) Investments in wealth management products are investments in wealth management plan provided by financial institutions in the PRC. They have initial terms ranging from 30 days to 364 days.

(d) The management of the Group is of the view that the investments are not held for trading and does not expect that the Group will realise the financial assets at fair value through profit or loss within 12 months from the end of the reporting period.

8. Share capital, share premium, repurchased shares and shares held for RSU Scheme

The total authorised share capital of the Company comprises 2,000,000,000 ordinary shares (2017: 2,000,000,000 ordinary shares) with par value of USD0.00005 per share (2017: USD0.00005 per share).

As at 31 December 2018, the total number of issued ordinary shares of the Company was 724,583,301 shares (2017: 767,821,301 shares) which included 60,824,617 shares (2017: 72,764,226 shares) held under the RSU Scheme (Note 9(d)), and 1,411,000 repurchased shares (2017: 10,492,000 repurchased shares) repurchased for subsequent cancellation. They have been fully paid up.

	Notes	**Number of ordinary shares** *'000*	**Nominal value of ordinary shares** *USD'000*	**Equivalent nominal value of ordinary shares** *RMB'000*	**Share premium** *RMB'000*	**Repurchased shares** *RMB'000*	**Share held for RSU Scheme** *RMB'000*
At 1 January 2017		765,504	38	248	609,826	–	(17)
Employee share option and RSU schemes							
– proceeds from shares issued	*(a)*	2,317	–	1	6,133	–	–
– vesting of shares held for RSU Scheme	*9(c)*	–	–	–	(2)	–	2
– lapse of share options and RSUs		–	–	–	26,408	–	–
Buy-back of shares	*(b)*	–	–	–	–	(27,283)	–
At 31 December 2017 and 1 January 2018		**767,821**	**38**	**249**	**642,365**	**(27,283)**	**(15)**
Employee share option and RSU schemes							
– proceeds from shares issued	*(a)*	**814**	**–**	**–**	**1,915**	**–**	**–**
– vesting of shares held for RSU Scheme	*9(c)*	**–**	**–**	**–**	**(1)**	**–**	**1**
– lapse of share options and RSUs		**–**	**–**	**–**	**11,700**	**–**	**–**
Buy-back of shares	*(b)*	**–**	**–**	**–**	**–**	**(87,049)**	**–**
Cancellation of shares		**(44,052)**	**(2)**	**(14)**	**(112,258)**	**112,272**	**–**
At 31 December 2018		**724,583**	**36**	**235**	**543,721**	**(2,060)**	**(14)**

Notes:

(a) Share options exercised during the year ended 31 December 2018 resulted in 813,991 shares being issued (2017: 2,317,344 shares), with a total exercise proceeds of approximately RMB1,915,000 (2017: approximately RMB6,133,000). As at 31 December 2018, approximately RMB6,000 was due from The Core Admin Boyaa Option Limited (31 December 2017: approximately RMB660,000), being the nominee of the Group's share option scheme.

(b) The Group repurchased 34,971,000 of its own shares (2017: 10,492,000 shares) from the market during the year. The total amount paid to acquire the shares was approximately RMB87,049,000 (equivalent to HKD106,298,650) (2017: approximately RMB27,283,000, equivalent to HKD32,586,860) and has been deducted from the shareholders' equity. These repurchased shares, except for 1,411,000 shares which were repurchased in November 2018, were cancelled during the year ended 31 December 2018. Those 1,411,000 shares repurchased in November 2018 have not been cancelled yet up to the date of this announcement. The related weighted average price at the time of buy-back was HKD3.04 (2017: HKD3.11) per share.

9. Share-based payments

(a) Share options

On 7 January 2011, the Board of the Company approved the establishment of a share option scheme (i.e. the Pre-IPO Share Option Scheme) with the objective to recognise and reward the contribution of eligible directors and employees to the growth and development of the Group. The contractual life of all options under Pre-IPO Share Option Scheme is eight years from the grant date.

On 23 October 2013, the Board of the Company approved the establishment of a share option scheme (i.e. the Post-IPO Share Option Scheme) with the objective to recognise and reward the contribution of eligible directors and employees to the growth and development of the Group. The contractual life of all options under Post-IPO Share Option Scheme is ten years from the grant date.

Movements in the number of share options outstanding:

	Number of share options	
	2018	2017
At 1 January	**10,707,790**	19,421,221
Exercised	**(813,991)**	(2,317,344)
Lapsed	**(1,570,484)**	(6,396,087)
At 31 December	**8,323,315**	10,707,790

Out of the 8,323,315 outstanding options, 4,369,924 options were exercisable as at 31 December 2018. Options exercised in 2018 resulted in 813,991 shares being issued at a weighted average price of USD0.37 each. The related weighted-average share price at the time of exercise was HKD3.28 per share (2017: HKD3.79 per share).

Details of the exercise prices and the respective numbers of share options which remained outstanding as at 31 December 2018 and 2017 are as follows:

	Exercise price		Number of share options	
	Original	**Equivalent**		
Expiry date	**currency**	**to HKD**	**2018**	2017
31 January 2019	USD0.05	HKD0.388	**11,888**	56,888
1 March 2020	USD0.10	HKD0.775	**2,749**	14,749
30 June 2020	USD0.15	HKD1.163	**66,249**	72,240
6 September 2025	HKD3.108	HKD3.108	**8,242,429**	10,563,913
			8,323,315	10,707,790

(b) RSUs

Pursuant to a resolution passed by the Board of the Company on 17 September 2013, the Company set up a RSU Scheme with the objective to incentivise Directors, senior management and employees for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

RSUs held by a participant that are vested may be exercised (in whole or in part) by the participant serving an exercise notice in writing on the The Core Trust Company Limited (the "**RSU Trustee**") and copied to the Company.

The RSU Scheme will be valid and effective for a period of eight years from 4 March 2013 to 3 March 2021, commencing from the date of the first grant of the RSUs.

Movements in the number of RSUs outstanding:

	Number of RSUs	
	2018	2017
At 1 January	**20,480,853**	37,170,304
Lapsed	**(904,631)**	(4,142,639)
Vested and transferred	**(11,794,609)**	(12,546,812)
At 31 December	**7,781,613**	20,480,853
Vested but not transferred as at 31 December	**6,973,402**	17,028,959

The related weighted-average share price at the time when the RSUs were vested and transferred was HKD3.09 per share (2017: HKD3.52 per share).

(c) ***Expected retention rate of grantees***

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of vesting periods of the shares options and the RSUs (the "**Expected Retention Rate**") in order to determine the amount of share-based compensation expenses charged to the statement of profit or loss and comprehensive income. As at 31 December 2018, the Expected Retention Rate was assessed to be 80% (2017: 80%).

(d) ***Shares held for RSU Scheme***

The shares held for RSU Scheme were regarded as treasury shares and had been presented as a deduction against shareholders' equity. During the year, 11,794,609 of RSUs were vested and transferred, and as a result, 60,824,617 ordinary shares of the Company underlying the RSUs were held by The Core Admin Boyaa RSU Limited as at 31 December 2018 (2017: 72,764,226 shares).

Meanwhile as a result of the vesting of 2,004,049 of RSUs during the year ended 31 December 2018 (see Note (b) above) (2017: 5,376,123 RSUs), approximately RMB1,000 (2017: approximately RMB2,000) in other reserves was transferred to share premium upon vesting of these RSUs under the RSU Scheme.

10. Trade and other payables

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**378**	837
Other taxes payable	**43,253**	44,927
Accrued expenses	**3,125**	3,105
Accrued commissions charges by platforms	**15,138**	33,877
Accrued advertising expenses	**1,718**	2,155
Salary and staff welfare payables	**5,250**	6,858
Advance received from sales of prepaid game cards	**–**	4,097
Others	**501**	1,362
	69,363	97,218

Trade payables were mainly arising from the leasing of servers. The credit terms of trade payables granted by the vendors are usually 30 to 90 days. The ageing analysis of trade payables based on recognition date is as follows:

	2018	2017
	RMB'000	*RMB'000*
0-30 days	**76**	542
31-90 days	**–**	6
Over 90 days	**302**	289
	378	837

11. Revenue and segment information

	2018	2017
	RMB'000	*RMB'000*
Disaggregation of revenue from contracts with customers by game forms:		
– Web-based games	**168,362**	220,730
– Mobile games	**284,872**	514,872
	453,234	735,602

For the year ended 31 December 2018 and 2017, substantially all revenue generated from online games are recognised at the point in time.

The directors of the Company consider that the Group's operation is operated and managed as a single segment; accordingly no segment information is presented.

The Group offers its games in various language versions in order to enable game players to play the games in different locations. A breakdown of revenue derived from different language versions of the Group's games is as follows:

	2018	2017
	RMB'000	*RMB'000*
Simplified Chinese	**143,658**	383,704
Other languages	**309,576**	351,898
	453,234	735,602

The Group has a large number of game players, none of whom contributed 10% or more of the Group's revenue for the years ended 31 December 2018 and 2017.

The Group's non-current assets other than deferred income tax assets, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets were located as follows:

	2018	2017
	RMB'000	*RMB'000*
Mainland China	**64,987**	66,807
Other locations	**16,238**	17,075
	81,225	83,882

12. Expenses by nature

Expenses included in cost of revenue, selling and marketing expenses and administrative expenses are analysed as follows:

	2018	2017
	RMB'000	*RMB'000*
Commission charges by platforms and third party payment vendors (included in cost of revenue)	**128,904**	237,707
Employee benefit expenses (excluding share-based compensation expenses)	**103,227**	168,694
Share-based compensation expenses	**3,221**	9,865
Servers rental expenses	**12,992**	17,168
Office rental expenses	**8,378**	9,813
Depreciation of property, plant and equipment	**8,245**	9,225
Travelling and entertainment expenses	**3,700**	5,551
Other professional service fees	**5,690**	6,111
Auditor's remuneration	**2,200**	2,100
Advertising expenses	**14,626**	21,607
Amortisation of intangible assets	**1,404**	1,625
Impairment loss of available-for-sale financial assets	**–**	50,755
Impairment loss of trade receivables	**6,314**	–
Impairment loss of loan to an associate	**2,000**	–
Impairment loss of employees' loans	**1,308**	–
Other expenses	**8,231**	20,771
	310,440	560,992

Research and development expenses during the years ended 31 December 2018 and 2017 were analysed as below:

	2018	2017
	RMB'000	*RMB'000*
Employee benefit expenses	**61,623**	111,160
Depreciation of property, plant and equipment	**2,876**	–
Rental expenses	**–**	3,051
Other expenses	**6,031**	13,469
	70,530	127,680

No research and development expenses were capitalised for the years ended 31 December 2018 and 2017.

13. Other gains – net

	2018	2017
	RMB'000	*RMB'000*
Realised fair value gain on financial assets at fair value through profit or loss	**37,967**	19,445
Unrealised fair value (loss)/gain on financial assets at fair value through profit or loss	**(14,217)**	30,403
Dividend from financial assets at fair value through profit or loss	**12,313**	–
Dividend from financial assets at fair value through other comprehensive income	**134**	–
Dividends from available-for-sale financial assets	**–**	1,576
Government subsidies and tax rebates *(Note (a))*	**10,723**	3,860
Gain/(loss) on disposal of property, plant and equipment	**139**	(87)
Foreign exchange losses, net	**(970)**	(66)
Others	**(2,693)**	734
	43,396	55,865

Note:

(a) Government subsidies represented various industry-specific subsidies granted by the government authorities to subsidise the research and development costs incurred by the Group during the course of its business.

14. Finance income – net

	2018	2017
	RMB'000	*RMB'000*
Finance income		
Interest income	**18,489**	34,588
Interest income on non-current loans to employees	**2,097**	827
Foreign exchange gains, net	**435**	4,766
	21,021	40,181
Finance costs		
Discounting effects of non-current loans to employees	**(2,000)**	(1,435)
Finance income – net	**19,021**	38,746

15. Income tax expenses

The income tax expenses of the Group for the years ended 31 December 2018 and 2017 is analysed as follows:

	2018	2017
	RMB'000	*RMB'000*
Current income tax – PRC		
– Provision for the year	**9,743**	2,835
– (Over)/Under-provision in prior years	**(18,619)**	1,121
	(8,876)	3,956
Current income tax – Hong Kong		
– Provision for the year	**13,116**	17,820
	4,240	21,776
Current income tax – Other jurisdictions		
– Provision for the year	**75**	–
	4,315	21,776
Deferred tax	**1,370**	4,692
	5,685	26,468

(a) Cayman Islands Income Tax

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

(b) Hong Kong Profits tax

Hong Kong profits tax has been provided at the rate of 8.25% on assessable profits up to HKD2,000,000 and 16.5% on any part of assessable profits over HKD2,000,000 for the the year ended 31 December 2018 (2017: 16.5% on all assessable profits).

(c) ***PRC Corporate Income Tax ("CIT")***

The income tax provision of the Group in respect of operations in the PRC has been calculated at the tax rate of 25% on the estimated assessable profits for the years ended 31 December 2018 and 2017, based on the existing legislation, interpretations and practices in respect thereof.

Boyaa Shenzhen qualified as a "High and New Technology Enterprise" ("**HNTE**") under the Corporate Income Tax Law during the year and as a result, Boyaa Shenzhen enjoys a preferential tax rate of 15% from 1 January 2018 to 31 December 2020. Therefore, the actual income tax rate for Boyaa Shenzhen was 15% for the year ended 31 December 2018 (2017: 15%).

Boyaa PRC has successfully renewed its HNTE qualification in 2016 and as a result, Boyaa PRC enjoys a preferential tax rate of 15% from 1 January 2016 to 31 December 2018. Therefore, the actual income tax rate for Boyaa PRC was 15% for the year ended 31 December 2018 (2017: 15%).

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engaged in research and development activities are entitled to claim 175% (2017: 150%) of the research and development expenses so incurred in a year as tax deductible expenses in determining its tax assessable profits for that year ("**Super Deduction**"). Boyaa Shenzhen and Boyaa PRC has claimed such Super Deduction in ascertaining its tax assessable profits for the years ended 31 December 2018 and 2017 respectively.

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

As at 31 December 2018, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside of the PRC, for which no deferred income tax liability had been provided, were approximately RMB1,189,895,000 (2017: approximately RMB956,225,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to their foreign investor in the foreseeable future based on management's estimation of overseas funding requirements.

(e) ***Tax reconciliation***

The tax on the Group's profit before tax differ from the theoretical amount that would arise using the weighted average tax rate applicable to profits of consolidated entities in the respective jurisdictions as follows:

	2018	2017
	RMB'000	*RMB'000*
Profit before income tax	**207,217**	269,713
Less: Share of profit of associates	**(2,006)**	(492)
	205,211	269,221
Tax calculated at a tax rate 25%	**51,302**	67,305
Tax effects:		
– Tax concession on assessable profits of Boyaa Shenzhen and Boyaa PRC	**(13,099)**	(12,847)
– Different tax rates available to different subsidiaries of the Group other than PRC	**(7,342)**	(9,778)
– Expenses not deductible for tax purposes	**3,319**	3,431
– Income not subject to tax	**(1,133)**	(11,676)
– Tax losses not recognised	**10**	617
– Super Deduction	**(7,611)**	(9,347)
– Utilisation of tax losses not recognised in prior years	**–**	(2,358)
– (Overprovision)/Underprovision in prior years	**(18,619)**	1,121
– Others	**(1,142)**	–
Income tax expenses	**5,685**	26,468

16. Earnings per share

(a) Basic

Basic earnings per ordinary share is calculated by dividing the profit of the Group attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares held for the RSU Scheme and repurchased shares.

	2018	2017
Profit attributable to owners of the Company (RMB'000)	**201,532**	243,245
Weighted average number of ordinary shares in issue (thousand shares)	**672,468**	686,741
Basic earnings per share (expressed in RMB cents per share)	**29.97**	35.42

(b) Diluted

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

For the years ended 31 December 2018 and 2017, the Group had two categories of dilutive potential ordinary shares, share options and RSUs of the Company. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options and RSUs. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and RSUs.

	2018	2017
Profit used to determine diluted earnings per shares (RMB'000)	**201,532**	243,245
Weighted average number of ordinary shares in issue (thousand shares)	**672,468**	686,741
Adjustment for RSUs (thousand shares)	**9,594**	21,627
Adjustment for share options (thousand shares)	**63**	1,945
Weighted average number of ordinary shares in issue for the purpose of calculating diluted earnings per share (thousand shares)	**682,125**	710,313
Diluted earnings per share (expressed in RMB cents per share)	**29.54**	34.24

17. Dividends

Subsequent to the end of the reporting period, a one-off special dividend of approximately HKD0.276 per share (equivalent to approximately RMB0.237 per share) (2017: Nil) has been proposed by the Board of Directors and is subject to approval by the Shareholders at the forthcoming annual general meeting. The total amount of approximately HKD200 million (equivalent to approximately RMB171 million) (2017: Nil) of the proposed special dividend, calculated based on the Company's number of ordinary shares issued at the date of this announcement is not recognised as a liability in the consolidated balance sheet.

18. Commitments

(a) Capital commitments

Capital commitments as at 31 December 2018 and 31 December 2017 are analysed as follows:

	2018	2017
	RMB'000	*RMB'000*
Contracted obligation:		
Investment in a limited partnership	**–**	100,000

(b) Operating lease commitments

The Group leases servers and office buildings under non-cancellable operating lease agreements. The lease terms are between 1 to 5 years, and majority of lease agreements are renewable at the end of the lease period at market rate.

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2018	2017
	RMB'000	*RMB'000*
Not later than 1 year	**7,253**	7,176
Later than 1 year but not later than 5 years	**10,745**	982
	17,998	8,158

19. Material event/litigation

Boyaa Shenzhen, a company regarded as indirect subsidiary of the Company by virtue of Contractual Arrangement, received an indictment from the judicial authority in the PRC as a defendant due to its alleged act of bribery in 2017. Mr. Zhang Wei, the Chairman of the Board, as the legal representative of Boyaa Shenzhen, had become a co-defendant of the case.

Boyaa Shenzhen has received a criminal judgment from the Municipal of Intermediate People's Court, upon trial of first instance, Boyaa Shenzhen was found guilty of the alleged crime of offering bribes by entities (單位行賄罪) and is liable to a fine of RMB2,500,000 in May 2018. Its legal representative, Mr. Zhang Wei, is sentenced to a fixed-term imprisonment of one year with a suspended sentence of one year and six months (the "**Decision**"). Boyaa Shenzhen made an application to appeal to the Higher People's Court (the "**Appeal**").

Regarding the Appeal, the Board was informed that, the Higher People's Court upheld the original verdict of the Municipal of Intermediate People's Court on 21 September 2018. This decision became a final ruling under the PRC legal jurisdiction.

In respect of the outcome of the Appeal, the Company has obtained a legal opinion from an independent lawyer firm, regarding its impact on the legal enforceability of VIE arrangement. As stated in that legal opinion, there are no provisions in the relevant laws and regulations that criminal offence committed by an entity under the VIE arrangement will invalidate the Contractual Arrangement. Accordingly, the penalty imposed on Boyaa Shenzhen and Mr. Zhang do not affect the legal enforceability of the Contractual Arrangement and hence the Group still has control over Boyaa Shenzhen.

The Board announced that, with effect from 21 September 2018, Mr. Zhang Wei resigned as an executive director, chief executive officer of the Company and authorised representative of the Company ("**Authorised Representative**") under 3.05 of the Rules Governing the Listing of Securities on the Stock Exchange. Upon his resignation as an executive director, the chief executive officer of the Company and Authorised Representative, Mr. Zhang Wei would cease to be the chairman of the Board and the chairman of the nomination committee of the Company ("**Nomination Committee**").

The Board announced that, Mr. Dai Zhikang, an executive director of the Company, has been appointed as the chairman of the Board with effect from 21 September 2018, and Ms. Tao Ying has been appointed as an executive director of Company, the chairman of the Nomination Committee and Authorised Representative with effect from 21 September 2018. Ms. Tao Ying has also been appointed as the acting chief executive officer with effect from 21 September 2018 until the Board appoints a new chief executive officer of the Company.

In light of the business and management experience of Mr. Dai Zhikang and Ms. Tao Ying and also after considering the advice from the Company's PRC counsel with regards to the result of the Appeal, the Board is of the view that the decision of the Appeal and the change of directors and chief executive officer of the Company will not have any material adverse effect to the Group's business, operation and financial condition.

RECONCILIATION FROM NET PROFIT TO UNAUDITED NON-IFRS ADJUSTED NET PROFIT FOR THE YEAR ENDED 31 DECEMBER 2018

	For the year ended 31 December		Year-on-Year Change*
	2018	2017	
	RMB'000	*RMB'000*	%
	(audited)	(audited)	
Revenue	**453,234**	735,602	(38.4)
Cost of revenue	**(148,264)**	(278,335)	(46.7)
Gross profit	**304,970**	457,267	(33.3)
Selling and marketing expenses	**(27,904)**	(34,122)	(18.2)
Administrative expenses	**(134,272)**	(248,535)	(46.0)
Other gains – net	**43,396**	55,865	(22.3)
Operating profit	**186,190**	230,475	(19.2)
Finance income – net	**19,021**	38,746	(50.9)
Share of profit of associates	**2,006**	492	307.7
Profit before income tax	**207,217**	269,713	(23.2)
Income tax expenses	**(5,685)**	(26,468)	(78.5)
Profit for the year	**201,532**	243,245	(17.1)
Non-IFRS adjustment (unaudited)			
Share-based compensation expenses included in cost of revenue	**678**	2,064	(67.2)
Share-based compensation expenses included in selling and marketing expenses	**876**	2,681	(67.3)
Share-based compensation expenses included in administrative expenses	**1,667**	5,120	(67.4)
Non-IFRS adjusted net profit (unaudited)	**204,753**	253,110	(19.1)

* Year-on-Year Change % represents a comparison between the current reporting period and the corresponding period last year.

RECONCILIATION FROM NET PROFIT TO UNAUDITED NON-IFRS ADJUSTED NET PROFIT FOR THE THREE MONTHS ENDED 31 DECEMBER 2018

	For the three months ended			Year-on-Year Change*	Quarter-on-Quarter Change**
	31 December 2018	30 September 2018	31 December 2017		
	RMB'000	*RMB'000*	*RMB'000*	%	%
	(unaudited)	(unaudited)	(unaudited)		
Revenue	**84,262**	84,737	159,467	(47.2)	(0.6)
Cost of revenue	**(29,393)**	(28,620)	(63,334)	(53.6)	(2.7)
Gross profit	**54,869**	56,117	96,133	(42.9)	(2.2)
Selling and marketing expenses	**(1,051)**	(5,748)	(7,628)	(86.2)	(8.2)
Administrative expenses	**(33,808)**	(28,893)	(86,078)	(60.7)	(17.0)
Other (losses)/gains – net	**(31,259)**	11,777	26,258	(219.0)	(365.4)
Operating profit	**(11,249)**	33,253	28,685	(133.8)	(139.2)
Finance income – net	**4,815**	5,180	4,781	(0.7)	(7.0)
Share of profit of associates	**365**	193	1,538	(76.3)	(89.1)
Profit before income tax	**(6,069)**	38,626	35,004	(117.3)	(115.7)
Income tax credit/(expenses)	**19,599**	(4,402)	187	10,380.7	(545.2)
Profit for the period	**13,530**	34,224	35,191	(61.6)	(60.5)
Non-IFRS adjustment (unaudited)					
Share-based compensation expenses included in cost of revenue	**106**	144	309	(65.7)	(26.4)
Share-based compensation expenses included in selling and marketing expenses	**127**	181	413	(69.2)	(29.8)
Share-based compensation expenses included in administrative expenses	**241**	344	785	(69.3)	(29.9)
Non-IFRS adjusted net profit (unaudited)	**14,004**	34,893	36,698	(61.8)	(59.9)

* Year-on-Year Change % represents a comparison between the current reporting period and the corresponding period last year.

** Quarter-on-Quarter Change % represents a comparison between the quarter ended 31 December 2018 and the immediately preceding quarter.

OTHER INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2018, the Company repurchased 34,971,000 shares of the Company on the Stock Exchange at an aggregate consideration of HKD106,298,650.00 pursuant to the share repurchase mandate approved by the shareholders of the Company at the annual general meeting held on 6 June 2018. Details of the repurchases are summarised as follows:

Date of repurchase	Price per share Highest	Price per share Lowest	Number of Ordinary Shares of USD0.00005 Each	Total consideration
	HKD	*HKD*		*HKD*
04 January 2018	3.24	3.23	350,000	1,133,190.00
08 January 2018	3.23	3.22	34,000	109,780.00
26 March 2018	3.03	2.96	198,000	596,440.00
03 April 2018	3.13	3.00	1,371,000	4,217,320.00
04 April 2018	3.18	3.06	1,437,000	4,489,760.00
06 April 2018	3.20	3.09	1,934,000	6,137,220.00
09 April 2018	3.27	3.15	1,424,000	4,617,710.00
10 April 2018	3.31	3.23	954,000	3,140,850.00
11 April 2018	3.37	3.30	895,000	3,003,030.00
12 April 2018	3.42	3.38	2,100,000	7,144,000.00
13 April 2018	3.47	3.39	605,000	2,087,750.00
16 April 2018	3.49	3.37	1,889,000	6,566,110.00
17 April 2018	3.52	3.47	3,102,000	10,856,660.00
18 April 2018	3.48	3.33	2,599,000	8,863,390.00
19 April 2018	3.55	3.40	5,364,000	18,711,780.00
20 April 2018	3.20	3.13	2,658,000	8,409,030.00
21 June 2018	2.41	2.41	50,000	120,500.00
22 June 2018	2.39	2.35	70,000	166,510.00
25 June 2018	2.38	2.37	142,000	337,760.00
26 June 2018	2.31	2.29	94,000	216,570.00
27 June 2018	2.31	2.30	200,000	461,100.00
28 June 2018	2.28	2.25	57,000	129,590.00
29 June 2018	2.29	2.28	117,000	267,710.00

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES (CONTINUED)

Details of the repurchases are summarised as follows: (Continued)

Date of repurchase	Price per share Highest *HKD*	Price per share Lowest *HKD*	Number of Ordinary Shares of USD0.00005 Each	Total consideration *HKD*
03 July 2018	2.30	2.28	64,000	146,920.00
04 July 2018	2.30	2.26	131,000	298,330.00
05 July 2018	2.25	2.21	160,000	356,120.00
06 July 2018	2.26	2.24	136,000	305,100.00
10 July 2018	2.30	2.30	200,000	460,000.00
12 July 2018	2.29	2.29	40,000	91,600.00
17 July 2018	2.28	2.27	152,000	346,460.00
18 July 2018	2.27	2.27	67,000	152,090.00
20 July 2018	2.27	2.27	14,000	31,780.00
23 July 2018	2.28	2.28	56,000	127,680.00
02 October 2018	1.95	1.89	154,000	296,310.00
03 October 2018	1.99	1.92	23,000	44,910.00
05 October 2018	1.99	1.95	20,000	39,500.00
08 October 2018	1.99	1.99	103,000	204,970.00
09 October 2018	1.98	1.98	272,000	538,560.00
10 October 2018	1.99	1.97	126,000	248,740.00
11 October 2018	1.98	1.91	1,155,000	2,262,560.00
12 October 2018	2.02	1.91	725,000	1,432,830.00
15 October 2018	2.07	2.04	1,011,000	2,079,840.00
16 October 2018	2.09	2.05	822,000	1,712,790.00
18 October 2018	2.12	2.05	458,000	957,760.00
19 October 2018	2.14	2.11	27,000	57,360.00
22 November 2018	1.67	1.58	467,000	755,390.00
23 November 2018	1.69	1.64	944,000	1,567,290.00
Total:			34,971,000	106,298,650.00

Except for the 1,411,000 shares repurchased in November 2018, all the repurchased 33,560,000 shares of the Company have been cancelled during the year ended 31 December 2018 and the issued share capital of the Company has been reduced by the nominal value of the repurchased shares. The premium paid on repurchase was charged against the share premium of the Company. The repurchases were effected by the Board with a view to benefiting the shareholders of the Company as a whole by enhancing the earnings per share of the Company.

Except as disclosed above, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the year ended 31 December 2018.

DIVIDEND

As the Company has a strong cashflow position, the Board has recommended the payment of a one-off special dividend to express our gratitude to our Shareholders of approximately HKD0.276 per share (equivalent to approximately RMB0.237 per share), approximately HKD200 million (equivalent to approximately RMB171 million) in total, subject to the approval of the Shareholders at the forthcoming AGM to be held on Thursday, 6 June, 2019. The dividends payable to the Shareholders will be distributed in HKD at an average price of Central Parity rates of RMB against HKD as announced by the People's Bank of China for the five business days prior to the dividend declaration date. The distribution of the one-off special dividend is determined with reference to our dividend policy. The Board believes that after the distribution of the one-off special dividend, the Company will continue to have sufficient capital for our business operations. The Board does not recommend the payment of a final dividend for the year ended 31 December 2018.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming Annual General Meeting will be held on Thursday, 6 June, 2019. The notice of the Annual General Meeting will be published on the website of the Company and the Stock Exchange and sent to the Shareholders in due course.

CLOSURES OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders' eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 3 June 2019 to Thursday, 6 June 2019 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer of share documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 31 May 2019.

For the purpose of determining the entitlement of the one-off special dividend, the register of members of the Company will be closed from Thursday, 13 June 2019 to Monday, 17 June 2019 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for entitling the one-off special dividend, all transfer of share documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 12 June 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2018, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Listing Rules, except for a deviation from the code provision A.2.1 which requires that the roles of chairman and chief executive should be separated and should not be performed by the same individual.

Mr. Zhang Wei was the chairman and chief executive officer of the Company who had resigned on 21 September 2018. With extensive experience in the Internet industry, Mr. Zhang Wei was responsible for the overall strategic planning and general management of the Group and was instrumental to the Company's growth and business expansion since its establishment in 2004. The Board considered that vesting the roles of chairman and chief executive officer in the same person was beneficial to the management of the Group. The balance of power and authority was ensured by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. Upon Mr. Zhang Wei's resignation, Mr. Dai Zhikang, an executive Director, has been appointed as the chairman of the Board with effect from 21 September 2018 and Ms. Tao Ying was appointed as an executive director with effect from 21 September 2018 and as the Acting Chief Executive Officer with effect from 21 September 2018 until the Board appoints a new chief executive officer of the Company. The Board currently comprises two executive directors (being Mr. Dai Zhikang and Ms. Tao Ying), and three independent non-executive directors, and therefore has a strong independence element in its composition.

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the Code and maintaining a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code during the year ended 31 December 2018.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the Code. As at the date of this announcement, the Audit Committee comprises three independent non-executive directors, namely, Mr. Cheung Ngai Lam, Mr. Choi Hon Keung Simon and Mr. You Caizhen. Mr. Cheung Ngai Lam is the chairman of the Audit Committee.

The Audit Committee has reviewed and discussed the audited annual results of the Company for the year ended 31 December 2018.

IMPORTANT EVENTS AFFECTING THE GROUP AFTER THE REPORTING PERIOD

There was no other important event affecting the Group which has taken place since 31 December 2018 and up to the date of this announcement.

SCOPE OF WORK OF PAN-CHINA (H.K.) CPA LIMITED

The figures in respect of the announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Group's auditor, Pan-China (H.K.) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements. The work performed by Pan-China (H.K.) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Pan-China (H.K.) CPA Limited on the results announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and of the Company (http://www.boyaa.com.hk). The annual report will be despatched to the shareholders of the Company and will be available on the websites of the Stock Exchange and of the Company in due course.

By order of the Board of
Boyaa Interactive International Limited
Dai Zhikang
Chairman and Executive Director

Hong Kong, 29 March 2019

As at the date of this announcement, the executive directors of the Company are Mr. Dai Zhikang and Ms. Tao Ying; the independent non-executive directors of the Company are Mr. Cheung Ngai Lam, Mr. Choi Hon Keung Simon and Mr. You Caizhen.