



# 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



2019中期報告  
2019 Interim Report





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## Corporate Information

### BOARD OF DIRECTORS

#### *Executive Directors*

Mr. Dai Zhikang (*Chairman*)

Ms. Tao Ying (*Acting Chief Executive Officer*)

#### *Independent Non-executive Directors*

Mr. Cheung Ngai Lam

Mr. Choi Hon Keung Simon

Mr. You Caizhen (*retired on 14 July 2019*)

Mr. Sun Zihua (*appointed on 14 July 2019*)

### AUDIT COMMITTEE

Mr. Cheung Ngai Lam (*Chairman*)

Mr. Choi Hon Keung Simon

Mr. You Caizhen (*retired on 14 July 2019*)

Mr. Sun Zihua (*appointed on 14 July 2019*)

### NOMINATION COMMITTEE

Ms. Tao Ying (*Chairman*)

Mr. Choi Hon Keung Simon

Mr. You Caizhen (*retired on 14 July 2019*)

Mr. Sun Zihua (*appointed on 14 July 2019*)

### REMUNERATION COMMITTEE

Mr. Cheung Ngai Lam (*Chairman*)

Mr. Choi Hon Keung Simon

Mr. You Caizhen (*retired on 14 July 2019*)

Mr. Sun Zihua (*appointed on 14 July 2019*)

### COMPANY SECRETARY

Ms. Lai Siu Kuen

### AUTHORISED REPRESENTATIVES

Ms. Lai Siu Kuen

Ms. Tao Ying

### AUDITOR

Pan-China (H.K.) CPA Limited

*Certified Public Accountants*

11/F, Hong Kong Trade Centre

161-167 Des Voeux Road Central

Central

Hong Kong

### COMPANY'S WEBSITE

[www.boyaa.com.hk](http://www.boyaa.com.hk)

### STOCK CODE

0434



## Corporate Information

### HEADQUARTER IN THE PRC

8/F, Block E1  
International E Town  
TCL Industry Park  
1001 Zhong Shan Yuan Road  
Nanshan District, Shenzhen, PRC  
Postal code: 518000

### HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### REGISTERED OFFICE IN THE CAYMAN ISLANDS

The offices of Maples Corporate Services Limited  
P.O. Box 309  
Ugland House  
Grand Cayman KY1-1104  
Cayman Islands

### CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Maples Fund Services (Cayman) Limited  
P.O. Box 1093, Boundary Hall, Cricket Square  
Grand Cayman KY1-1102  
Cayman Islands

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

14/F, Golden Centre  
188 Des Voeux Road Central  
Hong Kong

### PRINCIPAL BANK

China Merchants Bank, Shenzhen Branch





## Business Overview and Outlook

In terms of financial performance, we recorded a revenue of approximately RMB80.3 million for the second quarter of 2019, representing a year-on-year decrease of approximately 35.5% compared to the same period in 2018; we recorded a revenue of approximately RMB160.5 million for the first half of 2019, representing a year-on-year decrease of approximately 43.5% compared to the same period in 2018. The year-on-year decrease in revenue in the second quarter and the first half of 2019 was primarily attributable to (1) the impact from the incident of Apple Inc. carrying out rectification and inspection on the applications launched on its system starting from the second quarter of 2017 (the **"Apple Incident"**); (2) the effect of policy risks regarding the market rumor of the "Administrative Measures of Online Chess and Card Games" to be implemented by the Chinese government aiming to shut down onshore Texas Hold'em poker games and prohibiting the operation of onshore Texas Hold'em poker games starting from 1 June 2018. Although such policies have not yet been implemented, certain platforms have removed relevant products, which affected our revenue to a certain extent (the **"Policy Risk Factor"**); and (3) the decrease in revenue generated from web-based games, due to the industry trend of a gradual transfer of web-based games to mobile terminals. The revenue of the Group for the second quarter of 2019 increased by approximately 0.1% compared to the first quarter of 2019, which was mainly due to the impact of the Policy Risk Factor on our revenue being stabilised, and a slight increase in revenue resulting from the promotion activities conducted by the Group in the second quarter of 2019.

We recorded an unaudited non-IFRS adjusted net profit of approximately RMB23.2 million in the second quarter of 2019, which represented a year-on-year decline of approximately 68.1% as compared to the same period in 2018. In the first half of 2019, we recorded an unaudited non-IFRS adjusted net profit of approximately RMB63.5 million, representing a year-on-year decrease of approximately 59.2% compared to the same period in 2018. Such year-on-year decline in unaudited non-IFRS adjusted net profit for the second quarter and the first half of 2019 was mainly due to the decrease in revenue and the lower fair value of financial assets of the Group such as the investments in equity investment in partnerships caused by market factors for the six months ended 30 June 2019. Excluding the effect of the factors such as fair value changes in equity investment in partnerships, the unaudited non-IFRS adjusted net profit for the second quarter and the first half of 2019 decreased by approximately 50.2% and approximately 45.0%, respectively as compared to that of the same periods in 2018. Our unaudited non-IFRS adjusted net profit for the second quarter of 2019 decreased by approximately 42.6% compared to the first quarter of 2019. Excluding the impact of one-off non-operating items such as fair value changes in equity investment in partnerships, the non-IFRS adjusted net profit for the second quarter of 2019 was roughly the same as that for the first quarter of 2019.

In terms of the Group's operating performance, we recorded a certain decline in the numbers of paying players and users during the second quarter of 2019 compared to the first quarter of 2019. In particular, the number of paying players decreased by 17.8% from approximately 0.48 million in the first quarter of 2019 to approximately 0.40 million in the second quarter of 2019. The number of DAUs decreased by 8.7% from approximately 2.6 million in the first quarter of 2019 to 2.4 million in the second quarter of 2019. The number of MAUs decreased by 10.3% from approximately 8.3 million in the first quarter of 2019 to approximately 7.4 million in the second quarter of 2019, whereas the ARPPU grew in both Texas Hold'em web-based games and the mobile versions of other card and board games.

During the second quarter of 2019, we held the fifth session of BPT branded competition series – BPT 2019 match in Asia successfully. The event was designed to bolster player activity and loyalty, widen its user base, allow the Boyaa BPT brand to penetrate into the global chess and card sphere, and increase the Company's brand awareness.

In the future, the Company will continue to conduct more intensive market surveys, launch innovative game rules, improve the experience of our game players, remain dedicated to product refinement and operation diversification, ramp up the quality of our games in an all-rounded manner, and spare no effort to build our brand for online and offline match series. On top of consolidating our existing market, more efforts will be made to further expand our overseas market as well as other chess and card games business, so as to offset the impact arising from the Policy Risk Factor. The Group will strictly comply with various laws and regulations of the People's Republic of China (the **"PRC"**), develop high-quality puzzle games and matches, and continue with its journey to forge a century-old brand for chess and card games.



# Management Discussion and Analysis

## FINANCIAL REVIEW

### *Second Quarter of 2019 Compared to Second Quarter of 2018*

#### **Revenue**

Our revenue for the three months ended 30 June 2019 amounted to approximately RMB80.3 million, representing a year-on-year decrease of approximately 35.5% from approximately RMB124.4 million recorded for the same period of 2018. The year-on-year decrease was primarily due to the impact of the Apple Incident from the second quarter of 2017, and the effect of Policy Risk Factor from the second quarter of 2018. For the three months ended 30 June 2019, revenue generated from our mobile games and web-based games accounted for approximately 57.1% and 42.9% of our total revenue, respectively, as compared with approximately 64.5% and 35.5%, respectively, for the three months ended 30 June 2018.

#### **Cost of revenue**

Our cost of revenue for the three months ended 30 June 2019 amounted to approximately RMB26.3 million, representing a year-on-year decrease of approximately 26.5% from approximately RMB35.8 million recorded for the same period in 2018. The year-on-year decrease was primarily due to the reduction in commission charges by platforms and third party payment vendors.

#### **Gross profit and gross profit margin**

As a result of the foregoing, our gross profit for the three months ended 30 June 2019 amounted to approximately RMB54.0 million, representing a year-on-year decrease of approximately 39.1% from approximately RMB88.6 million recorded for the same period in 2018.

Our gross profit margin were approximately 67.2% and 71.2%, respectively, for the three months ended 30 June 2019 and the same period in 2018.

#### **Selling and marketing expenses**

Our selling and marketing expenses for the three months ended 30 June 2019 amounted to approximately RMB4.3 million, representing a year-on-year decrease of approximately 49.3% from approximately RMB8.4 million recorded for the same period in 2018. The year-on-year decrease was mainly attributable to the decrease in the expenses incurred for advertising and promotional activities.



## Management Discussion and Analysis

### ***Administrative expenses***

Our administrative expenses for the three months ended 30 June 2019 amounted to approximately RMB27.8 million, representing a year-on-year decrease of approximately 16.3% from approximately RMB33.2 million recorded for the same period in 2018. The year-on-year decrease was mainly attributable to the decrease in employee benefit expenses.

### ***Other gains – net***

For the three months ended 30 June 2019, we recorded other gains (net) of approximately RMB0.6 million, compared to approximately RMB27.6 million recorded for the same period in 2018. The other gains (net) primarily consisted of fair value gains/(losses) on financial assets at fair value through profit or loss relating to the non-quoted investments in equity investment partnerships and certain wealth management products we purchased, government subsidies and dividends from financial assets at fair value through other comprehensive income.

### ***Finance income – net***

Our net finance income for the three months ended 30 June 2019 was approximately RMB2.7 million, compared to approximately RMB4.2 million recorded for the same period of 2018. The year-on-year change was primarily due to increase in exchange losses as compared to the same period of 2018.

### ***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 Huifu World 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 Shanghai Allin Network Technology Co., Limited (上海傲英網絡科技有限公司) and its subsidiaries as at 30 June 2019 (31 December 2018: six), all of which were online game or internet technology companies. We recorded a share of profit of associates of approximately RMB0.02 million for the three months ended 30 June 2019, compared to a share of profit of associates of approximately RMB1.2 million recorded for the same period in 2018.

### ***Income tax expenses***

Our income tax expenses for the three months ended 30 June 2019 was approximately RMB2.2 million, representing a decrease of approximately 73.1% from approximately RMB8.3 million recorded for the three months ended 30 June 2018. The effective tax rate were 8.8% and 10.4%, respectively, for the three months ended 30 June 2019 and the same period in 2018. The effective tax rate for the three months ended 30 June 2019 was lower than that for the same period in 2018.



## Management Discussion and Analysis

### ***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 30 June 2019 amounted to approximately RMB23.0 million, representing a year-on-year decrease of approximately 67.9%, from the profit attributable to owners of the Company of approximately RMB71.8 million recorded for the same period in 2018.

### ***Non-IFRS Measure – Adjusted net profit***

To supplement our consolidated financial statements which are presented in accordance with International Financial Reporting Standards (“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 item 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 three months ended 30 June 2019 of approximately RMB23.2 million was derived from our unaudited profit of the same period excluding share-based compensation expenses of approximately RMB0.04 million, RMB0.04 million and RMB0.07 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively, as compared to our unaudited non-IFRS adjusted net profit for the three months ended 30 June 2018 of approximately RMB72.6 million derived from our unaudited profit for the same period excluding share-based compensation expenses of approximately RMB0.2 million, RMB0.2 million and RMB0.5 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively.

### ***First Half of 2019 Compared to First Half of 2018***

#### ***Revenue***

Our revenue for the six months ended 30 June 2019 amounted to approximately RMB160.5 million, representing a year-on-year decrease of approximately 43.5% from approximately RMB284.2 million recorded for the same period in 2018. The year-on-year decrease was primarily due to the impact of the Apple Incident from the second quarter of 2017, and the effect of Policy Risk Factor from the second quarter of 2018. For the six months ended 30 June 2019, revenue generated from our mobile games and web-based games accounted for approximately 56.2% and 43.8% of our total revenue, respectively, as compared with approximately 66.1% and 33.9%, respectively, for the six months ended 30 June 2018.





## Management Discussion and Analysis

### ***Cost of revenue***

Our cost of revenue for the six months ended 30 June 2019 amounted to approximately RMB51.3 million, representing a year-on-year decrease of approximately 43.2% from approximately RMB90.3 million recorded for the same period in 2018. The year-on-year decrease was mainly due to the reduction in commission charges by platforms and third party payment vendors.

### ***Gross profit and gross profit margin***

As a result of the foregoing, our gross profit for the six months ended 30 June 2019 amounted to approximately RMB109.2 million, representing a year-on-year decrease of approximately 43.7% from approximately RMB194.0 million recorded for the same period in 2018.

Our gross profit margin were approximately 68.0% and 68.2%, respectively, for the six months ended 30 June 2019 and the same period in 2018.

### ***Selling and marketing expenses***

Our selling and marketing expenses for the six months ended 30 June 2019 amounted to approximately RMB8.6 million, representing a year-on-year decrease of approximately 59.1% from approximately RMB21.1 million recorded for the same period in 2018. The year-on-year decrease was mainly attributable to the decrease in the expenses incurred for advertising and promotional activities.

### ***Administrative expenses***

Our administrative expenses for the six months ended 30 June 2019 amounted to approximately RMB53.5 million, representing a year-on-year decrease of approximately 25.3% from approximately RMB71.6 million recorded for the same period in 2018. The year-on-year decrease was mainly due to the decrease in employee benefit expenses.

### ***Other gains – net***

For the six months ended 30 June 2019, we recorded other gains (net) of approximately RMB14.6 million, compared to approximately RMB62.9 million recorded for the same period in 2018. The other gains (net) primarily consisted of fair value gains/(losses) on financial assets at fair value through profit or loss relating to the non-quoted investments in equity investment partnerships and certain wealth management products we purchased, government subsidies and dividends from financial assets at fair value through other comprehensive income.

### ***Finance income – net***

Our net finance income for the six months ended 30 June 2019 was approximately RMB11.1 million, compared to approximately RMB9.0 million recorded for the same period of 2018. The year-on-year change was primarily due to the increase in interest income as compared to the same period of 2018.



## Management Discussion and Analysis

### ***Share of results 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 Shanghai Allin Network Technology Co., Limited (上海傲英網絡科技有限公司) and its subsidiaries as at 30 June 2019 (31 December 2018: six), all of which were online game or internet technology companies. We recorded a share of loss of associates of approximately RMB0.2 million for the six months ended 30 June 2019, compared to a share of profit of associates of approximately RMB1.4 million recorded for the same period in 2018.

### ***Income tax expenses***

Our income tax expenses for the six months ended 30 June 2019 was approximately RMB9.5 million, representing a decrease of approximately 54.5% from approximately RMB20.9 million recorded for the six months ended 30 June 2018. The effective tax rate were 13.1% and 12.0%, respectively, for the six months ended 30 June 2019 and the same period in 2018. The increase in effective tax rate for the six months ended 30 June 2019 compared to the same period in 2018 is primarily due to the decrease in domestic revenue that enjoyed a lower tax rate.

### ***Profit attributable to owners of the Company***

As a result of the foregoing, our profit attributable to owners of the Company for the six months ended 30 June 2019 amounted to approximately RMB63.1 million, representing a year-on-year decrease of approximately 59.0%, from the profit attributable to owners of the Company of approximately RMB153.8 million recorded for the same period in 2018.

### ***Non-IFRS Measure – Adjusted net profit***

Our unaudited non-IFRS adjusted net profit for the six months ended 30 June 2019 of approximately RMB63.5 million was derived from our unaudited profit for 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, as compared to our unaudited non-IFRS adjusted net profit for the six months ended 30 June 2018 of approximately RMB155.9 million derived from our unaudited profit for the same period excluding share-based compensation expenses of approximately RMB0.4 million, RMB0.6 million and RMB1.1 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively.

### ***Liquidity and Capital Resources***

For the six months ended 30 June 2019, 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.



## Management Discussion and Analysis

### ***Gearing ratio***

As at 30 June 2019, the Group's gearing ratio (total liabilities divided by total assets) was 17.4% (31 December 2018: 10.4%). The increase in the Group's gearing ratio as at 30 June 2019 compared to the same date in 2018 is primarily due to the one-off Special Dividend (the "**Special Dividend**") approved at the annual general meeting of the Company held on 6 June 2019. The one-off Special Dividend was distributed on 19 July 2019. We had dividend payable approximately RMB175.4 million as at 30 June 2019, which increased total liabilities as at 30 June 2019 compared to the same date in 2018.

### ***Term deposits***

As at 30 June 2019, we had term deposits of approximately RMB218.4 million (31 December 2018: approximately RMB500.9 million), which were mainly denominated in Renminbi ("**RMB**") and 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 six months ended 30 June 2019 was approximately 2.67%.

### ***Cash and cash equivalents***

As at 30 June 2019, we had cash and cash equivalents of approximately RMB818.6 million (31 December 2018: approximately RMB390.3 million), which primarily consisted of cash at banks and in hand and short-term bank deposits, which were mainly denominated in RMB (as to approximately 62.3%), USD (as to approximately 14.4%) and other currencies (as to approximately 23.3%). 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 30 June 2019, a total amount of approximately RMB674.6 million from the net proceeds from our initial public offering had been utilised for the following purposes:

- (a) approximately RMB303.6 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.



## Management Discussion and Analysis

### ***Financial assets at fair value through other comprehensive income***

We accounted for financial assets at fair value 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 30 June 2019, the fair value of our unlisted and listed investments classified as financial assets at fair value through other comprehensive income amounted to approximately RMB52.9 million (31 December 2018: approximately RMB64.5 million). 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 Group Co., Ltd. ("**Zeus Entertainment**"). Zeus Entertainment is mainly engaged in research and development and publication of web-based and mobile games.

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 30 June 2019.

### ***Financial assets at fair value through profit or loss***

As at 30 June 2019, we also recorded financial assets at fair value through profit or loss amounted to approximately RMB1,313.6 million (31 December 2018: approximately RMB1,409.0 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 certain wealth management products included in current assets. As at 30 June 2019, the fair values of the investments in asset management plans were determined by an independent professional valuer engaged by the Company using valuation techniques in combination of discount cash flow model and market comparable approach; the fair values of the investments in equity investment partnerships were determined by an independent professional valuer engaged by the Company using market comparable approach; and the fair values of investments in wealth management products, which have an initial term ranging from immediate to 360 days, were determined based on the estimated rate of return of investments. For the six months ended 30 June 2019, we recorded realised/unrealised fair value gains on financial assets at fair value through profit or loss of approximately RMB4.9 million (for the six months ended 30 June 2018: approximately RMB47.4 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. Each of such investments made during the six months ended 30 June 2019 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.



## Management Discussion and Analysis

On 28 December 2016, the Group, through Shenzhen Dong Fang Bo Ya Technology Co., Ltd. (“**Boyaa Shenzhen**”), established a limited partnership namely Jiaxing Boyaa ChunLei Equity Investments Limited Partnership Enterprise (“**Jiaxing Boyaa**”) with Shanghai Tailai Tianji Asset Management Co., Ltd (“**Tailai Tianji**”). During the six months ended 30 June 2019, the Group’s accumulated contribution of RMB300.0 million represented 99.0% of the total capital contribution of Jiaxing Boyaa. The fair value of the investment in Jiaxing Boyaa as at 30 June 2019 was approximately RMB321.6 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 5.0% of our total assets as at 30 June 2019.

### ***Borrowings***

For the six months ended 30 June 2019, we did not have any short-term or long-term bank borrowings and we had no outstanding, utilised or unutilised banking facilities.

### ***Capital expenditure***

For the six months ended 30 June 2019, our capital expenditure amounted to approximately RMB5.9 million (for the six months ended 30 June 2018: approximately RMB5.5 million). The capital expenditure mainly included purchasing equipment, motor vehicles and leasehold improvements of approximately RMB5.9 million (for the six months ended 30 June 2018: approximately RMB5.5 million), which was funded by using our cash flows generated from our operations.

### ***Contractual obligations***

As at 30 June 2019, 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 RMB14.4 million (31 December 2018: approximately RMB18.0 million).

Save as disclosed above, the Group did not have other significant outstanding commitments as at 30 June 2019.

### ***Contingent liabilities and guarantees***

As at 30 June 2019, the Group did not have any significant unrecorded contingent liabilities and guarantees.





## Management Discussion and Analysis

### ***Significant investments and future plans for major investments***

As of 30 June 2019, the Group invested RMB300.0 million in Jiaxing Boyaa by way of capital contribution. Jiaxing Boyaa mainly carried out equity investments in companies (the “**Investee Companies**”) in industries of (i) information technology focusing on, inter alia, the provision of interactive media platforms and business intelligence systems; (ii) agricultural technology, and (iii) online card and board games, accounting for approximately 58.7%, 32.1% and 9.2% of the total investment portfolio of Jiaxing Boyaa, respectively. Given that the Investee Companies are at the early development stage, there have not yet been any profit generated therefrom. As of 30 June 2019, the Company did not receive any dividend from the Investee Companies.

For the six months ended 30 June 2019, the fair value of Jiaxing Boyaa was estimated to be approximately RMB321.6 million. The fair value of Jiaxing Boyaa is determined by the market comparison method, using the average price to book ratio of the comparable companies identified in accordance with the industries of the Investee Companies, and then multiplied by the book value of Jiaxing Boyaa at the end of the reporting period and adjusted by the discount factor for lack of marketability, taking into account of the Investee Companies are not listed companies.

Based on the information and report provided by the managing partner of Jiaxing Boyaa, while there may exist uncertainties brought about by the market volatility and policy risk factor in the online card and board game industry, there would be anticipated growth in the information technology industry and agricultural technology industry due to the growing opportunities in relation to interactive media platforms, business intelligence systems and ecological farming technology. The Company is of the view that, as a whole, the investment portfolio of Jiaxing Boyaa would have stable performance given the diversified industries of the Investee Companies. The Company will keep track on the performance of each of the Investee Companies and make relevant and necessary investment decisions as appropriate.

In the coming future, the Group will continue to identify new opportunities for business development. Save as disclosed herein, as at the date of this Report, 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. Nonetheless, if any potential investment opportunity arises in the coming 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 30 June 2019, none of the Group’s assets was pledged or charged.



## Management Discussion and Analysis

### ***Employees and staff costs***

As at 30 June 2019, we had a total of 311 full time employees, who are mainly based in mainland China. In particular, 265 employees are responsible for our game development and operation functions, 7 employees for game support and 39 employees for administration and senior management functions.

We organize 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 bonding. 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 six months ended 30 June 2019, the total staff costs of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to approximately RMB38.5 million, representing approximately 34.0% 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 7,605,170 share options and 6,618,245 shares underlying the RSUs outstanding and/or granted to a total of 249 directors, senior management members and employees of the Group as at 30 June 2019. There were also 52,659,372 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 Other Information section in our 2019 interim report to be issued in due course.



## Other Information

### CONTRACTUAL ARRANGEMENTS

#### *Reasons for Contractual Arrangements*

Reference is made to the section headed “History, Reorganization and Corporate Structure – Contractual Arrangements” in the prospectus of the Company dated 31 October 2013 (the “**Prospectus**”) and the section headed “Connected Transactions – Contractual Arrangements” in the Directors’ Report of the Company’s 2018 Annual Report.

The Group is primarily engaged in the development and operation of online card and board games business and is considered to be engaged in the provision of value-added telecommunications services as a result of the operations of the websites of the Group. The Group conducts online games business through a PRC operating entity, Boyaa Shenzhen. According to the Administrative Rules for Foreign Investments in Telecommunications Enterprises (外商投資電信企業管理規定) issued by the State Council on 11 December 2001 and amended on 10 September 2008 and on 6 February 2016, foreign investors are prohibited to hold more than 50% of the equity interest in an entity conducting online games business and are restricted to conduct value-added telecommunications services, including internet content provision services. Internet content provision services are classified as value-added telecommunications businesses, and a commercial operator of such services must obtain an Internet Content Provider (the “**ICP**”) license from the appropriate telecommunications authorities in order to carry on any commercial internet content provision operations in China. Boyaa Shenzhen has obtained the requisite ICP license for the operations of the Group. Therefore, in order for the Group to be able to carry on its online games business in China in compliance with the applicable PRC laws and regulations, the Group entered into the Contractual Arrangements (the “**Contractual Arrangements**”) with Boyaa Shenzhen through an indirect wholly-owned subsidiary, Boyaa On-line Game Development (Shenzhen) Co., Ltd. (“**Boyaa PRC**”), pursuant to which the Group will be able to assert management control over the operations of, and enjoy all economic benefits of, Boyaa Shenzhen. In addition, the Group will be able to consolidate Boyaa Shenzhen’s financial results in the results of the Company under IFRS as if it was a wholly-owned subsidiary of the Company. There are no new Contractual Arrangements entered into, renewed or reproduced between the Group and Boyaa Shenzhen during the six months ended 30 June 2019. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the six months ended 30 June 2019. During the six months ended 30 June 2019, none of the agreements underlying the Contractual Arrangements has been unwound as none of the restrictions that led to the adoption of the Contractual Arrangements has been removed.



## Other Information

In addition, foreign investor wishing to acquire any equity interest in a value-added telecommunications business in the PRC must demonstrate (i) a good track record and (ii) experience in providing value-added telecommunications services overseas (the “**Qualification Requirement**”). As advised by the Company’s PRC legal advisers, as of 30 June 2019, there were no applicable PRC laws, regulations or rules that provide clear guidance or interpretation on the Qualification Requirement, and there was no update to the Qualification Requirement. Therefore, in order for the Company to be able to carry on its business in China, the Group has taken steps to build up its track record of overseas telecommunications business operations in an attempt to comply with the Qualification Requirement, so as to be qualified to acquire the entire equity interest of Boyaa Shenzhen when the restrictions on the percentage of foreign ownership in telecommunications services and on foreign ownership in online culture products and business are lifted. Moreover, the Group has completed equity investments in Shenzhen Coalaa Network Technology Co., Ltd. (深圳市卡拉網絡科技有限公司), Shenzhen Fengxunsheng Technology Co., Ltd. (深圳市豐訊盛科技有限公司), Shenzhen Guanhai Technology Co., Ltd. (深圳市觀海科技有限公司) and Function Technology Co., Ltd. (collectively referred to as “**Coalaa**”), through a series of agreements and at a total consideration of RMB5 million. Coalaa is an online card and board game developer and operator, with Texas Poker (Professional Version), which is offered as both a web-based game and a mobile game and in 10 language versions, including Arabian, Indonesian and Thai, as its important games. The Group envisages that through such acquisition, the Group can further complement its game portfolio and it will be able to further expand its market share in overseas market, and in particular, the Thai market.

Boyaa Shenzhen is significant to the Group as it holds certain licenses and permits that are essential to the operation of the business of the Group, including ICP License and Internet Culture Business License. In addition, Boyaa Shenzhen also holds certain intellectual property rights, including software copyrights, trademarks, patents and domain names. The revenue and the total asset value of Boyaa Shenzhen subject to the Contractual Arrangements amounted to approximately RMB35.3 million for the six months ended 30 June 2019 and approximately RMB1,080.1 million as at 30 June 2019, respectively.



## Other Information

### *Risks associated with the Contractual Arrangements and the actions taken by the Company to mitigate the risks*

#### **Risks associated with the Contractual Arrangements**

- i. If the PRC government finds that the agreements that establish the structure for operating the Group's online game businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, the Group could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of the Group's interest in its variable interest entity ("VIE"), i.e. Boyaa Shenzhen.

#### **Mitigation actions taken by the Company**

Pursuant to each of the agreements underlying the Contractual Arrangements, at any time after the date of such agreements, in the event of any promulgation or change of any law, regulation or rule of China or any interpretation or applicable change on such laws, regulations or rules leading to any provision in any of the agreements underlying the Contractual Arrangements is held to be or becomes illegal, invalid or unenforceable in any respect under the law of the applicable jurisdiction:

- (a) so far as it is illegal, invalid and unenforceable, it shall be given no effect and shall be deemed not to be included in the relevant agreement and shall not affect or impair the legality, validity or enforceability in that jurisdiction of the other provisions of the agreement, or of that or any provisions of the relevant agreement in any other jurisdictions; and
- (b) the parties shall use all reasonable endeavors to replace it with a valid and enforceable substitute provision or provisions but differing from the replaced provision as little as possible and the effect of which is as close to the intended effect of the illegal, invalid or unenforceable provision.

In addition, pursuant to the agreements underlying the Contractual Arrangements, the parties agreed and will ensure that they will unwind the Contractual Arrangements as soon as the law allows the business to be operated without them.





## Other Information

### Risks associated with the Contractual Arrangements

- ii. The Group relies on the Contractual Arrangements to control and obtain the economic benefits from Boyaa Shenzhen which may not be as effective in providing operational control as direct ownership.

- iii. The shareholders of Boyaa Shenzhen may have conflicts of interest with the Group, which may materially and adversely affect the Group's business.

### Mitigation actions taken by the Company

Each of Mr. Zhang Wei and Mr. Dai Zhikang (the Chairman of the Board and executive director), being the registered shareholders of Boyaa Shenzhen, has executed a power of attorney pursuant to the terms of the Business Operating Agreement. Pursuant to the power of attorney, each of the shareholders of Boyaa Shenzhen agrees to authorise any individual(s) appointed by Boyaa PRC to exercise all of their rights and powers as shareholders of Boyaa Shenzhen. These include the rights to (i) attend shareholders' meetings; (ii) exercise voting rights in shareholders' meetings to appoint directors, supervisors and senior management; (iii) decide on any acquisition or disposal of the equity interest of Mr. Zhang Wei and Mr. Dai Zhikang in Boyaa Shenzhen or the winding-up or dissolution of Boyaa Shenzhen; (iv) file documents with relevant governmental authorities or regulatory bodies; (v) to instruct directors and senior management of Boyaa Shenzhen to act in accordance with all instructions of Boyaa PRC or its designated person; and (vi) exercise such other shareholders' rights as stipulated under applicable PRC laws, rules and regulations and the articles of Boyaa Shenzhen.

Pursuant to the Exclusive Option Agreement, the Company has the option to (i) purchase or to designate a third party to purchase the equity interests of the existing shareholders of Boyaa Shenzhen when and to the extent permitted by law; and (ii) acquire, to the extent permitted by PRC laws and regulations, all or part of the assets of Boyaa Shenzhen at the net book value of such assets or such minimum purchase price permitted under PRC laws and regulations. Each of Boyaa Shenzhen's shareholders has executed a power of attorney to authorise any individual(s) appointed by Boyaa PRC to exercise all of their rights and powers as shareholders of Boyaa Shenzhen.



## Other Information

### Risks associated with the Contractual Arrangements

- iv. The Group may lose the ability to use and enjoy assets held by the VIE that are important to the operation of its business if the VIE declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

### Mitigation actions taken by the Company

In addition, to ensure that Mr. Zhang Wei, Mr. Dai Zhikang and Boyaa Shenzhen will comply with the Contractual Arrangements, the Company has further introduced the following measures:

- i. the three independent non-executive directors will review the effective implementation of the procedures and controls and compliance of the Contractual Arrangements;
- ii. each of Mr. Zhang Wei and Mr. Dai Zhikang shall abstain from voting on any resolutions of Boyaa Shenzhen in which he may have conflicts of interest, and all resolutions shall be passed unanimously or by the affirmative vote of a simple majority of the board of Boyaa Shenzhen (as the case may be), and if any resolution could not be passed by the board of Boyaa Shenzhen unanimously or by a simple majority of votes (as the case may be), such resolution would be considered as disapproved; and
- iii. the Group has implemented corporate governance measures to manage any conflicts of interest between the Group and the directors.

Pursuant to the Business Operating Agreement, in the event that Boyaa PRC or its designee decided to voluntary wind-up or dissolve Boyaa Shenzhen, each of Mr. Zhang Wei and Mr. Dai Zhikang undertakes that he will ensure and procure the execution of all related documents and completion of all relevant procedures required for completing the liquidation and winding-up process and that Boyaa PRC shall be transferred, at nil consideration, all remaining assets of Boyaa Shenzhen upon liquidation.

In addition, under the Business Operating Agreement and the Equity Pledge Agreement, Mr. Zhang Wei and Mr. Dai Zhikang warrant to Boyaa PRC that appropriate arrangements have been made to protect Boyaa PRC's interests in the event of his death, bankruptcy or divorce to avoid any practical difficulties in enforcing the agreements underlying the Contractual Arrangements.



## Other Information

### Risks associated with the Contractual Arrangements

- v. The Contractual Arrangements between Boyaa PRC and Boyaa Shenzhen may subject the Group to increase income tax due to the different income tax rates applicable to Boyaa PRC and Boyaa Shenzhen, which may adversely affect the Group's results of operations.

### Mitigation actions taken by the Company

Boyaa Shenzhen has successfully renewed its "High and New Technology Enterprise" ("HNTe") qualification under the PRC Corporate Income Tax Law in 2018 and as a result, Boyaa Shenzhen enjoys a preferential tax rate of 15% from 1 January 2018 to 31 December 2021. Therefore, the actual income tax rate for Boyaa Shenzhen was 15% (2018: 15%) for the six month ended 30 June 2019. See Note 22 to the consolidated financial statements of this interim report.

Boyaa PRC has successfully renewed its HNTe qualification under the PRC Corporate Income Tax Law in 2016 and as a result, Boyaa PRC enjoyed a preferential tax rate of 15% from 1 January 2016 to 31 December 2019. Therefore, the actual income tax rate for Boyaa PRC was 15% for the six month ended 30 June 2019 (2018: 15%). Also see Note 22 to the consolidated financial statements of this interim report.

As a result, as both Boyaa Shenzhen and Boyaa PRC enjoy the reduced income tax rate of 15%, the transfer of the before-tax profits by Boyaa Shenzhen to Boyaa PRC during the Reporting Period or any future period will not result in increased income tax expenses for the Group on a consolidated basis and hence will not materially and adversely affect the Group's results of operations, particularly, its net profit and net profit margin.

- vi. The Contractual Arrangements between Boyaa PRC and Boyaa Shenzhen may be subject to scrutiny by the PRC tax authorities and any finding that the Group or Boyaa Shenzhen owe additional taxes could substantially reduce the Group's consolidated net income and the value of the investment of investors.

The Group will work closely with its tax advisors to ensure that all tax filings are made promptly and any questions raised by PRC tax authorities are addressed in a timely and satisfactory manner.



## Other Information

### Risks associated with the Contractual Arrangements

- vii. Based on the consultation draft of the new PRC Foreign Investment Law published by the Ministry of Commerce in January 2015 and assuming that the draft of the new PRC Foreign Investment Law is enacted as proposed, substantial uncertainties exist in connection with the legality and validity of the Contractual Arrangements to hold interests in PRC businesses that are subject to foreign ownership restrictions and the Company may have to incur compliance costs in the future.

### Mitigation actions taken by the Company

Under the Foreign Investment Law (《外商投資法》) (the "**FIL**"), foreign investment enterprises established under the Law of the People's Republic of China on Chinese-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the Law of the People's Republic of China on Foreign Investment Enterprises (《中華人民共和國外資企業法》), and the Cooperative Joint Venture Law of the PRC (《中華人民共和國中外合作經營企業法》) before the implementation of the FIL may retain their original organisational forms for five years after the implementation of the FIL. The Company's PRC legal advisor advised that there is no provision in the FIL that expressly mentions "Contractual Arrangement". Therefore, the Company believes that the FIL will not have any impact on the Company and the Contractual Arrangements. In any event, the Company will closely monitor any update of the FIL and consult its PRC legal advisor to resolve specific problems or issues that may arise from the Contractual Arrangements, so as to ensure that the Company always complies with all relevant laws and regulations in the PRC.

For details of the risks associated with the Contractual Arrangements, please refer to the section headed "Risk Factors – Risks relating to our corporate structure" in the Prospectus.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2019, the interests and short positions of the directors or the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") were as follows:

### (a) *Interests of Directors and Chief Executive of the Company*

Name of Director/ Chief Executive	Name of company	Capacity/Nature of interest	Number of underlying shares <sup>(1)</sup>	Approximate percentage of shareholding <sup>(5)</sup>
Mr. Dai Zhikang <sup>(2)</sup>	The Company	Founder of a discretionary trust	36,500,000 (L)	5.05%
Mr. Tao Ying <sup>(3)</sup>	The Company	Beneficial owner	135,000 (L)	0.02%



## Other Information

Notes:

- (1) The letter "L" denotes the person's long position in such shares.
- (2) Visioncode Holdings Limited, a company wholly-owned by a trust named the Visioncode Trust (the "**Dai Family Trust**"), directly holds the entire issued share capital of Comsenz Holdings Limited. The Dai Family Trust is a discretionary trust established by Mr. Dai Zhikang (as the settlor) and the discretionary beneficiaries of which include Mr. Dai Zhikang and his children. Accordingly, Mr. Dai Zhikang is deemed to be interested in the 36,500,000 shares held by Comsenz Holdings Limited.
- (3) Ms. Tao Ying is interested in 50,000 underlying Shares in respect of the RSUs granted by Company under the RSU Scheme and 85,000 underlying Shares in respect of the options granted by the Company under the Post-IPO Share Option Scheme.
- (4) Mr. You Caizhen, an ex-independent non-executive director of the Company who retired on 14 July 2019, is interested in 100,000 shares on 30 June 2019.
- (5) As at 30 June 2019, the Company had 722,520,301 issued shares.

### **(b) Interests in associated corporations of the Company**

Name of subsidiary	Name of shareholder	Registered capital	Approximate percentage of interest
Boyaa Shenzhen	Mr. Dai Zhikang	RMB200,000	2.00%

Save as disclosed above, as at 30 June 2019, none of the directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.





## Other Information

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2019, the following persons (other than the directors or the chief executive of the Company) have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Name of company	Nature of interest	Number of Shares or securities held <sup>(1)</sup>	Approximate percentage of interest <sup>(5)</sup>
Mr. Zhang Wei <sup>(2)</sup>	The Company	Founder of a discretionary trust	246,237,474 (L)	34.08%
Cantrust (Far East) Limited <sup>(3)</sup>	The Company	Trustee of a trust	282,737,474 (L)	39.13%
Rustem Limited <sup>(3)</sup>	The Company	Nominee for another person	282,737,474 (L)	39.13%
Chunlei Investment <sup>(3)</sup>	The Company	Interest in a controlled corporation	246,237,474 (L)	34.08%
Boyaa Global Limited <sup>(3)</sup>	The Company	Beneficial owner	176,572,474 (L)	24.44%
Emily Technology Limited <sup>(3)</sup>	The Company	Beneficial owner	69,665,000 (L)	9.64%
Visioncode Holdings Limited <sup>(4)</sup>	The Company	Interest in a controlled corporation	36,500,000 (L)	5.05%
The Core Trust Company Limited <sup>(5)(7)</sup>	The Company	Trustee of a trust	61,724,138 (L)	8.54%
The Core Admin Boyaa RSU Limited <sup>(5)(7)</sup>	The Company	Nominee for another person	59,277,617 (L)	8.20%
TCT (BVI) Limited <sup>(5)(7)</sup>	The Company	Other	61,724,138 (L)	8.54%

Notes:

- (1) The letter "L" denotes the person's long position in such shares.
- (2) Chunlei Investment Limited ("**Chunlei Investment**"), a company wholly-owned by a trust named the Chunlei Trust (the "**Zhang Family Trust**"), directly holds the entire issued share capital of each of Boyaa Global Limited and Emily Technology Limited. The Zhang Family Trust is a discretionary trust established by Mr. Zhang Wei (as the settlor) and the discretionary beneficiaries of which include Mr. Zhang Wei and his children. Accordingly, Mr. Zhang Wei is deemed to be interested in the 176,572,474 shares and 69,665,000 shares held by each of Boyaa Global Limited and Emily Technology Limited, respectively.
- (3) Cantrust (Far East) Limited, the trustee of the Zhang Family Trust, holds the entire issued share capital of Chunlei Investment through Rustem Limited (as nominee for Cantrust (Far East) Limited). Chunlei Investment in turn holds the entire issued share capital of each of Boyaa Global Limited and Emily Technology Limited. The Zhang Family Trust is a discretionary trust established by Mr. Zhang Wei (as the settlor) and the discretionary beneficiaries of which include Mr. Zhang Wei and his children. Accordingly, each of Mr. Zhang Wei, Cantrust (Far East) Limited and Chunlei Investment are deemed to be interested in the shares held by each of Boyaa Global Limited and Emily Technology Limited, respectively.
- (4) Visioncode Holdings Limited, a company wholly-owned by the Dai Family Trust, directly holds the entire issued share capital of Comsenz Holdings Limited. Accordingly, Visioncode Holdings Limited is deemed to be interested in the 36,500,000 shares held by Comsenz Holdings Limited.
- (5) The Core Trust Company Limited, being the RSU Trustee, indirectly holds the entire issued share capital of The Core Admin Boyaa RSU Limited as the RSU nominee, which holds 59,277,617 shares underlying the RSUs (as defined below) granted and to be granted under the RSU Scheme (as defined below) for the benefit of eligible participants pursuant to the RSU Scheme (as defined below) through its wholly-owned subsidiary TCT (BVI) Limited.
- (6) As at 30 June 2019, the Company had 722,520,301 issued shares.
- (7) Pursuant to Section 336 of the SFO, the shareholders are required to file a disclosure of interests form when certain criteria are fulfilled. When a shareholding in the Company changes, it is not necessary for the shareholder to notify the Company and the Stock Exchange unless several criteria have been fulfilled, therefore a shareholder's latest shareholding in the Company may be different from the shareholding filed with the Stock Exchange.

Save as disclosed above, as at 30 June 2019, no persons (other than the directors or the chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.



## Other Information

### SHARE OPTION SCHEMES AND RESTRICTED SHARE UNIT SCHEME

#### *Post-IPO Share Option Scheme*

On 23 October 2013, the Post-IPO Share Option Scheme of the Company was approved and adopted by the shareholders of the Company. The purpose of the Post-IPO Share Option Scheme is to incentivize and reward the employees (whether full time or part-time) or directors of members of the Group or associated companies of the Company (the “**Eligible Persons**”) for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company. Pursuant to the Post-IPO Share Option Scheme, the board of directors of the Company (the “**Board**”) (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Post-IPO Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of shares of the Company as the Board may determine to an Eligible Person.

The Post-IPO Share Option Scheme shall be valid and effective for a period of ten years from 12 November 2013, being the date on which the trading of shares of the Company on the Stock Exchange commenced (the “**Listing Date**”). Accordingly, as at 30 June 2019, the remaining life of the Post-IPO Share Option Scheme is approximately four years and four months.

Further details of the principal terms of the Post-IPO Share Option Scheme are set out in the Prospectus and the Company’s 2018 Annual Report. During the six months ended 30 June 2019, no option has been granted or agreed to be granted nor has any option been cancelled under the Post-IPO Share Option Scheme. Details of the movements in options during the six months ended 30 June 2019 under the Post-IPO Share Option Scheme are set out in the section headed “Details of the options granted and outstanding under the Post-IPO Share Option Scheme and the Pre-IPO Share Option Scheme and the RSUs granted and outstanding under the RSU Scheme” below.

#### *Pre-IPO Share Option Scheme*

On 7 January 2011, the Pre-IPO Share Option Scheme of the Company was approved and adopted by the Board, which was subsequently amended on 17 September 2013. The purpose of the Pre-IPO Share Option Scheme is to enable our Company to grant pre-IPO options to employees, officers and directors of or consultant to any member of the Group (the “**Eligible Participants**”) as recognition and acknowledgement of the contributions that such Eligible Participants have made or may make to the Group or any affiliates.

No further options can be granted under the Pre-IPO Share Option Scheme after the Listing Date. However, all options granted under the Pre-IPO Share Option Scheme are exercisable over an eight-year period from the date of vesting. Therefore, given that the last batch of options under the Pre-IPO Share Option Scheme were granted on 1 November 2012 and the options so granted shall vest over a period of four years after the date of grant, as at 30 June 2019, such remaining life is five years and four months.

Further details of the principal terms of the Pre-IPO Option Scheme are set out in the Prospectus and the Company’s 2018 Annual Report. During the six months ended 30 June 2019, no option has been cancelled. Details of the movements in options during the six months ended 30 June 2019 under the Pre-IPO Share Option Scheme are set out in the section headed “Details of the options granted and outstanding under the Post-IPO Share Option Scheme and the Pre-IPO Share Option Scheme and the RSUs granted and outstanding under the RSU Scheme” below.



## Other Information

### *Restricted Share Unit Scheme (the “RSU Scheme”)*

On 17 September 2013, the RSU Scheme of the Company was approved and adopted by the Board. The purpose of the RSU Scheme is to incentivize 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.

Persons eligible to receive the RSUs under the RSU Scheme are existing employees, directors (whether executive or non-executive, but excluding independent non-executive directors) or officers of the Company or any of its subsidiaries (the “**RSU Eligible Persons**”). The Board selects the RSU Eligible Persons to receive RSUs under the RSU Scheme at its discretion. There is no maximum entitlement for each RSU Eligible Person under the rules of the RSU Scheme although no RSU Eligible Person has been granted RSUs exceeding 1.5% of the issued share capital of the Company.

The RSU Scheme will be valid and effective for a period of eight years, commencing from the date of the first grant of the RSUs, being 4 March 2013 (unless it is terminated earlier in accordance with its terms) (the “**RSU Scheme Period**”). As at 30 June 2019, the remaining life of the RSU Scheme is approximately one year and eight months.

The maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) shall be such number of shares held or to be held by the RSU Trustee (as defined below) for the purpose of the RSU Scheme from time to time.

The Board may not grant any RSUs to any RSU Eligible Person in any of the following circumstances:

- (i) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of the RSUs or in respect of the RSU Scheme, unless the Board determines otherwise;
- (ii) where granting the RSUs would result in a breach by the Company, its subsidiaries or any of their directors of any applicable securities laws, rules or regulations; or
- (iii) where such grant of RSUs would result in breach of the limit set out in the rules of the RSU Scheme. Under such rules, the maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules) shall be such number of shares held by the trustee for the purpose of the RSU Scheme from time to time.

The Board can determine the vesting criteria, conditions and the time schedule when the RSUs will vest and such criteria, conditions and time schedule shall be stated in the letter granting such RSUs. Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, the Board will send a vesting notice (the “**Vesting Notice**”) to each of the relevant participant in the RSU Scheme (the “**RSU Participants**”). The Vesting Notice will confirm the extent to which the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, and the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) involved. The RSUs that have been granted are subject to vesting as described in the section headed “Details of the options granted and outstanding under the Post-IPO Share Option Scheme and the Pre-IPO Share Option Scheme and the RSUs granted and outstanding under the RSU Scheme as at 31 December 2018 – (c) Consideration paid for the grant of RSUs and the vesting period of the RSUs granted under the RSU Scheme” below and once the RSUs vest and the corresponding shares transferred to the RSU Participants, the RSU Participants are not restricted from dealing in the shares under the rules of the RSU Scheme.



## Other Information

The Company has appointed The Core Trust Company Limited as the trustee (the “**RSU Trustee**”) to assist with the administration and vesting of RSUs granted pursuant to the RSU Scheme. The Company may (i) allot and issue Shares to the RSU Trustee to be held by the RSU Trustee and which will be used to satisfy the RSUs upon exercise and/or (ii) direct and procure the RSU Trustee to receive existing Shares from any Shareholder or purchase existing Shares (either on-market or off-market) to satisfy the RSUs upon exercise. The shares underlying the RSU Scheme are held by a nominee company, The Core Admin Boyaa RSU Limited (the “**RSU Nominee**”). Dividends that are attributable to the underlying shares of the RSU Scheme will be paid to the RSU Nominee as the registered shareholder of such shares. The dividends attributable to the underlying shares of RSUs already granted will be held by the RSU Nominee for the benefit of the RSU Participants which will be distributed to them in accordance with the corresponding number of underlying shares that each RSU Participant is entitled based on RSUs already granted to such RSU Participant at the time of distribution of the dividends. The remaining dividends represent dividends attributable to shares in the reserve pool of underlying shares where RSUs have not yet been granted (the “**RSU Pool**”). The dividends in respect of shares in the RSU Pool will first be used to settle any outstanding fees and expenses of the RSU Scheme payable by the Company to the trustee of the RSU Scheme and the remaining portion of such dividends will be transferred to the shareholders immediately prior to the adoption of the RSU Scheme, namely Boyaa Global Limited, Emily Technology Limited, Comsenz Holdings Limited and Sequoia Capital and its affiliates, in the proportion of their then respective shareholding interests in the Company. Similarly, any bonus shares distributed will be treated in the same manner as dividends save that the bonus shares will not be used to pay any outstanding fees and expenses of the RSU Scheme.

The Company has put in place the following mechanism for the exercise of the voting rights attached to the shares held by the RSU Nominee at the Company’s general meetings:

- (i) In respect of each general meeting of the Company, the Company will send a voting instruction form to each of the RSU Participants to solicit votes from such RSU Participants. The voting instruction form will be very similar to the proxy form for the relevant general meeting and will set out a general description of the resolutions proposed at the general meeting and will allow the RSU Participants to select whether to vote for or against each of the resolutions. A copy of the relevant corporate communication concerning matters to be proposed at such general meeting (such as shareholders’ circular and annual report) will also be made available to each of the RSU Participants so that the RSU Participants will have all relevant information for considering the relevant resolutions as if they were shareholders of the Company. Each RSU Participant shall be entitled to one vote for each of the shares underlying the RSUs granted to him or her, whether vested or unvested. The RSU Participants will be required to return the signed and completed voting instruction form with the administrator of the RSU Scheme (the “**Administrator**”) (currently being Ms. Tao Ying) by the deadline stated in the voting instruction form, which deadline shall be no less than 7 days before the time for holding the relevant general meeting and the RSU Participants will be given at least 7 days to consider how they would like to cast their votes. In so far as the duly signed and completed voting instructions from the RSU Participants have been received by the Administrator prior to the proposed deadline, the Administrator will calculate the total of votes for and against each proposed resolution and will instruct the RSU Nominee accordingly, and the RSU Nominee shall vote only in accordance with the instructions of the Administrator which reflect the instructions of the RSU Participants.
- (ii) For those RSU Participants who fail to return a duly signed and completed voting instructions form to the Administrator prior to the proposed deadline as set out in the voting instruction form, the Administrator will not give any instruction to the RSU Nominee so that no votes will be cast for such shares underlying the RSUs granted and the RSU Nominee shall abstain from voting with respect to such shares underlying the RSUs granted.



## Other Information

- (iii) For the shares in the RSU Pool in respect of which no RSUs have been granted, the Administrator will not give any instruction to the RSU Nominee so that no votes will be cast for those shares and the RSU Nominee shall also abstain from voting with respect to such shares.

Further details of the principal terms of the RSU Scheme are set out in the Prospectus and the Company's 2018 Annual Report. During the six months ended 30 June 2019, no RSU has been granted or agreed to be granted under the RSU Scheme, nor has any RSU been cancelled. Details of the movements in the RSUs under the RSU Scheme are set out in the section headed "Details of the options granted and outstanding under the Post-IPO Share Option Scheme and the Pre-IPO Share Option Scheme and the RSUs granted and outstanding under the RSU Scheme" below.

### **Details of the options granted and outstanding under the Post-IPO Share Option Scheme and the Pre-IPO Share Option Scheme and the RSUs granted and outstanding under the RSU Scheme as at 30 June 2019**

			Number of shares represented by options or RSUs at 1 January 2019	Date of grant	Granted during the period	Exercise price	Exercised during the period	Weighted average closing price of shares immediately before the dates on which the options were exercised	Lapsed during the period	Number of shares represented by options or RSUs at 30 June 2019
Name of option holder/ Grantees of RSU	Position held with the Group	Nature								
<i>Director of the Company</i>										
Ms. Tao Ying	Executive Director	Options RSUs	85,000	7 September 2015	–	–	–	–	–	85,000
			50,000	12 March 2015	–	–	–	–	–	50,000
Sub-total			135,000		–		–		–	135,000
248 employees and previous employees of the Group	Options		11,888	1 February 2011	–	USD0.05	–	–	11,888	0
			2,749	2 March 2012	–	USD0.10	–	–	–	2,749
			66,249	1 July 2012	–	USD0.15	–	–	–	66,249
	RSUs		8,157,429	7 September 2015	–	HKD3.108	–	–	706,257	7,451,172
			1,152,428	1 February 2011	–	–	217,814	–	–	934,614
			30,586	2 March 2012	–	–	8,384	–	–	22,202
			86,408	1 July 2012	–	–	–	–	–	86,408
			6,171,548	4 March 2013	–	–	884,382	–	7,319	5,279,847
			290,643	12 March 2015	–	–	44,420	–	1,049	245,174
		Sub-total		15,969,928		–		1,155,000		726,513
Total	Options		11,888	1 February 2011	–	USD0.05	–	–	11,888	0
			2,749	2 March 2012	–	USD0.10	–	–	–	2,749
			66,249	1 July 2012	–	USD0.15	–	–	–	66,249
	RSUs		8,242,429	7 September 2015	–	HKD3.108	–	–	706,257	7,536,172
			1,152,428	1 February 2011	–	–	217,814	–	–	934,614
			30,586	2 March 2012	–	–	8,384	–	–	22,202
			86,408	1 July 2012	–	–	–	–	–	86,408
			6,171,548	4 March 2013	–	–	884,382	–	7,319	5,279,847
			340,643	12 March 2015	–	–	44,420	–	1,049	295,174
		Total		16,104,928		–		1,155,000		726,513





## Other Information

**(a) *Consideration paid for the grant of options, the vesting period and the exercise period of the options granted under the Post-IPO Share Option Scheme***

Each holder of the options granted under the Post-IPO Share Option Scheme as referred to in the table above is required to pay an amount of HKD1.00 for the grant of each of the option under the Post-IPO Share Option Scheme.

Subject to the satisfactory performance of the option holders, the options granted to each of the option holders shall be vested in accordance with the vesting schedule as follows:

- (i) as to 25% of the options granted on the date ending 12 months after the date of grant;
- (ii) as to 25% of the options granted on the date ending 24 months after the date of grant; and
- (iii) as to the remaining 50% of the options granted, on a monthly basis starting from the 25th month after the date of grant in 24 monthly equal lots.

Each option granted under the Post-IPO Share Option Scheme has a ten-year exercise period commencing from the date of grant.

**(b) *Consideration paid for the grant of options, the vesting period and the exercise period of the options granted under the Pre-IPO Share Option Scheme***

The holders of the options granted under the Pre-IPO Share Option Scheme as referred to in the table above are not required to pay for the grant of any option under the Pre-IPO Share Option Scheme.

Subject to the satisfactory performance of the option holders, the options granted to each of the option holders shall be vested in accordance with vesting schedule as follows:

- (i) as to 25% of the aggregate number of shares underlying the option on the date ending 12 months after the date of grant of such option;
- (ii) as to 12.5% of the aggregate number of shares underlying the option on the date ending 18 months after the date of grant of such option;
- (iii) as to 12.5% of the aggregate number of shares underlying the option on the date ending 24 months after the date of grant of such option; and
- (iv) as to the remaining 50% of the aggregate number of shares underlying the option, on a monthly basis starting from the 25th month after the date of grant of such option in 24 monthly equal lots.

Each option granted under the Pre-IPO Share Option Scheme has an eight-year exercise period.



## Other Information

**(c) Consideration paid for the grant of RSUs and the vesting period of the RSUs granted under the RSU Scheme**

The grantees of the RSUs granted under the RSU Scheme as referred to in the table above are not required to pay for the grant of any RSU under the RSU Scheme.

RSUs that were granted before 4 March 2013 were granted to replace certain options granted under the Pre-IPO Share Option Scheme and have the same vesting period as the options granted under the Pre-IPO Share Option Scheme. See the preceding sub-paragraph “(b) Consideration paid for the grant of options, the vesting period and the exercise period of the options granted under the Pre-IPO Share Option Scheme” above.

For the RSUs granted on 4 March 2013, they shall (unless the Company shall otherwise determine and so notify such grantees in writing) vest as follows:

- (i) 25% of the RSUs on the date ending 12 months after 30 September 2013;
- (ii) 12.5% of the RSUs on the date ending 18 months after 30 September 2013;
- (iii) 12.5% of the RSUs ending 24 months after 30 September 2013; and
- (iv) as to the remaining 50% of the RSUs, on a monthly basis starting from the 25th month after 30 September 2013 in 24 monthly equal lots.

For the RSUs granted on 12 March 2015, they shall vest as follows:

- (i) as to 25% of the RSUs on the date ending 12 months after the date of grant of the RSUs;
- (ii) as to 25% of the RSUs on the date ending 24 months after the date of grant of the RSUs;
- (iii) as to 12.5% of the RSUs on the date ending 30 months after the date of grant of the RSUs;
- (iv) as to 12.5% of the RSUs on the date ending 36 months after the date of grant of the RSUs; and
- (v) as to the remaining 25% of the RSUs, on a monthly basis starting from the 37th month after the date of grant in 12 monthly equal lots,

and shall be subject to the Company and the relevant grantee meeting or satisfying the annual and half-yearly performance target or review immediately preceding such vesting.



## Other Information

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2019, the Company repurchased 1,127,000 shares of the Company on the Stock Exchange at an aggregate consideration of HKD1,896,880.00 pursuant to the share repurchase mandate approved by the shareholders of the Company at the annual general meeting held on 6 June 2018 and 6 June 2019. Details of the repurchases are summarised as follows:

Date of repurchase	Price per share		Number of Ordinary Shares of USD0.00005 Each	Total consideration HKD
	Highest	Lowest		
	HKD	HKD		
8 April 2019	1.92	1.90	651,000	1,247,050.00
9 April 2019	1.92	1.92	1,000	1,920.00
19 June 2019	1.37	1.33	445,000	605,910.00
20 June 2019	1.40	1.40	30,000	42,000.00
<b>Total</b>			1,127,000	1,896,880.00



## Other Information

All the repurchased shares of the Company have been cancelled on 16 May 2019 and 27 August 2019 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 six months ended 30 June 2019.

### INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2019.

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For the six months ended 30 June 2019, 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.

The balance of power and authority is ensured by the operation of the senior management and the Board, which comprised experienced and high calibre individuals. The Board currently comprises two executive directors (being Mr. Dai Zhikang, who has also been appointed as the chairman of the Company and Ms. Tao Ying, who has also been appointed as the acting chief executive officer), and three independent non-executive directors (being Mr. Cheung Ngai Lam, Mr. Choi Hon Keung Simon and Mr. Sun Zihua). The Board considers it has a strong independence element and consist of individuals with diverse skills and requisite experience 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 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 throughout the six months ended 30 June 2019.

### CHANGE IN BOARD COMPOSITION AND CHANGE IN DIRECTORS’ BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE LISTING RULES

Mr. You Caizhen retired as an independent non-executive director, as well as a member of each of the audit committee of the Company (the “**Audit Committee**”), the remuneration committee of the Company (the “**Remuneration Committee**”) and the nomination committee of the Company (the “**Nomination Committee**”) upon the expiry of the term of his appointment letter with the Company on 13 July 2019.

Mr. Sun Zihua has been appointed as an independent non-executive director of the Company, as well as a member of the Audit Committee, the Remuneration Committee and the Nomination Committee with effect from 14 July 2019.

Save as disclosed above, there is no other change in the composition of the Board or change in the director’s biographical details which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2018 annual report of the Company.



## Other Information

### AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited consolidated financial statements and the interim report of the Group for the six months ended 30 June 2019. There is no disagreement between the Board and the Audit Committee regarding accounting treatment adopted by the Company.

### IMPORTANT EVENTS AFFECTING THE GROUP AFTER THE REPORTING PERIOD

On 21 August 2019, the Company filed an application (the “**Application**”) to the relevant PRC court seeking to utilize the idle cash reserves amounting to approximately RMB635 million (the “**Relevant Idle Cash Reserves**”) for wealth management. On 27 August 2019, the Company received a reply from the court rejecting the Application that the Idle Cash Reserves were frozen due to a prosecution made by the relevant PRC judicial authority against its individual current or former employees (the “**Employees**”) for their alleged illegal activities (the “**Alleged Crime**”) conducted through one of the Company’s onshore online gaming platforms (the “**Case**”). The Company is not a party prosecuted in the Case and it was implicated due to the Alleged Crime of its individual Employees. As advised by the PRC legal advisers, the relevant PRC judicial authority is in the process of investigating the Case, and no trial dates have been fixed. The Company is discussing with its PRC legal advisers as to the next step forward.

The Company has established an independent investigation committee comprising all independent non-executive directors of the Company to conduct an independent investigation on internal matters arising out of the Case.

For further details, please refer to the Company’s announcements dated 1 September 2019 and 4 September 2019.

### USE OF PROCEEDS FROM THE GLOBAL OFFERING

On 12 November 2013, the Company’s shares were listed on the Main Board of the Stock Exchange. A total of 177,014,000 ordinary shares with nominal value of US\$0.00005 each of the Company were issued at HK\$5.35 per share for a total of approximately HK\$947.0 million. The net proceeds raised by the Company from the abovementioned global offering are approximately HK\$837.9 million.

As of 30 June 2019, proceeds from the abovementioned issuances have been used up. During the Reporting Period, a total of approximately RMB8.6 million had been utilised for our marketing, activities and business expansion, etc.



# Report on Review of Interim Condensed Consolidated Financial Information

**TO THE BOARD OF DIRECTORS OF BOYAA INTERACTIVE INTERNATIONAL LIMITED**

*(incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the interim condensed consolidated financial information set out on pages 35 to 70, which comprises the interim consolidated balance sheet of Boyaa Interactive International Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2019 and the related interim consolidated statement of profit or loss and other comprehensive income for the three and six months then ended, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

Except as explained in the following paragraphs, we conducted our review in accordance with International Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



# Report on Review of Interim Condensed Consolidated Financial Information

## BASIS FOR QUALIFIED CONCLUSION

As disclosed in note 26 to the interim condensed consolidated financial information, the Group's financial assets at fair value through profit or loss of approximately RMB350 million and cash and cash equivalents of approximately RMB285 million as at 30 June 2019 (hereinafter referred to as the "**Relevant Idle Cash Reserves**") were frozen.

At the date of this report, the Relevant Idle Cash Reserves were still frozen and the outcome has yet to be determined. Accordingly, we were unable to obtain sufficient appropriate evidence we considered necessary to ascertain the amount of the Relevant Idle Cash Reserves that will be confiscated. Given the scope limitation, there were no other satisfactory procedures that we could perform to determine whether any adjustments to the carrying amounts of the Relevant Idle Cash Reserves as at 30 June 2019 were necessary.

## QUALIFIED CONCLUSION

Based on our review, except for the possible effects of the matter described in the Basis for Qualified Conclusion section of our report, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

### PAN-CHINA (H.K.) CPA LIMITED

*Certified Public Accountants*

### Tsang Chiu Keung

Practising Certificate Number P04968

Hong Kong, 26 September 2019





# Interim Consolidated Balance Sheet

As at 30 June 2019

	Notes	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	38,670	37,442
Right-of-use assets	7	10,888	–
Intangible assets	7	774	1,384
Interests in associates	8	16,804	16,964
Financial assets at fair value through other comprehensive income	9	52,894	64,525
Deferred income tax assets	10	35,228	34,494
Prepayments and other receivables	12	30,758	25,435
Financial assets at fair value through profit or loss	13	548,896	589,331
		<b>734,912</b>	769,575
<b>Current assets</b>			
Trade receivables	11	20,480	18,365
Prepayments and other receivables	12	37,024	28,262
Financial assets at fair value through profit or loss	13	764,688	819,714
Term deposits		218,433	500,947
Cash and cash equivalents	14	818,588	390,350
		<b>1,859,213</b>	1,757,638
<b>Total assets</b>		<b>2,594,125</b>	2,527,213
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	15	234	235
Share premium	15	367,794	543,721
Repurchased shares	15	(570)	(2,060)
Shares held for restricted share units scheme ("RSU Scheme")	15	(14)	(14)
Reserves	16	(97,461)	(87,524)
Retained earnings		1,873,790	1,810,676
		<b>2,143,773</b>	2,265,034
Non-controlling interests		–	–
<b>Total equity</b>		<b>2,143,773</b>	2,265,034



# Interim Consolidated Balance Sheet

As at 30 June 2019

	Notes	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities	10	17,124	18,811
Lease liabilities		7,193	–
		24,317	18,811
<b>Current liabilities</b>			
Trade and other payables	18	68,874	69,363
Lease liabilities		4,346	–
Contract liabilities		14,448	18,005
Dividend payable		175,426	–
Current income tax liabilities		162,941	156,000
		426,035	243,368
<b>Total liabilities</b>		450,352	262,179
<b>Total equity and liabilities</b>		2,594,125	2,527,213
<b>Net current assets</b>		1,433,178	1,514,270
<b>Total assets less current liabilities</b>		2,168,090	2,283,845



# Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Three and Six Months Ended 30 June 2019

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Revenue	6	80,258	124,365	160,462	284,235
Cost of revenue	19	(26,305)	(35,771)	(51,292)	(90,251)
<b>Gross profit</b>		<b>53,953</b>	88,594	<b>109,170</b>	193,984
Selling and marketing expenses	19	(4,275)	(8,431)	(8,622)	(21,105)
Administrative expenses	19	(27,750)	(33,160)	(53,476)	(71,571)
Other gains – net	20	572	27,562	14,628	62,878
<b>Operating profit</b>		<b>22,500</b>	74,565	<b>61,700</b>	164,186
Finance income	21	3,848	4,243	12,386	9,115
Finance costs	21	(1,103)	–	(1,315)	(89)
Finance income – net	21	2,745	4,243	11,071	9,026
Share of profit/(loss) of associates	8	19	1,242	(160)	1,448
<b>Profit before income tax</b>		<b>25,264</b>	80,050	<b>72,611</b>	174,660
Income tax expenses	22	(2,229)	(8,294)	(9,497)	(20,882)
<b>Profit for the period</b>		<b>23,035</b>	71,756	<b>63,114</b>	153,778
<b>Other comprehensive income/(loss)</b>					
Items that may be reclassified to profit or loss:					
– Currency translation differences		11,264	21,632	2,215	2,416
Items that will not be reclassified subsequently to profit or loss:					
– Changes in fair value of financial assets at fair value through other comprehensive income, net of tax		(11,131)	(47,353)	(9,927)	(48,194)
<b>Other comprehensive income/(loss) for the period, net of tax</b>		<b>133</b>	(25,721)	<b>(7,712)</b>	(45,778)
<b>Total comprehensive income for the period</b>		<b>23,168</b>	46,035	<b>55,402</b>	108,000



# Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Three and Six Months Ended 30 June 2019

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
<b>Profit attributable to:</b>					
– Owners of the Company		23,035	71,756	63,114	153,778
– Non-controlling interests		–	–	–	–
		23,035	71,756	63,114	153,778
<b>Total comprehensive income attributable to:</b>					
– Owners of the Company		23,168	46,035	55,402	108,000
– Non-controlling interests		–	–	–	–
		23,168	46,035	55,402	108,000
<b>Earnings per share</b> <i>(expressed in RMB cents per share)</i>					
– Basic	23	3.48	10.68	9.53	22.66
– Diluted	23	3.44	10.55	9.43	22.26
Dividends	24	–	–	–	–



# Interim Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2019

		(unaudited)								
		Attributable to owners of the Company								
		Share capital	Share premium	Repurchased shares	Shares held for	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
					RSU Scheme					
Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2019		235	543,721	(2,060)	(14)	(87,524)	1,810,676	2,265,034	–	2,265,034
Profit for the period		–	–	–	–	–	63,114	63,114	–	63,114
Other comprehensive income/(loss)										
– Changes in fair value of financial assets at fair value through other comprehensive income, net of tax		–	–	–	–	(9,927)	–	(9,927)	–	(9,927)
– Currency translation differences		–	–	–	–	2,215	–	2,215	–	2,215
Total comprehensive income/(loss) for the period		–	–	–	–	(7,712)	63,114	55,402	–	55,402
Employee share option and RSU schemes										
– Value of employee services		16	–	–	–	431	–	431	–	431
– Exercise and lapse of share options and RSUs		16	–	2,656	–	(2,656)	–	–	–	–
Special dividend		15	–	(175,426)	–	–	–	(175,426)	–	(175,426)
Buy-back of shares		15	–	–	(1,668)	–	–	(1,668)	–	(1,668)
Cancellation of shares		15	(1)	(3,157)	3,158	–	–	–	–	–
Total transactions with owners, recognised directly in equity			(1)	(175,927)	1,490	–	(2,225)	–	(176,663)	(176,663)
Balance at 30 June 2019		234	367,794	(570)	(14)	(97,461)	1,873,790	2,143,773	–	2,143,773



# Interim Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2019

(unaudited)									
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
<b>Balance at 1 January 2018</b>	249	642,365	(27,283)	(15)	93,634	1,515,211	2,224,161	–	2,224,161
<b>Adjustment on adoption of IFRS 9</b>	–	–	–	–	(101,407)	101,407	–	–	–
<b>Adjusted balance at 1 January 2018</b>	249	642,365	(27,283)	(15)	(7,773)	1,616,618	2,224,161	–	2,224,161
Profit for the period	–	–	–	–	–	153,778	153,778	–	153,778
<b>Other comprehensive income/(loss)</b>									
– Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	–	–	–	–	(48,194)	–	(48,194)	–	(48,194)
– Currency translation differences	–	–	–	–	2,416	–	2,416	–	2,416
<b>Total comprehensive income/(loss) for the period</b>	–	–	–	–	(45,778)	153,778	108,000	–	108,000
<b>Employee share option and RSU scheme</b>									
– Value of employee services	16	–	–	–	2,078	–	2,078	–	2,078
– Proceeds from shares issued	–	1,909	–	–	–	–	1,909	–	1,909
<b>Buy-back of shares</b>	–	–	(74,210)	–	–	–	(74,210)	–	(74,210)
<b>Cancellation of shares</b>	(12)	(100,048)	100,060	–	–	–	–	–	–
<b>Total transactions with owners, recognised directly in equity</b>	(12)	(98,139)	25,850	–	2,078	–	(70,223)	–	(70,223)
<b>Balance at 30 June 2018</b>	237	544,226	(1,433)	(15)	(51,473)	1,770,396	2,261,938	–	2,261,938



# Interim Consolidated Statement of Cash Flows

For the Six Months Ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
<b>Cash flows from operating activities</b>			
Cash generated from operations		39,382	110,754
Income tax paid		(4,371)	(19,943)
Net cash generated from operating activities		35,011	90,811
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(5,945)	(5,505)
Purchase of financial assets at fair value through profit or loss		(528,547)	(1,479,700)
Placement of term deposits with original maturities over three months		(211,152)	(213,171)
Proceeds from maturity of term deposits with original maturities over three months		494,400	65,342
Proceeds from disposal of financial assets at fair value through profit or loss		619,500	1,288,100
Proceeds from disposals of property, plant and equipment		138	21
Dividends from financial assets at fair value through other comprehensive income	20	–	134
Return on financial assets at fair value through profit or loss		11,707	19,667
Interest received		14,562	2,683
Net cash generated from/(used in) from investing activities		394,663	(322,429)
<b>Cash flows from financing activities</b>			
Buy-back of shares		(1,668)	(74,210)
Proceeds from issuance of ordinary shares		–	1,909
Payment of lease liabilities		(1,762)	–
Net cash used in from financing activities		(3,430)	(72,301)
<b>Net increase/(decrease) in cash and cash equivalents</b>		426,244	(303,919)
Cash and cash equivalents at the beginning of the period		390,350	858,193
Exchange gains on cash and cash equivalents		1,994	3,638
<b>Cash and cash equivalents at the end of the period</b>		818,588	557,912





# Notes to the Interim Condensed Consolidated Financial Information

## 1. GENERAL INFORMATION

Boyaa Interactive International Limited (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 (“**Stock Exchange**”) since 12 November 2013 (the “**Listing**”).

The Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) are 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 interim consolidated balance sheet as at 30 June 2019, the interim consolidated statements of profit or loss and other comprehensive income for the three and six months then ended, the interim consolidated statement of changes in equity and the interim consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes (collectively defined as the “**Interim Condensed Consolidated Financial Information**”) of the Group have been approved by the Board of Directors (the “**Board**”) on 28 August 2019.

This Interim Condensed Consolidated Financial Information is presented in Renminbi (“**RMB**”), unless otherwise stated.

## 2. BASIS OF PREPARATION

The Interim Condensed Consolidated Financial Information is prepared in accordance with applicable disclosure provisions of the Rules Governing the Listings of Securities on The Stock Exchange of Hong Kong Limited and International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board. This Interim Financial Information should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2018 as set out in the 2018 annual report of the Company dated 29 March 2019 (the “**2018 Financial Statements**”).

Except as described below, the accounting policies applied are consistent with those used in the 2018 Financial Statements, which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and other comprehensive income, which were carried at fair value.

Taxes on income in the interim periods are accrued using the tax rates that would be applicable to expected total annual earnings.



# Notes to the Interim Condensed Consolidated Financial Information

## 3. SIGNIFICANT ACCOUNTING POLICIES

In the current interim period, the Group has applied, for the first time, the following new IFRS that is mandatorily effective for the financial year ending 31 December 2019.

### IFRS 16 Leases

Except for the adoption of IFRS16 “Leases”, other standards and amendments which are effective from 1 January 2019 do not have a material effect on the Group’s financial statements.

The Group has changed its accounting policies following the adoption of IFRS 16 on 1 January 2019.

The Group leases office premises with fixed periods of no longer than 5 years. A lease is recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost calculated using the effective interest method, is charged to profit or loss over the lease period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The Group applies the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to contracts that were previously identified as leases under IAS 17 “Leases” and IFRIC-Int 4 “Determining whether an Arrangement contains a Lease”.



# Notes to the Interim Condensed Consolidated Financial Information

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group has transitioned to IFRS 16 in accordance with the modified retrospective approach and, therefore, the information presented for 2018 has not been restated. The right-of-use asset for property lease was measured at the amount equal to the lease liability, adjusted by the amount of any prepayments relating to that lease recognised in the consolidated statement of balance sheet as at 31 December 2018.

The reconciliation of operating lease commitment to lease liabilities is set out below:

	RMB'000 (unaudited)
Operating lease commitments at 1 January 2019	17,998
Short-term leases	(3,638)
Effect of discounting	(1,476)
Lease liabilities at 1 January 2019	12,884

The weighted average incremental borrowing rate applied to lease liabilities on 1 January 2019 was 6.8%.

The adjustment of the opening balances (affected items only) below results from the initial application of the IFRS 16 as at 1 January 2019. The prior-year amounts were not adjusted.

	31 December 2018 RMB'000 (audited)	IFRS 16 Adjustment RMB'000 (unaudited)	1 January 2019 RMB'000 (unaudited)
<b>Assets</b>			
Right-of-use assets	–	12,884	12,884
<b>Liabilities</b>			
Lease liabilities	–	12,884	12,884

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term within 12 months as at 1 January 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

Upon adoption of IFRS 16, principal elements of lease payments and related interest portion have been classified within financing activities.

The directors of the Company anticipate that the new standards that have been issued but are not effective for the financial year beginning on 1 January 2019 do not have a material impact on the Group's consolidated financial statements.



# Notes to the Interim Condensed Consolidated Financial Information

## 4. ESTIMATES

The preparation of the Interim Condensed Consolidated Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2018 Financial Statements.

## 5. FINANCIAL RISK MANAGEMENT

### 5.1 Financial risk factor

The Group is subject to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2018 Financial Statements.

There have been no significant changes in risk management policies since the year end of 2018.

### 5.2 Foreign exchange risk

The Group operates internationally and it is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB and United States dollars ("USD"). The Group currently does not hedge transactions undertaken in foreign currencies but manages its exposure through constant monitoring to limit as much as possible the amount of its foreign currencies exposures. Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The finance department is responsible for monitoring and managing the net position in each foreign currency.

For the PRC subsidiaries whose functional currencies are RMB, if USD had strengthened/weakened by 5% against RMB with all other variables held constant, the post-tax profit for the six months ended 30 June 2019 of the Group would have been approximately RMB1,597,000 higher/lower (for the six months ended 30 June 2018: approximately RMB1,505,000), mainly as a result of net foreign exchange gains/losses on translation of net monetary assets denominated in USD. For the group companies outside of the PRC whose functional currencies are USD or HKD, if RMB had strengthened/weakened by 5% against USD and HKD with all other variables held constant, the other comprehensive income for the six months ended 30 June 2019 would have been approximately RMB12,221,000 higher/lower (for the six months ended 30 June 2018: approximately RMB19,792,000), mainly as a result of net foreign exchange gains/losses on translation of net monetary assets denominated in USD and HKD.



# Notes to the Interim Condensed Consolidated Financial Information

## 5. FINANCIAL RISK MANAGEMENT *(Continued)*

### 5.3 Liquidity risk

Compared to the year end of 2018, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

### 5.4 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

The Group does not have financial liabilities measured at fair value. The following table presents the Group's financial assets that are measured at fair value at 30 June 2019 and 31 December 2018:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Unaudited</b>				
<b>At 30 June 2019</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss	–	–	1,313,584	1,313,584
Financial assets at fair value through other comprehensive income	49,610	–	3,284	52,894
	49,610	–	1,316,868	1,366,478
<b>Audited</b>				
<b>At 31 December 2018</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss	–	–	1,409,045	1,409,045
Financial assets at fair value through other comprehensive income	60,719	–	3,806	64,525
	60,719	–	1,412,851	1,473,570



# Notes to the Interim Condensed Consolidated Financial Information

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### 5.4 Fair value estimation (Continued)

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each reporting period, the finance department analyses the movements in the values of financial instruments and determines the valuation methodology and major inputs applied in the valuation with the assistance of the independent professional valuer engaged by the Company. The directors review the results of the fair value measurement of financial instruments periodically for annual financial reporting.

Fair value of financial assets that are measured at fair value in Level 1 are determined by quoted prices in active markets.

Fair value of financial assets that are measured at fair value in Level 3 have been estimated by using various valuation techniques, including market comparable approach and discount cash flows model, etc. The fair value was based on inputs that are not observable market data, but change of these inputs to reasonably possible alternatives would not have material effect on the Group's results and financial position.

The following table presents the changes in level 3 instruments for the six months ended 30 June 2019:

	Financial assets at fair value through profit or loss RMB'000 (unaudited)	Financial assets at fair value through other comprehensive income RMB'000 (unaudited)	Total RMB'000 (unaudited)
<b>Opening balance as at 1 January 2019</b>	<b>1,409,045</b>	<b>3,806</b>	<b>1,412,851</b>
Additions	528,547	–	528,547
Disposals	(619,500)	–	(619,500)
Unrealised fair value gains recognised in profit or loss	(4,685)	–	(4,685)
Unrealised fair value gains recognised in other comprehensive income	–	(515)	(515)
Currency translation differences	177	(7)	170
<b>Closing balance as at 30 June 2019</b>	<b>1,313,584</b>	<b>3,284</b>	<b>1,316,868</b>
Total unrealised fair value gains for the period recognised in profit or loss under "other gains – net"	(4,685)	–	(4,685)



# Notes to the Interim Condensed Consolidated Financial Information

## 5. FINANCIAL RISK MANAGEMENT *(Continued)*

### 5.4 Fair value estimation *(Continued)*

The following table presents the changes in level 3 instruments for the six months ended 30 June 2018:

	Financial assets at fair value through profit or loss RMB'000 (unaudited)	Financial assets at fair value through other comprehensive income RMB'000 (unaudited)	Available- for-sale financial assets RMB'000 (unaudited)	Total RMB'000 (unaudited)
Opening balance as at 1 January 2018	1,219,084	–	14,082	1,233,166
Transfer from available-for-sale financial assets upon adoption of IFRS 9	–	14,082	(14,082)	–
Additions	1,479,700	3,000	–	1,482,700
Disposals	(1,291,105)	–	–	(1,291,105)
Unrealised fair value gains recognised in profit or loss	27,750	–	–	27,750
Unrealised fair value gains recognised in other comprehensive income	–	(932)	–	(932)
Currency translation differences	911	124	–	1,035
Closing balance as at 30 June 2018	1,436,340	16,274	–	1,452,614
Total unrealised fair value gains for the period recognised in profit or loss under “other gains – net”	27,750	–	–	27,750





## Notes to the Interim Condensed Consolidated Financial Information

### 6. REVENUE AND SEGMENT INFORMATION

	Three months ended 30 June		Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Disaggregation of revenue from contracts with customers by game forms:				
– Web-based games	34,419	44,169	70,229	96,219
– Mobile games	45,839	80,196	90,233	188,016
	80,258	124,365	160,462	284,235

Substantially all revenue generated are recognised at a point in time.

The directors of the Company consider that the Group's operations are operated and managed as a single segment. The directors of the Company, being the chief operating decision maker of the Group, review the operating results of the Group as a whole when making decisions about resource allocations and assessing performances. Hence it is determined that the Group has only one operating 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 geographical locations. All revenue derived from the PRC (including Hong Kong). A breakdown of revenue derived from different language versions of the Group's games is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Simplified Chinese	12,618	38,338	24,878	116,386
Other languages	67,640	86,027	135,584	167,849
	80,258	124,365	160,462	284,235

The Group has a large number of game players, none of whom contributed 10% or more of the Group's revenue for the three and six months ended 30 June 2019 and 2018.



## Notes to the Interim Condensed Consolidated Financial Information

### 6. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Mainland China	80,371	64,987
Other locations	17,523	16,238
	97,894	81,225

### 7. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

	Property, plant and equipment RMB'000 (unaudited)	Right-of-use assets (Note 3) RMB'000 (unaudited)	Intangible assets RMB'000 (unaudited)
Opening balance as at 1 January 2019	37,442	12,884	1,384
Additions	5,945	–	–
Disposals	(802)	–	–
Depreciation and amortisation	(3,976)	(2,039)	(610)
Currency translation differences	61	43	–
Closing balance as at 30 June 2019	38,670	10,888	774

### 8. INTERESTS IN ASSOCIATES

	RMB'000 (unaudited)
At 1 January 2019	16,964
Share of loss	(160)
At 30 June 2019	16,804

The directors of the Company consider that all associates as at 30 June 2019 and 31 December 2018 were insignificant to the Group and thus the individual summarised financial information of these associates are not disclosed.



## Notes to the Interim Condensed Consolidated Financial Information

### 9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<b>30 June 2019 RMB'000 (unaudited)</b>	<b>31 December 2018 RMB'000 (audited)</b>
Balance as at the beginning of the period/year	<b>64,525</b>	–
Transfer from available-for-sale financial assets upon adoption of IFRS 9	–	128,280
Additions of unlisted equity investment	–	43,670
Net losses from changes in fair value	<b>(11,679)</b>	(109,007)
Currency translation differences	<b>48</b>	1,582
Balance as at the end of the period/year	<b>52,894</b>	64,525

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

	<b>30 June 2019 RMB'000 (unaudited)</b>	<b>31 December 2018 RMB'000 (audited)</b>
Listed equity securities	<b>49,610</b>	60,719
Unlisted equity investments	<b>3,035</b>	3,035
Preference shares of private companies	<b>249</b>	771
	<b>52,894</b>	64,525



## Notes to the Interim Condensed Consolidated Financial Information

### 10. DEFERRED INCOME TAX

The movement in deferred income tax assets during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

	Deferred income tax assets RMB'000 (unaudited)
At 1 January 2019	34,494
Charged to profit or loss (Note 22)	(1,023)
Tax credited relating to components of other comprehensive income	1,752
Translation differences	5
At 30 June 2019	35,228

The movement in deferred income tax liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

	Deferred income tax liabilities RMB'000 (unaudited)
At 1 January 2019	18,811
Credited to profit or loss (Note 22)	(1,687)
At 30 June 2019	17,124



## Notes to the Interim Condensed Consolidated Financial Information

### 11. TRADE RECEIVABLES

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Trade receivables	26,219	22,955
Less: loss allowance	(5,739)	(4,590)
	20,480	18,365

Trade receivables were arising from the development and 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 end of respective reporting period is as follows:

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
0–60 days	18,178	16,718
61–90 days	384	995
91–180 days	1,505	1,737
Over 180 days	6,152	3,505
	26,219	22,955



# Notes to the Interim Condensed Consolidated Financial Information

## 12. PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
<b>Included in non-current assets</b>		
Prepayments for purchase of property, plant and equipment	15,029	9,171
Loans to employees (Note (a))	13,229	12,764
Advances to employees	2,500	3,500
	<b>30,758</b>	<b>25,435</b>
<b>Included in current assets</b>		
Loans to employees (Note (a))	11,040	2,624
Advances to employees	4,658	4,442
Deposits	932	1,186
Prepayment for advertising costs	2,485	2,555
Prepaid commission charges	2,122	1,546
Prepayments for servers rental expenses	1,172	1,222
Interest receivables	3,090	5,158
Undeducted input VAT	221	405
Prepayments to Securities Broker	2,143	3,675
Others	9,161	5,449
	<b>37,024</b>	<b>28,262</b>
	<b>67,782</b>	<b>53,697</b>

- (a) Loans to employees represented housing or auto loans to certain employees. These loans are unsecured and interest-free and have initial repayment terms ranging from 1 to 10 years. The initial fair values of the non-current loans to employees were based on cash flows discounted using interest rates based on the prevailing borrowing rates (ranging from 4.75% to 6.15%) promulgated by the People's Bank of China. The differences of approximately RMB902,000 (six month ended 30 June 2018: approximately RMB89,000) between the initial fair values and the principals of these loans were recorded in "finance costs" (Note 21).





## Notes to the Interim Condensed Consolidated Financial Information

### 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
<b>Included in non-current assets</b>		
Non-quoted investments in:		
– asset management plans	72,885	104,033
– equity investment partnerships	476,011	485,298
	<b>548,896</b>	589,331
<b>Included in current assets</b>		
Non-quoted investments in:		
– asset management plan	31,236	6,875
– wealth management products	733,452	812,839
	<b>764,688</b>	819,714
	<b>1,313,584</b>	1,409,045

At the end of the reporting period, wealth management products in an aggregate amount of approximately RMB350,000,000 was frozen by relevant PRC judicial authority. Details please refer to Note 26.

### 14. CASH AND CASH EQUIVALENTS

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Cash at bank and in hand	532,542	179,798
Short-term bank deposits	286,046	210,552
	<b>818,588</b>	390,350

The short-term bank deposits are denominated in RMB and have a term ranging from 1 week to 3 months. The effective interest rate of these deposits for the six months ended 30 June 2019 was 2.67% (for the year ended 31 December 2018: 2.58%).

At the end of the reporting period, cash at bank in an aggregate amount of approximately RMB\$285,000,000 was frozen by relevant PRC judicial authority. Details please refer to Note 26.



## Notes to the Interim Condensed Consolidated Financial Information

### 15. SHARE CAPITAL, SHARE PREMIUM, REPURCHASED SHARES AND SHARES HELD FOR RSU SCHEME

As at 30 June 2019, the total authorised share capital of the Company comprises 2,000,000,000 ordinary shares (31 December 2018: 2,000,000,000 ordinary shares) with par value of USD0.00005 per share (31 December 2018: USD0.00005 per share).

As at 30 June 2019, the total number of issued ordinary shares of the Company were 722,520,301 shares (31 December 2018: 724,583,301 shares) which included 59,277,617 shares (31 December 2018: 60,824,617 shares) held under the RSU Scheme (Note 17(b)), and 475,000 repurchased shares (31 December 2018: 1,411,000 shares) repurchased for subsequent cancellation. They have been fully paid up.

		(unaudited)					
	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	Shares held for RSU Scheme RMB'000
At 1 January 2019		724,583	36	235	543,721	(2,060)	(14)
Employee share option and RSU schemes							
– Exercise and lapse of share options and RSUs	17	–	–	–	2,656	–	–
Special dividend		–	–	–	(175,426)	–	–
Buy-back of shares	(a)	–	–	–	–	(1,668)	–
Cancellation of shares	(a)	(2,063)	–	(1)	(3,157)	3,158	–
At 30 June 2019		722,520	36	234	367,794	(570)	(14)

- (a) The Group repurchased 1,127,000 of its own shares (31 December 2018: 34,971,000 shares) from the market during the six months ended 30 June 2019. The total amount paid to acquire the shares was approximately RMB1,668,000 (31 December 2018: RMB87,049,000) and has been deducted from the shareholders' equity. These repurchased shares, except for 475,000 shares which were repurchased in April 2019, have been cancelled on 16 May 2019. Those 475,000 shares have been cancelled on 27 August 2019 subsequently.



## Notes to the Interim Condensed Consolidated Financial Information

### 16. RESERVES

	(unaudited)					
	Capital reserve RMB'000	Currency translation differences RMB'000	Statutory surplus reserve fund RMB'000	Share-based compensation reserve RMB'000	Other reserve RMB'000	Total RMB'000
Balance at 1 January 2019	2,000	13,479	28,474	84,032	(215,509)	(87,524)
Employee share option and RSU schemes						
– value of employee services (Note 20)	–	–	–	431	–	431
– exercise and lapse of share options and RSUs	–	–	–	(2,656)	–	(2,656)
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	–	–	–	–	(9,927)	(9,927)
Currency translation differences	–	2,215	–	–	–	2,215
Balance at 30 June 2019	2,000	15,694	28,474	81,807	(225,436)	(97,461)
Balance at 1 January 2018	2,000	(4,300)	21,000	92,511	(17,577)	93,634
Adjustment on adoption of IFRS 9	–	–	–	–	(101,407)	(101,407)
Adjusted balance at 1 January 2018	2,000	(4,300)	21,000	92,511	(118,984)	(7,773)
Employee share option and RSU schemes						
– value of employee services (Note 20)	–	–	–	2,078	–	2,078
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	–	–	–	–	(48,194)	(48,194)
Currency translation differences	–	2,416	–	–	–	2,416
Balance at 30 June 2018	2,000	(1,884)	21,000	94,589	(167,178)	(51,473)



# Notes to the Interim Condensed Consolidated Financial Information

## 17. 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	
	2019 (unaudited)	2018 (unaudited)
At 1 January	8,323,315	10,707,790
Exercised	–	(808,000)
Lapsed	(718,145)	(777,530)
At 30 June	7,605,170	9,122,260

No share options exercised during the period ended 30 June 2019.

Share options exercised during the period ended 30 June 2018 resulted in 808,000 shares being issued, with exercise proceeds of approximately RMB1,909,000. The related weighted average share price at the time of exercise was HKD3.29 per share.

Details of the exercise prices and the respective numbers of share options which remained outstanding as at 30 June 2019 and 2018 are as follows:

Expiry date	Exercise price		Number of share options	
	Original currency	Equivalent to HKD	2019 (unaudited)	2018 (unaudited)
31 January 2019	USD0.05	HKD0.388	–	11,888
1 March 2020	USD0.10	HKD0.775	2,749	2,749
30 June 2020	USD0.15	HKD1.163	66,249	72,240
6 September 2025	HKD3.108	HKD3.108	7,536,172	9,035,383
			7,605,170	9,122,260



# Notes to the Interim Condensed Consolidated Financial Information

## 17. SHARE-BASED PAYMENTS *(Continued)*

### *(b) RSUs*

Pursuant to a resolution passed by the Board of the Company in 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 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, commencing from the date of the first grant of the RSUs.

Movements in the number of RSUs outstanding:

	Number of RSUs	
	2019 (unaudited)	2018 (unaudited)
At 1 January	7,781,613	20,480,853
Lapsed	(8,368)	(519,463)
Vested and transferred	(1,155,000)	(11,390,398)
At 30 June	6,618,245	8,570,992
Vested but not transferred as at 30 June	6,481,179	6,761,134

The related weighted average share price at the time when the RSUs were vested and transferred was HKD1.67 per share (30 June 2018: HKD3.14 per share).

### *(c) Expected retention rate 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 share options (the “**Expected Retention Rate**”) in order to determine the amount of share-based compensation expenses charged to the statement of profit or loss and other comprehensive income. As at 30 June 2019, the Expected Retention Rate was assessed to be 80% (31 December 2018: 80%).

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

Pursuant to a resolution passed by the Board of the Company on 17 September 2013, the Company set up a RSU Scheme. On 11 October 2013, the Company entered into a trust deed with the RSU Trustee and the RSU Nominee, pursuant to which the RSU Trustee acts as the administrator of the RSU Scheme and the RSU Nominee holds the shares underlying the RSU Scheme.



# Notes to the Interim Condensed Consolidated Financial Information

## 18. TRADE AND OTHER PAYABLES

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Trade payables	389	378
Other taxes payable	43,559	43,253
Accrued expenses	4,826	3,125
Accrued commissions charges by platforms	14,083	15,138
Accrued advertising expenses	657	1,718
Salary and staff welfare payables	4,840	5,250
Others	520	501
	68,874	69,363

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:

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
0 – 30 days	82	76
31 – 60 days	4	–
61 – 90 days	–	–
Over 90 days	303	302
	389	378



## Notes to the Interim Condensed Consolidated Financial Information

### 19. EXPENSES BY NATURE

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

	Three months ended 30 June		Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Commission charges by platforms and third party payment vendors (included in cost of revenue)	22,951	32,620	45,199	79,203
Employee benefit expenses (excluding share-based compensation expenses)	20,659	24,363	38,091	61,006
Share-based compensation expenses	146	870	431	2,078
Servers rental expenses	2,190	2,979	4,508	6,167
Depreciation of right-of-use assets	1,021	–	2,039	–
Office rental expenses	787	2,117	1,346	4,345
Depreciation of property, plant and equipment	2,744	2,258	3,976	4,418
Travelling and entertainment expenses	1,087	1,392	2,267	2,010
Other professional service fees	2,942	1,847	6,746	3,165
Auditor's remuneration	400	550	950	1,100
Advertising expenses	1,719	5,202	3,889	13,757
Amortisation of intangible assets	332	350	610	706
Other expenses	1,352	2,814	3,338	4,972
	58,330	77,362	113,390	182,927





## Notes to the Interim Condensed Consolidated Financial Information

### 19. EXPENSES BY NATURE (Continued)

Research and development expenses during the three and six months ended 30 June 2019 and 2018 were analysed as below:

	Three months ended 30 June		Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Employee benefit expenses (excluding share-based compensation expenses)	12,767	14,932	25,312	33,179
Depreciation of right-of-use assets	118	–	501	–
Office rental expenses	–	561	–	1,168
Other expenses	1,478	2,724	3,056	3,430
	14,363	18,217	28,869	37,777

No research and development expenses were capitalised for the three and six months ended 30 June 2019 and 2018.

### 20. OTHER GAINS – NET

	Three months ended 30 June		Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Realised/unrealised fair value (losses)/ gains on financial assets at fair value through profit or loss	(2,037)	14,775	4,900	47,417
Foreign exchange gains/(losses), net	287	(1,578)	287	(1,367)
Government subsidies and tax rebates (Note (a))	760	4,433	8,212	6,860
Dividends from financial assets at fair value through other comprehensive income	–	134	–	134
Dividends from financial assets at fair value through profit or loss	2,122	12,271	2,122	12,271
Loss on disposal of property, plant and equipment	(331)	–	(664)	(1)
Others	(229)	(2,473)	(229)	(2,436)
	572	27,562	14,628	62,878

(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.



## Notes to the Interim Condensed Consolidated Financial Information

### 21. FINANCE INCOME – NET

	Three months ended 30 June		Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
<b>Finance income</b>				
Interest income	7,640	4,217	12,494	6,900
Interest income on non-current loans to employees	211	935	513	1,141
Foreign exchange (losses)/gains, net	(4,003)	(909)	(621)	1,074
	3,848	4,243	12,386	9,115
<b>Finance costs</b>				
Discounting effects of non-current loans to employees	(902)	–	(902)	(89)
Interest expenses on lease liabilities	(201)	–	(413)	–
	(1,103)	–	(1,315)	(89)
<b>Finance income – net</b>	<b>2,745</b>	<b>4,243</b>	<b>11,071</b>	<b>9,026</b>



## Notes to the Interim Condensed Consolidated Financial Information

### 22. INCOME TAX EXPENSES

The income tax expenses of the Group for the three and six months ended 30 June 2019 and 2018 is analysed as follows:

	Three months ended 30 June		Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
<b>Current income tax – PRC</b>				
– Provision for the period	1,034	1,038	2,349	6,450
– (Over-provision)/under-provision in prior periods	(2,246)	(1,137)	431	(1,137)
	(1,212)	(99)	2,780	5,313
<b>Current income tax – Hong Kong</b>				
– Provision for the period	4,987	6,077	7,381	10,520
– Over-provision in prior periods	–	–	–	–
	4,987	6,077	7,381	10,520
<b>Deferred income tax</b>	(1,546)	2,316	(664)	5,049
	2,229	8,294	9,497	20,882



## Notes to the Interim Condensed Consolidated Financial Information

### 22. INCOME TAX EXPENSES (Continued)

#### (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 three and six months ended 30 June 2019.

#### (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 three and six months ended 30 June 2019 and 2018, based on the existing legislation, interpretations and practices in respect thereof.

Shenzhen Dong Fang Bo Ya Technology Co., Ltd. ("**Boyaa Shenzhen**") has successfully renewed its "High and New Technology Enterprise" ("**HNTE**") qualification in 2018 and as a result, Boyaa Shenzhen enjoys a preferential tax rate of 15% from 1 January 2018 to 31 December 2021. Therefore, the actual income tax rate for Boyaa Shenzhen was 15% for the three and six months ended 30 June 2019 (for the three and six months ended 30 June 2018: 15%).

Boyaa On-line Game Development (Shenzhen) Co., Ltd. ("**Boyaa PRC**") 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 2019. Therefore, the actual income tax rate for Boyaa PRC was 15% for the three and six months ended 30 June 2019 (for the three and six months ended 30 June 2018: 15%).

According to policies 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% of the research and development expenses so incurred in a period as tax deductible expenses in determining its tax assessable profits for that period ("**Super Deduction**"). Boyaa Shenzhen and Boyaa PRC has claimed such Super Deduction in ascertaining its tax assessable profits for the three and six months ended 30 June 2019 and 2018.



## Notes to the Interim Condensed Consolidated Financial Information

### 22. INCOME TAX EXPENSES (Continued)

#### (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 30 June 2019, 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 RMB1,210,560,000 (31 December 2018: approximately RMB1,189,895,000). 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:

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Profit before income tax	72,611	174,660
Add/(less): Share of loss/(profit) of associates	160	(1,448)
	72,771	173,212
Tax calculated at a tax rate of 25%	18,192	43,303
Tax effects of:		
– Tax concession on assessable profits of Boyaa Shenzhen and Boyaa PRC	(2,330)	(9,562)
– Different tax rates available to different subsidiaries of the Group other than PRC	(4,103)	(4,998)
– Expenses not deductible for tax purposes	2,549	934
– Income not subject to tax	(2,189)	(4,912)
– Super Deduction	(3,053)	(2,746)
– Under-provision/(Over-provision) in prior periods	431	(1,137)
Income tax expenses	9,497	20,882



## Notes to the Interim Condensed Consolidated Financial Information

### 23. EARNINGS PER SHARE

#### (a) Basic

Basic earnings per 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 period, excluding ordinary shares held for the RSU Scheme and repurchased shares.

	Three months ended 30 June		Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Profit attributable to owners of the Company	23,035	71,756	63,114	153,778
Weighted average number of ordinary shares in issue (thousand shares)	662,612	672,162	662,589	678,573
Basic earnings per share (expressed in RMB cents per share)	3.48	10.68	9.53	22.66

#### (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 three and six months ended 30 June 2019 and 2018, the Group had two categories of dilutive potential ordinary shares, namely share options and RSUs. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average 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.



## Notes to the Interim Condensed Consolidated Financial Information

### 23. EARNINGS PER SHARE *(Continued)*

#### *(b) Diluted (Continued)*

	Three months ended 30 June		Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Profit used to determine diluted earnings per share	23,035	71,756	63,114	153,778
Weighted average number of ordinary shares in issue (thousand shares)	662,612	672,162	662,589	678,573
Adjustment for RSUs (thousand shares)	6,720	7,968	6,939	12,289
Adjustment for share options (thousand shares)	–	72	10	87
Weighted average number of ordinary shares for calculating diluted earnings per share (thousand shares)	669,332	680,202	669,538	690,949
Diluted earnings per share (expressed in RMB cents per share)	3.44	10.55	9.43	22.26

### 24. DIVIDENDS

The Board of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: nil).

### 25. SIGNIFICANT RELATED PARTY TRANSACTIONS

Save as disclosed in other notes, the following significant transactions were carried out between the Group and its related parties for the three and six months ended 30 June 2019 and 2018. In the opinion of the Directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.



## Notes to the Interim Condensed Consolidated Financial Information

### 25. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

#### *(a) Transactions with related parties*

	Three months ended 30 June		Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Commission expenses paid/ payable to an associate: Chengdu Boyu Interactive Technology Co., Ltd. ("Chengdu Boyu")	–	63	–	189

Compensation of key management personnel (including Directors):

	Three months ended 30 June		Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Wages, salaries, fees, allowances, bonus and benefits in kind	262	605	525	1,242
Pension costs – defined contributions plans	2	9	4	17
Share-based compensation expenses	67	25	135	63
	331	639	664	1,322

#### *(b) Balances with related parties*

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Amount due to associate included in "Other payables": Chengdu Boyu	17	17





## Notes to the Interim Condensed Consolidated Financial Information

### 26. MATERIAL EVENT

In March 2019, the Company discovered that Group was not able to continue to use the idle cash of approximately RMB635 million in its individual bank accounts (the “**Relevant Idle Cash Reserves**”) for fixed-term deposits or wealth management (the “**Incident**”). At the relevant time, the Company considered that the Incident may be implicated as a result of the Case (as defined below) involving individual Employees (as defined below), as such, the Company has engaged its PRC legal advisers (the “**PRC Legal Advisers**”) to advise on this matter. Upon engagement of the PRC Legal Advisers, the PRC Legal Advisers have submitted applications to the relevant PRC court and procuratorate on behalf of the Company in relation to the Incident, including an application to utilize the Relevant Idle Cash Reserves. The Company did not receive any reply from the relevant PRC court and procuratorate in relation to those applications.

Upon advice of the PRC Legal Advisers, the Company filed another application (the “**Application**”) to the relevant PRC court on 21 August 2019 seeking to utilize the Relevant Idle Cash Reserves for wealth management. On 27 August 2019, the Company received a reply (the “**Reply**”) from the relevant PRC court that the Relevant Idle Cash Reserves were frozen due to a prosecution (the “**Case**”) made by the relevant PRC judicial authority against its individual current or former employees (the “**Employees**”) for their alleged illegal activities conducted through one of the Company’s onshore online gaming platforms (the “**Alleged Crime**”). Therefore, the Application was rejected. As advised by the PRC Legal Advisers, if the relevant PRC judicial authority finds that the Employees are guilty of the Alleged Crime and some or all of the Relevant Idle Cash Reserves contain income generated as a result of such conduct, such income may be confiscated. The Company is discussing with its PRC Legal Advisers as to the next step forward.

The Company is not a party prosecuted in the Case and it was implicated due to the Alleged Crime of its individual Employees. As such, other than the Reply, the Company did not receive any formal notification on the Case from the relevant PRC judicial authority. As advised by the PRC Legal Advisers, the relevant PRC judicial authority is in the process of investigating the Case, and no trial dates have been fixed. Save as disclosed above, the Company has no details on the contents of the Case.

As at the date of this report, the Case is ongoing and all other bank accounts of the Company (the “**Other Bank Accounts**”) remain in normal operations and are not affected by the Case. As advised by the PRC Legal Advisers, since (i) no prosecution has been made against the Company, its directors and senior management in relation to the Case and they did not receive any formal notification on the Case from any relevant PRC judicial authority; and (ii) the prosecution in relation to the Case was made against the Employees only, the risk that the Company, its directors and its senior management will be subject to any prosecution by the relevant PRC judicial authority in relation to the Alleged Crime is remote.

In light of the fact that (i) based on the above advice of the PRC Legal Advisers, the risk that the Company, its directors and senior management will be subject to any prosecution by the relevant PRC judicial authority in relation to the Alleged Crime is remote; (ii) the Relevant Idle Cash Reserves of the Company are only used for the purpose of Idle Fund Management, which is the Company’s general practice and the Relevant Idle Cash Reserves only constitute a portion of total idle cash reserves of the Company; (iii) the Company is of the view that it has sufficient cash reserves available in the Other Bank Accounts for its day-to-day operations; (iv) the Company does not have any loan borrowing as of the date of this Interim Report; and (v) the Company will actively monitor the development of the Case and the Incident and assess their impact on the operation of the Company, the Board is of the view that the Case and the Incident will not have any material adverse impact on the business, operation and financial conditions of the Group.



## Reconciliation from Unaudited Net Profit to Unaudited Non-IFRS Adjusted Net Profit

For the Six Months Ended 30 June 2019

	For the six months ended 30 June		Year-on-Year Change*
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	%
<b>Revenue</b>	<b>160,462</b>	284,235	(43.5)
Cost of revenue	(51,292)	(90,251)	(43.2)
<b>Gross profit</b>	<b>109,170</b>	193,984	(43.7)
Selling and marketing expenses	(8,622)	(21,105)	(59.1)
Administrative expenses	(53,476)	(71,571)	(25.3)
Other gains – net	14,628	62,878	(76.7)
<b>Operating profit</b>	<b>61,700</b>	164,186	(62.4)
Finance income – net	11,071	9,026	22.7
Share of (loss)/profit of associates	(160)	1,448	(111.0)
<b>Profit before income tax</b>	<b>72,611</b>	174,660	(58.4)
Income tax expenses	(9,497)	(20,882)	(54.5)
<b>Profit for the period</b>	<b>63,114</b>	153,778	(59.0)
<b>Non-IFRS adjustment (unaudited)</b>			
Share-based compensation expenses included in cost of revenue	105	428	(75.5)
Share-based compensation expenses included in selling and marketing expenses	113	568	(80.1)
Share-based compensation expenses included in administrative expenses	213	1,082	(80.3)
<b>Non-IFRS adjusted net profit (unaudited)</b>	<b>63,545</b>	155,856	(59.2)

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



## Reconciliation from Unaudited Net Profit to Unaudited Non-IFRS Adjusted Net Profit

For the Three Months and Six Months Ended 30 June 2019

	For the three months ended			Year-on-Year	Quarter-on-Quarter
	30 June	31 March	30 June	Change*	Change**
	2019	2019	2018		
	RMB'000	RMB'000	RMB'000	%	%
	(unaudited)	(unaudited)	(unaudited)		
<b>Revenue</b>	<b>80,258</b>	80,204	124,365	(35.5)	0.1
Cost of revenue	(26,305)	(24,987)	(35,771)	(26.5)	5.3
<b>Gross profit</b>	<b>53,953</b>	55,217	88,594	(39.1)	(2.3)
Selling and marketing expenses	(4,275)	(4,347)	(8,431)	(49.3)	(1.7)
Administrative expenses	(27,750)	(25,726)	(33,160)	(16.3)	7.9
Other gains – net	572	14,056	27,562	(97.9)	(95.9)
<b>Operating profit</b>	<b>22,500</b>	39,200	74,565	(69.8)	(42.6)
Finance income – net	2,745	8,326	4,243	(35.3)	(67.0)
Share of profit/(loss) of associates	19	(179)	1,242	(98.5)	(110.6)
<b>Profit before income tax</b>	<b>25,264</b>	47,347	80,050	(68.4)	(46.6)
Income tax expenses	(2,229)	(7,268)	(8,294)	(73.1)	(69.3)
<b>Profit for the period</b>	<b>23,035</b>	40,079	71,756	(67.9)	(42.5)
<b>Non-IFRS adjustment (unaudited)</b>					
Share-based compensation expenses included in cost of revenue	37	68	184	(79.9)	(45.6)
Share-based compensation expenses included in selling and marketing expenses	38	75	236	(83.9)	(49.3)
Share-based compensation expenses included in administrative expenses	71	142	450	(84.2)	(50.0)
<b>Non-IFRS adjusted net profit (unaudited)</b>	<b>23,181</b>	40,364	72,626	(68.1)	(42.6)

\* 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 30 June 2019 and the immediately preceding quarter.