

Boyaa Interactive International Limited
博雅互動國際有限公司



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Corporate Information



BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Wei (*Chairman and Chief Executive Officer*)
Mr. Dai Zhikang

Independent Non-executive Directors

Mr. Cheung Ngai Lam
Mr. Choi Hon Keung Simon
Mr. Gao Shaofei (*resigned on 14 July 2016*)
Mr. You Caizhen (*appointed on 14 July 2016*)

AUDIT COMMITTEE

Mr. Cheung Ngai Lam (*Chairman*)
Mr. Choi Hon Keung Simon
Mr. Gao Shaofei (*resigned on 14 July 2016*)
Mr. You Caizhen (*appointed on 14 July 2016*)

NOMINATION COMMITTEE

Mr. Zhang Wei (*Chairman*)
Mr. Choi Hon Keung Simon
Mr. Gao Shaofei (*resigned on 14 July 2016*)
Mr. You Caizhen (*appointed on 14 July 2016*)

REMUNERATION COMMITTEE

Mr. Cheung Ngai Lam (*Chairman*)
Mr. Choi Hon Keung Simon
Mr. Gao Shaofei (*resigned on 14 July 2016*)
Mr. You Caizhen (*appointed on 14 July 2016*)

COMPANY SECRETARIES

Ms. Dai Meng (*appointment ceased on 1 June 2016*)
Ms. Lai Siu Kuen

AUTHORIZED REPRESENTATIVES

Mr. Zhang Wei
Ms. Lai Siu Kuen

AUDITOR

Pan-China (H.K.) CPA Limited
Certified Public Accountants
11/F, Hong Kong Trade Centre
161-167 Des Voeux Road
Central
Hong Kong

COMPANY'S WEBSITE

www.boyaa.com.hk

STOCK CODE

0434

Corporate Information



HEADQUARTERS IN THE PRC

Room 9B-C, Block D3
International E Town
TCL Industry Park
1001 Zhong Shan Yuan Road
Nanshan District, Shenzhen
518000, PRC

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
PO Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

36/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

PRINCIPAL BANKS

China Merchants Bank, Shenzhen Branch
The Hongkong and Shanghai Banking Corporation Limited,
Hong Kong Branch

Business Overview and Outlook



In the second quarter of 2016, our performance remained steady in general.

In terms of financial performance, our revenue continued to decline when compared with the same period last year. However, we recorded growth in our non-IFRS adjusted net profit. In the second quarter of 2016, we recorded revenue of approximately RMB180.7 million, representing a year-on-year decrease of approximately 6.4% compared to the second quarter of 2015, and a quarter-on-quarter increase of approximately 6.1% compared to the first quarter of 2016. In the second quarter of 2016, we recorded unaudited non-IFRS adjusted net profit of approximately RMB75.8 million, representing a year-on-year increase of approximately 257.6% compared to the second quarter of 2015, and a quarter-on-quarter increase of 13.8% compared to the first quarter of 2016.

In terms of performance with respect to operational data, the number of players slightly declined, while our ARPPU recorded growth. The number of paying players in the second quarter of 2016 was approximately 1.5 million, representing a quarter-on-quarter decrease of 8.9% compared to the 1.7 million paying players in the first quarter of 2016. The number of DAUs was approximately 5.3 million in the second quarter of 2016, which is about the same as the previous quarter. The number of MAUs decreased from 24.9 million in the first quarter of 2016 to 22.1 million in the second quarter of 2016, representing a quarter-on-quarter decrease of approximately 11.4%. In the second quarter of 2016, the ARPPU of the web-based and the mobile-based Texas Hold'em, Fight the Landlord and other products recorded growth.

In terms of game products, we continued to focus on the research, development and innovation of online card and board games. As at 30 June 2016, our online games product portfolio increased to 55, where most of them are card and board games, and the newly-added games are also online card and board games. At the same time, we continued to enhance refined operations for and diversification of our products, and to effectively enhance game quality.

In addition, we cooperated with Huawei Technologies Co., Ltd. to hold the Huawei Spring Race in April 2016, which, as an operational activity, was relatively successful. This event played an active role in facilitating our brand promotion.

In the second half of 2016, we will invest more in online and offline competitions. Gaining from our experience in hosting the 2015 Boyaa Poker Tournament ("BPT") last year, we will again host a new session of BPT so as to establish a well-known brand of international poker tournament. This provides online players with a premium playing channel, thereby expanding brand awareness among our player base and enhancing the loyalty of players of our games.

Our goal is clear. We will continue to concentrate on card and board games and to focus on user experience so as to forge a century-old brand name.

Management Discussion and Analysis



FINANCIAL REVIEW

Second Quarter of 2016 Compared to Second Quarter of 2015

Revenue

Our revenue for the three months ended 30 June 2016 amounted to approximately RMB180.7 million, representing year-on-year decrease of 6.4% from approximately RMB193.1 million recorded for the same period of 2015. For the three months ended 30 June 2016, revenue generated from mobile games amounted to approximately RMB114.5 million, representing year-on-year decrease of 0.5% from approximately RMB115.2 million recorded for the same period of 2015. As such, revenue generated from mobile games remained stable year-on-year. Revenue generated from web-based games was approximately RMB66.1 million, representing year-on-year decrease of 15.2% from approximately RMB77.9 million recorded for the same period of 2015. The year-on-year decrease was primarily attributable to the decrease of income from web-based games resulting from the shift of web-based games to mobile games as witnessed in the industry. For the three months ended 30 June 2016, revenue generated from our mobile games and web-based games accounted for approximately 63.4% and 36.6% of our total revenue, respectively, as compared with 59.6% and 40.4%, respectively, for the three months ended 30 June 2015.

Cost of revenue

Our cost of revenue for the three months ended 30 June 2016 amounted to approximately RMB64.5 million, representing year-on-year decrease of 37.1% from approximately RMB102.5 million recorded for the same period in 2015. The year-on-year decrease was mainly due to the decrease in the average rate of commission and the decrease in employee benefit expenses recorded in cost of revenue resulting from the increase in the proportion of research and development (“R&D”) personnel due to personnel movement.

Gross profit and gross profit margin

Our gross profit for the three months ended 30 June 2016 amounted to approximately RMB116.1 million, representing year-on-year increase of 28.2% from approximately RMB90.6 million recorded for the same period in 2015.

Our gross profit margin were approximately 64.3% and 46.9%, respectively, for the three months ended 30 June 2016 and the same period in 2015.

Selling and marketing expenses

Our selling and marketing expenses for the three months ended 30 June 2016 amounted to approximately RMB8.1 million, representing year-on-year decrease of 86.4% from approximately RMB60.0 million recorded for the same period in 2015. The year-on-year decrease was mainly attributable to decreased advertising and promotional activities and the decrease in employee benefit expenses recorded in selling and marketing expenses resulting from the increase in the proportion of R&D personnel due to personnel movement.

Management Discussion and Analysis



Administrative expenses

Our administrative expenses for the three months ended 30 June 2016 amounted to approximately RMB54.2 million, representing year-on-year increase of 37.6% from approximately RMB39.4 million recorded for the same period in 2015. The year-on-year increase was mainly due to the increase in employee benefit expenses recorded in administrative expenses resulting from the increase in the proportion of R&D personnel due to personnel movement.

Other income and gains – net

For the three months ended 30 June 2016, we recorded other income and gains – net of approximately RMB22.5 million, compared to approximately RMB9.3 million recorded for the same period in 2015. The other income and gains – net primarily consisted of fair value gains on financial assets at fair value through profit or loss relating to the non-quoted investments in asset management plans, equity investment partnerships and certain wealth management products we purchased.

Finance income – net

Our net finance income for the three months ended 30 June 2016 was approximately RMB4.8 million, compared to the net finance income of approximately RMB14.6 million recorded for the same period in 2015. The year-on-year change was primarily due to the decrease in interest income as compared to the same period in 2015.

Share of (loss)/profit of associates

We held investments in six associates, namely Shenzhen Fanhou Technology Co., Ltd. (深圳市飯後科技有限公司), Shenzhen HuifuWorld Network Technology Co., Ltd. (深圳市匯富天下網絡科技有限公司), Shenzhen Easething Technology Co., Ltd. (深圳市易新科技有限公司), Shenzhen Jisiwei Intelligent Technology Co., Ltd. (深圳市極思維智能科技有限公司), Chengdu BoYu Interactive Technology Co., Ltd. (成都博娛互動科技有限公司) and Allin Interactive International Limited (傲英互動國際有限公司) and its subsidiaries as at 30 June 2016 (31 December 2015: six), all of which were online game or Internet technology companies. We recorded a share of loss of associates of approximately RMB0.6 million for the three months ended 30 June 2016, compared to a share of profit of associates of approximately RMB2.3 million recorded for the same period in 2015.

Income tax expense

Our income tax expense for the three months ended 30 June 2016 was approximately RMB10.4 million, representing an increase of 561.3% from approximately RMB1.6 million recorded for the three months ended 30 June 2015. The effective tax rate were 13.0% and 9.1%, respectively, for the three months ended 30 June 2016, and the same period in 2015. The increase in effective tax rate for the three months ended 30 June 2016 compared to the corresponding period in 2015 is primarily due to the decrease in deferred income tax assets and the increase in share-based compensation expense which was a non-tax deductible item.

Management Discussion and Analysis



Profit for the period

As a result of the foregoing, our profit for the three months ended 30 June 2016 amounted to approximately RMB70.0 million, with our profit attributable to owners of the Company for the three months ended 30 June 2016 amounted to approximately RMB70.0 million, representing year-on-year increase of 343.1% and 331.4%, respectively, from the profit and the profit attributable to owners of the Company of approximately RMB15.8 million and RMB16.2 million recorded for the same period in 2015, respectively.

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 of adjusted net profit is not defined under IFRS. Other companies in the industry 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 2016 of approximately RMB75.8 million was derived from our unaudited profit of the same period excluding share-based compensation expenses of approximately RMB1.4 million, RMB1.4 million and RMB2.9 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 2015 of approximately RMB21.2 million derived from our unaudited profit for the same period excluding share-based compensation expenses of approximately RMB1.3 million, RMB1.3 million and RMB2.8 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively.

First Half of 2016 Compared to First Half of 2015

Revenue

Our revenue for the six months ended 30 June 2016 amounted to approximately RMB350.9 million, representing year-on-year decrease of 19.7% from approximately RMB437.0 million recorded for the same period in 2015. For the six months ended 30 June 2016, revenue generated from mobile games amounted to approximately RMB218.4 million, representing year-on-year decrease of 15.6% from approximately RMB258.8 million recorded for the same period in 2015. The year-on-year decrease was primarily due to the SMS payment channels were affected as a result of regulatory control and adjustments by their operators since the second quarter of 2015. The revenue generated from web-based games was approximately RMB132.5 million, representing year-on-year decrease of 25.7% from approximately RMB178.2 million recorded for the same period in 2015. The year-on-year decrease was primarily due to industry conditions which led to the decrease in revenue from web-based games. For the six months ended 30 June 2016, revenue generated from our mobile games and web-based games accounted for approximately 62.2% and 37.8% of our total revenue, respectively, as compared with approximately 59.2% and 40.8%, respectively, for the six months ended 30 June 2015.

Management Discussion and Analysis



Cost of revenue

Our cost of revenue decreased by 40.8% to approximately RMB127.3 million in the six months ended 30 June 2016 from approximately RMB215.2 million for the corresponding period in 2015, primarily due to the decrease in the average rate of commission and the decrease in employee benefit expenses recorded in cost of revenue resulting from the increase in the proportion of R&D personnel due to personnel movement.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 0.8% to approximately RMB223.6 million for the six months ended 30 June 2016 from approximately RMB221.9 million for the corresponding period in 2015, and our gross profit margin increased to 63.7% for the six months ended 30 June 2016 from 50.8% for the corresponding period in 2015.

Selling and marketing expenses

Our selling and marketing expenses decreased by 87.1% to approximately RMB13.9 million for the six months ended 30 June 2016 from approximately RMB107.9 million for the corresponding period in 2015. The year-on-year decrease was mainly attributable to decreased advertising and promotional activities and the decrease in employee benefit expenses recorded in selling and marketing expenses resulting from the increase in the proportion of R&D personnel due to personnel movement.

Administrative expenses

Our administrative expenses increased by 52.9% to approximately RMB105.5 million for the six months ended 30 June 2016 from approximately RMB69.0 million for the corresponding period in 2015. The increase was mainly due to the increase in employee benefit expenses recorded in administrative expenses resulting from the increase in the proportion of R&D personnel due to personnel movement.

Other income and gains – net

For the six months ended 30 June 2016, we recorded other income and gains – net of approximately RMB33.6 million, compared to approximately RMB16.3 million recorded for the same period in 2015. The other income and gains – net primarily consisted of fair value gains on financial assets at fair value through profit or loss relating to the non-quoted investments in asset management plans, equity investment partnerships and certain wealth management products we purchased.

Finance income – net

Our net finance income was approximately RMB12.6 million for the six months ended 30 June 2016. We recorded net finance income of approximately RMB15.8 million for the corresponding period in 2015. The year-on-year change was primarily due to the decrease in interest income as compared to the same period in 2015.

Management Discussion and Analysis



Share of (loss)/profit of associates

We recorded a share of loss of associates of approximately RMB1.5 million for the six months ended 30 June 2016, compared to a share of profit of associates of approximately RMB5.4 million for the corresponding period in 2015.

Income tax expense

Our income tax expense increased by approximately 95.9% to approximately RMB19.2 million for the six months ended 30 June 2016 from approximately RMB9.8 million for the corresponding period in 2015. The effective tax rate increased to approximately 12.9% for the six months ended 30 June 2016 from approximately 11.9% for the corresponding period in 2015, which was mainly due to the decrease in profits with lower effective tax rates which contributed by Function Technology Co., Ltd. and Boyaa Holdings Limited and the increase in share-based compensation expense which was a non-tax deductible item.

Profit for the period

As a result of the foregoing, our profit and profit attributable to owners of the Company increased by approximately 78.4% and 75.6%, respectively, to approximately RMB129.7 million and RMB129.7 million, respectively for the six months ended 30 June 2016 from the profit and the profit attributable to owners of the Company of approximately RMB72.7 million and RMB73.8 million, respectively for the six months ended 30 June 2015.

Non-IFRS Measure – Adjusted net profit

Our unaudited non-IFRS adjusted net profit for the six months ended 30 June 2016 of approximately RMB142.4 million was derived from our unaudited profit for the same period excluding share-based compensation expenses of approximately RMB3.1 million, RMB3.2 million and RMB6.5 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 2015 of approximately RMB82.6 million derived from our unaudited profit for the same period excluding share-based compensation expenses of approximately RMB3.1 million, RMB1.9 million and RMB4.9 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 2016, 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, investments and business operations with 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



Cash and cash equivalents

As at 30 June 2016, we had cash and cash equivalents of approximately RMB1,246.1 million (31 December 2015: approximately RMB1,065.8 million), which primarily consisted of cash at bank and in hand and short-term bank deposits. Out of the RMB1,246.1 million, approximately RMB1,036.1 million is denominated in Renminbi and approximately RMB210.0 million is denominated in other currencies (primarily US dollars). 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.

Up to 30 June 2016, a total amount of RMB403.1 million from the net proceeds from our initial public offering had been utilized for the purposes and approximately in the amounts set out below:

- (a) approximately RMB141.2 million was used for our marketing activities and business expansion;
- (b) approximately RMB101.2 million was used for investments in technologies and complementary online games or businesses;
- (c) approximately RMB160.7 million was used for research and development activities, for working capital, including but not limited to the investment in our technology infrastructure and enhancement of our game portfolio and other general corporate purposes.

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

Available-for-sale financial assets

We accounted for available-for-sale financial assets at their respective fair values. As at 30 June 2016, the fair value of our unlisted and listed investments classified as available-for-sale financial assets amounted to approximately RMB215.3 million (31 December 2015: RMB280.5 million). These available-for-sale financial assets consisted of both listed and unlisted equity securities, which are mainly represented by our equity investment in Dalian Zeus Entertainment Group Co. Ltd. (大連天神娛樂股份有限公司), a company established in the PRC, the issued shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 002354) ("**Zeus Entertainment**"). Zeus Entertainment is mainly engaged in research and development and publication of web-based and mobile games.

As at 30 June 2016, we held 2,385,093 shares in Zeus Entertainment, which represented approximately 0.83% of the share capital of Zeus Entertainment. The fair value of the investment in Zeus Entertainment as at 30 June 2016 was RMB208.8 million (31 December 2015: RMB228.9 million).

For the six months ended 30 June 2016, the fair value loss in available-for-sale financial assets recorded in the reserves of the Company was approximately RMB55.4 million (for the six months ended 30 June 2015: RMB10.0 million), of which, the fair value loss in available-for-sale financial assets attributable to our investment in Zeus Entertainment amounted to RMB17.1 million for the six months ended 30 June 2016 (for the six months ended 30 June 2015: nil). The increased fair value loss in available-for-sale financial assets for the six months ended 30 June 2016 was mainly the result of the volatile stock market in the PRC in the first half of 2016.

Management Discussion and Analysis



As disclosed in the interim report of Zeus Entertainment for the six months ended 30 June 2016, it generated a total revenue of RMB858.8 million and recorded a net profit attributable to shareholders of the parent company of RMB202.0 million, representing a year-on-year increase of 169.0% and 41.5%, respectively. Despite we expect that the stock market in the PRC will continue to be volatile in the second half of 2016 and such investment environment may affect the value of our investment in Zeus Entertainment, based on the high revenue and profit growth of Zeus Entertainment, we are optimistic about the on-going performance of Zeus Entertainment. Nevertheless, we will closely monitor the performance of Zeus Entertainment on an on-going basis and consider making adjustment to this investment as and when the circumstances, including market conditions, are appropriate.

We consider that, save for our investment in the listed equity securities of Zeus Entertainment, none of the other unlisted and listed investments classified as available-for-sale financial assets in our investment portfolio is a significant investment as none of such investments has a carrying amount that account for more than 5% of our total assets as at 30 June 2016.

Financial assets at fair value through profit or loss

As at 30 June 2016, we also recorded financial assets at fair value through profit or loss amounted to approximately RMB490.6 million (31 December 2015: approximately RMB482.4 million), which consisted of non-quoted investments in asset management plans, equity investment partnerships and preferred shares issued by a private company included in non-current assets and non-quoted investments in certain wealth management products included in current assets. As at 30 June 2016, the fair values of the investments in asset management plans were determined mainly with reference to the estimated return; the fair values of the investments in equity investment partnerships were determined mainly with reference to the Group's share of their respective net asset values; and the fair value of preferred shares issued by a private company approximated its carrying amount as at 30 June 2016. These wealth management products have an initial term ranging from 122 days to 1 year. The fair values of these investments were based on the quotations provided by the counterparties. The above financial assets were designated as financial assets at fair value through profit or loss upon their initial recognition as the performance of these financial assets is evaluated on a fair value basis pursuant to the Group's investment strategy. For the six months ended 30 June 2016, we recorded a realized/unrealized fair value gains on financial assets at fair value through profit or loss of approximately RMB31.2 million (for the six months ended 30 June 2015: RMB10.4 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/or 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 does not constitute a notifiable transaction or connected transaction of the Company under 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



No 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 account for more than 5% of our total assets as at 30 June 2016.

Borrowings

During the six months ended 30 June 2016, we did not have any short-term or long-term bank borrowings and we had no outstanding, utilized or unutilized banking facilities.

Capital expenditures

For the six months ended 30 June 2016, our capital expenditure amounted to approximately RMB17.9 million (for the six months ended 30 June 2015: approximately RMB11.0 million). The capital expenditure mainly includes payment for equity investments of RMB0.2 million (for the six months ended 30 June 2015: RMB5.1 million), which was funded by using the net proceeds from our initial public offering; and purchasing of additional furniture and equipment, motor vehicles, leasehold improvements and computer software of RMB17.7 million (for the six months ended 30 June 2015: approximately RMB5.9 million), which was funded by using our cash flows generated from operations.

Contingent liabilities and guarantees

As at 30 June 2016, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against us.

Material acquisitions and future plans for major investment

In the first half of 2016, the Group invested in uSens Inc. (“**uSens U.S.**”), at a consideration of US\$1.5 million (equivalent to RMB9.718 million), in which we had a shareholding of 1.53%; and invested in Hangzhou Linggan Technology Co., Ltd. (杭州凌感科技有限公司, “**uSens China**”), at a consideration of US\$0.5 million (equivalent to RMB3.2809 million), in which we had a shareholding of 1.7391%. uSens Inc. creates three-dimensional human-computer interaction solution for augmented and virtual reality and its products include all-in-one head-mounted displays with three-dimensional gesture control (帶三維手勢交互的虛擬現實一體機), Impression Pi (印象湃) and “Fingo” (凌指), a three-dimensional hand tracking technology (三維手勢識別技術), etc.

In the coming future, the Group will continue to identify new opportunities for business development. The Group had not executed any agreement in respect of material investment or capital asset and did not have any other future plans relating to material investment or capital asset as at the date of this report. 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 of assets

As at 30 June 2016, none of the Group’s assets was pledged.

Management Discussion and Analysis



Employees and Staff Costs

As at 30 June 2016, we had a total of 836 full time employees, mainly located in mainland China. In particular, 664 employees are responsible for our game development and operation functions, 38 for game support, 35 for business development and 99 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 building. We also provide various incentives, including share-based awards, such as 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 leave insurance, and to mandatory housing accumulation funds, for or on behalf of our employees.

For the six months ended 30 June 2016, the total staff costs of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to RMB97.1 million, representing approximately 39.4% 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, there were a total of 21,012,221 share options and 41,271,866 shares underlying the RSUs granted to a total of 321 directors, senior management members, employees and former employees of the Group which remained outstanding as at 30 June 2016. There were an additional number of 47,335,092 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.

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 2015 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, Shenzhen Dong Fang Bo Ya Technology Co., Ltd. (“**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, 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 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 a series of 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. The Contractual Arrangements currently in effect comprise six agreements, namely (a) the Exclusive Business Consulting and Service Agreement, (b) the Business Operating Agreement, (c) the Exclusive Option Agreement, (d) the Equity Pledge Agreement, (e) the Intellectual Properties License Agreement and (f) the Loan Agreement, which were entered into between or amongst Boyaa Shenzhen, Boyaa PRC, Mr. Zhang Wei and/or Mr. Dai Zhikang (as the case may be). Details of these agreements are set out in the section headed “Connected Transactions – Contractual Arrangements” in the Directors’ Report of the Company’s 2015 Annual Report. There are no new Contractual Arrangements entered into, renewed or reproduced between the Group and Boyaa Shenzhen during the six months ended 30 June 2016. 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 2016. During the six months ended 30 June 2016, 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.

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 2016, 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

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and on foreign ownership in online culture products and business are lifted. In particular, the Company has offered casual games, such as Ant Wars (蟲蟲特攻隊) and Happy Babies (開心寶貝), on the Company's overseas website, boyaa.com.hk, with a view to build up its track record of overseas telecommunications business operations. Moreover, in 2015, 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 12 language versions, including Arabian, Indonesian and Thai, and 9k Poker, which is offered as a mobile game and in Thai language only, as its two most important games. Through such acquisition, the Group aims to further complement its game portfolio and further expand its market share in overseas market, and in particular, the Thai region.

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 RMB156.7 million for the six months ended 30 June 2016 and approximately RMB1,615.0 million as at 30 June 2016, respectively.

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

Risks associated with the Contractual Arrangements

Mitigation actions taken by the Company

- 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.
 - (a) 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

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- (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.

- 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.

Each of Mr. Zhang Wei (the Chairman of the Board, Chief Executive Officer and executive Director) and Mr. Dai Zhikang (the 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 authorize 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.

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

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 authorize any individual(s) appointed by Boyaa PRC to exercise all of their rights and powers as shareholders of Boyaa Shenzhen.

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 conflict 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 conflict of interest between the Group and the directors.

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- 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.

Pursuant to the Business Operating Agreement, in the event that Boyaa PRC or its designee decided to voluntarily 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.

- v. The Contractual Arrangements between Boyaa PRC and Boyaa Shenzhen may subject the Group to increased 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.

Boyaa Shenzhen qualified as a "High and New Technology Enterprise" ("HANTE") under the PRC Corporate Income Tax Law in 2015 and as a result, Boyaa Shenzhen enjoys a preferential tax rate of 15% from 1 January 2015 to 31 December 2017. Therefore, the actual income tax rate for Boyaa Shenzhen was 15% for the three and six months ended 30 June 2016 and 2015. See note 23 to the Interim Condensed Consolidated Financial Information in this report.

Boyaa Online Game Development (Shenzhen) Co., Ltd. ("**Boyaa PRC**") qualified as a HANTE under the PRC Corporate Income Tax Law in 2013 and as a result, Boyaa PRC enjoys a preferential tax rate of 15% from 1 January 2013 to 31 December 2015. Boyaa PRC has applied for the renewal of the HANTE qualification for the next 3 years ending 31 December 2018 and based on management's self-assessment made on 30 June 2016, it is highly probable that the above application would be successful. Therefore, the expected income tax rate for Boyaa PRC was 15% for the three and six months ended 30 June 2016 (actual income tax rate for the three and six months ended 30 June 2015: 15%). Also see note 23 to the Interim Condensed Consolidated Financial Information in this report.

As a result, as Boyaa Shenzhen enjoys and Boyaa PRC is expected to 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.

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- 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 advisers to ensure that all tax filings are made promptly and then any questions raised by PRC tax authorities are addressed in a timely and satisfactory manner.
- 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. As of the date of this report, the consultation draft of the new PRC Foreign Investment Law has not yet been passed by the State Council and therefore does not constitute any law or regulation. Accordingly, the Company, as advised by its PRC legal advisers, is of the view that such consultation draft currently will not have any impact on the Company and the Contractual Arrangements. In any event, the Company will closely monitor the progress of the consultation and the promulgation of the new PRC Foreign Investment Law and will consult its PRC legal advisers promptly should there be any new legal development leading to any change to the Contractual Arrangements.

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 2016, the interests and short positions of the directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the 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 ⁽¹⁾	Approximate percentage of shareholding ⁽⁴⁾
Mr. Zhang Wei ⁽²⁾	The Company	Founder of a discretionary trust	246,237,474 (L)	32.18%
Mr. Dai Zhikang ⁽³⁾	The Company	Founder of a discretionary trust	36,500,000 (L)	4.77%

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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) 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.
- (4) As at 30 June 2016, the Company had 765,077,957 issued shares.

(b) *Interests in other members of the Group*

So far as the directors of the Company are aware, as at 30 June 2016, the following person (excluding the Company) is directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of subsidiary	Name of shareholder	Registered capital	Approximate percentage of interest
Boyaa Shenzhen	Mr. Zhang Wei	RMB9,800,000	98%

Save as disclosed above, as at 30 June 2016, 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.

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

As at 30 June 2016, the following persons (other than the directors or the chief executive of the Company) have interests or short positions in the shares or underlying shares 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 ⁽¹⁾	Approximate percentage of interest ⁽⁴⁾
Cantrust (Far East) Limited ⁽²⁾⁽⁵⁾	The Company	Trustee of a trust	282,737,474 (L)	36.96%
Rustem Limited ⁽²⁾⁽⁵⁾	The Company	Nominee for another person	282,737,474 (L)	36.96%
Chunlei Investment ⁽²⁾⁽⁵⁾	The Company	Interest in a controlled corporation	246,237,474 (L)	32.18%
Boyaa Global Limited ⁽²⁾⁽⁵⁾	The Company	Beneficial owner	176,572,474 (L)	23.08%
Emily Technology Limited ⁽²⁾⁽⁵⁾	The Company	Beneficial owner	69,665,000 (L)	9.11%
The Core Trust Company Limited ⁽³⁾⁽⁵⁾	The Company	Trustee of a trust	103,721,665 (L)	13.56%
The Core Admin Boyaa RSU Limited ⁽³⁾⁽⁵⁾	The Company	Nominee for another person	90,907,666 (L)	11.88%

Notes:

- (1) The letter "L" denotes the person's long position in such shares.
- (2) 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.
- (3) The Core Trust Company Limited, (the "**RSU Trustee**"), directly holds the entire issued share capital of The Core Admin Boyaa RSU Limited as the RSU nominee, which holds 90,907,666 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).
- (4) As at 30 June 2016, the Company had 765,077,957 issued shares.
- (5) 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 2016, no persons (other than the directors or the chief executive of the Company) has 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.

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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 2016, the remaining life of the Post-IPO Share Option Scheme is approximately seven 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 2015 Annual Report. During the six months ended 30 June 2016, 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 2016 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 2016, such remaining life is eight years and four months.

Further details of the principal terms of the Option Scheme are set out in the Prospectus and the Company’s 2015 Annual Report. During the six months ended 30 June 2016, no option has been cancelled. Details of the movements in options during the six months ended 30 June 2016 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.

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Restricted Share Unit 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 ("**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. As at 30 June 2016, the remaining life of the RSU Scheme is approximately four years and eight months.

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 ("**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 "(b) 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.

The Company has appointed The Core Trust Company Limited as the trustee to assist with the administration and vesting of RSUs granted pursuant to the RSU Scheme. 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

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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 Mr. Zhang Wei) 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.
- (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 2015 Annual Report. During the six months ended 30 June 2016, 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.

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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

Name of option holder/ grantees of RSU	Position held with the Group	Nature	Number of shares represented by options or RSUs at 1 January 2016	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 2016
<i>Director of our subsidiary</i>										
Suo Hongbin	Director and Vice President of Boyaa Thailand	RSUs	5,700,000	1 February 2011	-	-	-	-	-	5,700,000
		Sub-total	5,700,000		-	-	-	-	-	5,700,000
<i>320 employees and previous employees of the Group</i>										
		Options	120,232	1 February 2011	-	US\$0.05	8,000	2.97	-	112,232
			65,249	2 March 2012	-	US\$0.10	2,709	2.51	791	61,749
			78,240	1 July 2012	-	US\$0.15	-	-	-	78,240
			25,300,000	7 September 2015	-	HK\$3.108	-	-	4,540,000	20,760,000
		RSUs	11,339,202	1 February 2011	-	-	83,107	-	131,310	11,124,785
			158,587	2 March 2012	-	-	2,340	-	6,646	149,601
			124,972	1 July 2012	-	-	17,000	-	-	107,972
			25,790,670	4 March 2013	-	-	1,234,098	-	2,977,062	21,579,510
			4,270,000	12 March 2015	-	-	355,000	-	1,305,002	2,609,998
		Sub-total	67,247,152		-		1,702,254		8,960,811	56,584,087
Total										
		Options	120,232	1 February 2011	-	US\$0.05	8,000	2.97	-	112,232
			65,249	2 March 2012	-	US\$0.10	2,709	2.51	791	61,749
			78,240	1 July 2012	-	US\$0.15	-	-	-	78,240
			25,300,000	7 September 2015	-	HK\$3.108	-	-	4,540,000	20,760,000
		RSUs	17,039,202	1 February 2011	-	-	83,107	-	131,310	16,824,785
			158,587	2 March 2012	-	-	2,340	-	6,646	149,601
			124,972	1 July 2012	-	-	17,000	-	-	107,972
			25,790,670	4 March 2013	-	-	1,234,098	-	2,977,062	21,579,510
			4,270,000	12 March 2015	-	-	355,000	-	1,305,002	2,609,998
		Total	72,947,152		-		1,702,254		8,960,811	62,284,087

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

The holders of the options granted under the Post-IPO Share Option Scheme as referred to in the table above are required to pay an amount of HK\$1.00 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 "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



PURCHASES, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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 2016.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For the six months ended 30 June 2016, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except for a deviation from the code provision A.2.1 which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Zhang Wei is the Chairman and Chief Executive Officer of the Company. With extensive experience in the Internet industry, Mr. Zhang Wei is responsible for the overall strategic planning and general management of the Group and is instrumental to the Company's growth and business expansion since its establishment in 2004. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises two executive directors (including Mr. Zhang Wei) and three independent non-executive directors and therefore has a fairly strong independence element in its composition.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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 2016.

AUDIT COMMITTEE

The Company 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 the three independent non-executive directors of the Company, namely, Mr. Cheung Ngai Lam, Mr. Choi Hon Keung Simon and Mr. You Caizhen. Mr. Cheung Ngai Lam is the chairman of the Audit Committee.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2016. There is no disagreement between the Board and the Audit Committee regarding accounting treatment adopted by the Company.

Other Information



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

On 14 July 2016, Mr. Gao Shaofei resigned from his position as an independent non-executive director and ceased to be a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company and Mr. You Caizhen was appointed as an independent non-executive director of the Company as well as a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company.

Save as disclosed above, there is no other change in the composition of the Board or change in the directors' biographical details which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since the date of 2015 annual report of the Company.

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. Up to 30 June 2016, a total amount of RMB403.1 million from the net proceeds from our initial public offering had been utilized for expanding our marketing, promotion activities, for business expansion and for research and development activities, etc. The unutilized net proceeds has been deposited into short-term demand deposits in a bank account maintained by the Group.

The Company will continue to utilize the net proceeds from the initial public offering for the purpose consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

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 31 to 66, which comprises the interim consolidated statement of financial position of Boyaa Interactive International Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2016 and the related interim consolidated statements 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

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.

CONCLUSION

Based on our review, 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, 30 August 2016

Boyaa Interactive International Limited

Interim Consolidated Statement of Financial Position

As at 30 June 2016



	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	7	40,751	28,164
Intangible assets	7	5,190	5,473
Investments in associates	8	15,015	18,829
Available-for-sale financial assets	9	215,282	280,484
Deferred income tax assets	10	8,255	7,029
Prepayments and other receivables	12	16,561	17,611
Financial assets at fair value through profit or loss	13	302,835	259,857
		603,889	617,447
Current assets			
Trade receivables	11	66,350	77,858
Prepayments and other receivables	12	21,637	30,664
Financial assets at fair value through profit or loss	13	187,738	222,561
Term deposits		31,653	65,468
Cash and cash equivalents	14	1,246,093	1,065,802
		1,553,471	1,462,353
Total assets		2,157,360	2,079,800
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	15	248	248
Share premium	15	590,116	590,113
Share held for RSU Scheme	15	(17)	(18)
Reserves	16	118,076	155,266
Retained earnings		1,190,370	1,060,695
Total equity		1,898,793	1,806,304

Interim Consolidated Statement of Financial Position

As at 30 June 2016



	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	10	26,011	41,628
Current liabilities			
Trade and other payables	18	90,517	95,760
Deferred revenue	19	23,095	22,774
Current income tax liabilities		118,944	113,334
		232,556	231,868
Total liabilities		258,567	273,496
Total equity and liabilities		2,157,360	2,079,800
Net current assets		1,320,915	1,230,485
Total assets less current liabilities		1,924,804	1,847,932

Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Three and Six Months Ended 30 June 2016



	Notes	Three months ended 30 June		Six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Revenue	6	180,660	193,080	350,856	437,036
Cost of revenue	20	(64,524)	(102,512)	(127,276)	(215,163)
Gross profit		116,136	90,568	223,580	221,873
Selling and marketing expenses	20	(8,140)	(60,036)	(13,900)	(107,944)
Administrative expenses	20	(54,170)	(39,359)	(105,528)	(69,003)
Other income and gains - net	21	22,469	9,312	33,551	16,339
Operating profit		76,295	485	137,703	61,265
Finance income	22	4,819	15,499	12,958	21,054
Finance costs	22	–	(910)	(333)	(5,279)
Finance income - net	22	4,819	14,589	12,625	15,775
Share of (loss)/profit of associates	8	(633)	2,311	(1,459)	5,424
Profit before income tax		80,481	17,385	148,869	82,464
Income tax expense	23	(10,436)	(1,578)	(19,194)	(9,796)
Profit for the period		70,045	15,807	129,675	72,668
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
– Changes in value of available-for-sale financial assets, net of tax		(21,147)	(9,407)	(55,406)	(9,986)
– Less: reclassification of changes in fair value of available-for-sale financial assets to profit or loss upon disposal of available-for-sale financial assets, net of tax		–	(258)	–	(258)
– Currency translation differences		6,761	(1,003)	5,500	(322)
Other comprehensive loss for the period, net of tax		(14,386)	(10,668)	(49,906)	(10,566)
Total comprehensive income for the period		55,659	5,139	79,769	62,102

Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Three and Six Months Ended 30 June 2016



	Notes	Three months ended 30 June		Six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Profit attributable to:					
– Owners of the Company		70,045	16,237	129,675	73,830
– Non-controlling interests		–	(430)	–	(1,162)
		70,045	15,807	129,675	72,668
Total comprehensive income attributable to:					
– Owners of the Company		55,659	5,569	79,769	63,264
– Non-controlling interests		–	(430)	–	(1,162)
		55,659	5,139	79,769	62,102
Earnings per share <i>(expressed in RMB cents per share)</i>					
– Basic	24	10.36	2.28	19.20	10.44
– Diluted	24	9.73	2.22	18.00	10.08
Dividends	25	–	–	–	–

Interim Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2016



		(Unaudited)					
	Note	Share capital RMB'000	Share premium RMB'000	Shares held for RSU Scheme RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2016		248	590,113	(18)	155,266	1,060,695	1,806,304
Comprehensive income							
Profit for the period		-	-	-	-	129,675	129,675
Other comprehensive income							
– change in value of available-for-sale financial assets, net of tax		-	-	-	(55,406)	-	(55,406)
– currency translation differences		-	-	-	5,500	-	5,500
Total comprehensive income for the period		-	-	-	(49,906)	129,675	79,769
Employee share option and RSU scheme							
– value of employee services		-	-	-	12,716	-	12,716
– proceeds from shares issued		-	4	-	-	-	4
– vesting of shares under RSU scheme	15	-	(1)	1	-	-	-
Total transactions with owners, recognized directly in equity		-	3	1	12,716	-	12,720
Balance at 30 June 2016		248	590,116	(17)	118,076	1,190,370	1,898,793

Interim Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2016



(Unaudited)								
Note	Share capital RMB'000	Share premium RMB'000	Shares held for RSU Scheme RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2015	245	632,329	(19)	137,045	702,896	1,472,496	9,130	1,481,626
Comprehensive income								
Profit for the period	-	-	-	-	73,830	73,830	(1,162)	72,668
Other comprehensive income								
– change in value of available-for-sale financial assets, net of tax	-	-	-	(9,986)	-	(9,986)	-	(9,986)
– reclassification of changes in fair value of available-for-sale financial assets to profit or loss upon disposal, net of tax	-	-	-	(258)	-	(258)	-	(258)
– currency translation differences	-	-	-	(322)	-	(322)	-	(322)
Total comprehensive income for the period	-	-	-	(10,556)	73,830	63,264	(1,162)	62,102
Employee share option and RSU scheme								
– value of employee services	-	-	-	9,896	-	9,896	-	9,896
– proceeds from shares issued	2	1,745	-	-	-	1,747	-	1,747
– vesting of shares under RSU scheme	15	(4)	4	-	-	-	-	-
Dividends relating to 2014	-	(45,122)	-	-	-	(45,122)	-	(45,122)
Total contributions by and distributions to owners of the Company, recognized directly in equity	2	(43,381)	4	9,896	-	(33,479)	-	(33,479)
Disposal of subsidiaries	-	-	-	-	-	-	(7,968)	(7,968)
Total transactions with owners, recognized directly in equity	2	(43,381)	4	9,896	-	(33,479)	(7,968)	(41,447)
Balance at 30 June 2015	247	588,948	(15)	136,375	776,726	1,502,281	-	1,502,281

Interim Consolidated Statement of Cash Flows

For the Six Months Ended 30 June 2016



	Note	Six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		158,498	34,092
Income tax paid		(30,427)	(3,770)
Net cash generated from operations activities		128,071	30,322
Cash flows from investing activities			
Purchase of property, plant and equipment		(17,240)	(5,626)
Purchase of intangible assets		(529)	(226)
Purchase of financial assets at fair value through profit or loss		(1,497,932)	(39,935)
Investments in associates		(150)	(4,600)
Purchase of available-for-sale financial assets		–	(500)
Net proceeds from disposal of subsidiaries		–	4,666
Proceeds from disposal of investment of associate		2,505	–
Placement of term deposits with original maturities over three months		33,815	–
Acquisition of subsidiaries, net of cash acquired		–	19
Proceeds from disposal of financial assets at fair value through profit or loss		1,516,650	–
Proceeds from disposal of short-term investments		–	370,000
Proceeds from disposal of available-for-sale financial assets		–	1,927
Proceeds from disposal of property, plant and equipment		–	15
Return on short-term investments received		–	1,894
Interest received		10,912	19,787
Net cash generated from investing activities		48,031	347,421
Cash flows from financing activities			
Dividends paid to equity holders of the Company		–	(45,122)
Proceeds from issuance of ordinary shares	15	4	1,846
Net cash generated from/(used in) financing activities		4	(43,276)
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		1,065,802	1,029,331
Exchange gains/(losses) on cash and cash equivalents		4,185	(662)
Cash and cash equivalents at end of the period		1,246,093	1,363,136

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 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 statement of financial position as at 30 June 2016, 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 Financial Information**”) of the Group have been approved by the Board of Directors (the “**Board**”) on 30 August 2016.

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

2. BASIS OF PREPARATION

The Interim 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 Standards (“**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 2015 as set out in the 2015 annual report of the Company dated 23 March 2016 (the “**2015 Financial Statements**”).

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those used in the 2015 Financial Statements, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and available-for-sale financial assets, 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.

In the current interim period, the Group has applied, for the first time, certain amendments to IFRSs that are mandatorily effective for the current interim period.

Notes to the Interim Condensed Consolidated Financial Information



3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The following new standards and amendments to standards have been issued and are relevant to the Group, but are not effective for the financial year beginning on 1 January 2016 and have not been early adopted:

		Effective for the financial year beginning on or after
Annual improvements 2014	“Annual improvements project”	1 July 2016
IFRS 15	“Revenue from contracts with customers”	1 January 2018
IFRS 9	“Financial instruments”	1 January 2018
IFRS16	“Leases”	1 January 2019

The Group is in the process of assessing the impact of the above new standards and amendments to existing standards on the Group’s consolidated financial statements.

4. ESTIMATES

The preparation of the Interim 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 2015 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 2015 Financial Statements.

There have been no significant changes in risk management policies since the year end of 2015.

Notes to the Interim Condensed Consolidated Financial Information



5. FINANCIAL RISK MANAGEMENT *(Continued)*

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 recognized 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 2016 of the Group would have been approximately RMB1,786,000 higher/lower (for the six months ended 30 June 2015: RMB1,508,000), 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 post-tax profit for the six months ended 30 June 2016 would have been approximately RMB2,530,000 higher/lower (for the six months ended 30 June 2015: RMB2,349,000), mainly as a result of net foreign exchange gains/losses on translation of net monetary assets denominated in RMB.

5.3 Liquidity risk

Compared to the year end of 2015, 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).

Notes to the Interim Condensed Consolidated Financial Information



5. FINANCIAL RISK MANAGEMENT (Continued)

5.4 Fair value estimation (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2016 and 31 December 2015:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Unaudited				
At 30 June 2016				
Assets				
Financial assets at fair value through profit or loss	–	–	490,573	490,573
Available-for-sale financial assets	209,682	–	5,600	215,282
	209,682	–	496,173	705,855
Audited				
At 31 December 2015				
Assets				
Financial assets at fair value through profit or loss	–	–	482,418	482,418
Available-for-sale financial assets	229,791	–	50,693	280,484
	229,791	–	533,111	762,902

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 2016:

	Financial assets at fair value through profit or loss RMB'000 (Unaudited)	Available-for-sale financial assets RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Opening balance as at 1 January 2016	482,418	50,693	533,111
Additions	1,497,932	–	1,497,932
Disposals	(1,516,650)	–	(1,516,650)
Gains recognized in profit or loss	31,227	–	31,227
Fair value changes	–	(45,093)	(45,093)
Currency translation differences	(4,354)	–	(4,354)
Closing balance as at 30 June 2016	490,573	5,600	496,173
Total gains for the period recognized in profit or loss under "other income and gains – net"	31,227	–	31,227

The following table presents the changes in level 3 instruments for the six months ended 30 June 2015:

	Financial assets at fair value through profit or loss RMB'000 (Unaudited)	Available-for-sale financial assets RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Opening balance as at 1 January 2015	22,085	61,325	83,410
Additions	39,935	500	40,435
Gains recognized in profit or loss	10,445	–	10,445
Fair value changes	–	(11,808)	(11,808)
Currency translation differences	(54)	–	(54)
Closing balance as at 30 June 2015	72,411	50,017	122,428
Total gains for the period recognized in profit or loss under "other income and gains – net"	10,445	–	10,445

Notes to the Interim Condensed Consolidated Financial Information



6. REVENUE AND SEGMENT INFORMATION

	Three months ended 30 June		Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Development and operations of online game				
– Web-based game	66,111	77,917	132,485	178,200
– Mobile games	114,549	115,163	218,371	258,836
	180,660	193,080	350,856	437,036

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

The Group offers their games in various language versions in order to enable game players to play the games in different regions. 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	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Simplified Chinese	78,619	84,684	155,371	195,426
Other languages	102,041	108,396	195,485	241,610
	180,660	193,080	350,856	437,036

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 2016 and 2015.

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 available-for-sale financial assets were located as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Mainland China	58,232	61,626
Other locations	19,285	8,451
	77,517	70,077

7. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment RMB'000 (Unaudited)	Intangible assets RMB'000 (Unaudited)
Opening balance as at 1 January 2016	28,164	5,473
Other additions	17,240	529
Depreciation and amortization	(4,653)	(812)
Closing balance as at 30 June 2016	40,751	5,190

Notes to the Interim Condensed Consolidated Financial Information



8. INVESTMENT IN ASSOCIATES

	RMB'000 (Unaudited)
As at 1 January 2016	18,829
Additions (Note (a))	150
Disposals (Note (b))	(2,505)
Share of loss	(1,459)
As at 30 June 2016	15,015

- (a) On 18 March 2016, the Group invested in 15% equity interest in Chengdu Boyu Interactive Technology Co., Ltd. (成都博娛互動科技有限公司, "**Chengdu Boyu**"), which is established on 26 February 2016 and mainly engaged in the operation and promotion of chess and card games at a consideration of RMB150,000. Since the Group has the right to appoint a director to the board of directors of Chengdu Boyu, the directors of the Company consider that the Group has significant influence on Chengdu Boyu, and accordingly it is accounted for as an associate of the Group.
- (b) On 25 February 2016, the Group disposed of 12% equity interest in Shenzhen Gangyun Technology Co., Ltd. (深圳港雲科技有限公司, "**Gangyun**") to an independent third party at a consideration of approximately RMB3,200,000. From the date on which the Group acquired the equity interest to 25 February 2016, the Group's accumulated share of loss is RMB695,000, thus the disposal resulted in a gain of RMB695,000.

The directors of the Company consider that all associates as at 30 June 2016 and 31 December 2015 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. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	RMB'000 (Unaudited)
As at 1 January 2016	280,484
Net losses from changes in fair value	(65,184)
Currency translation differences	(18)
At 30 June 2016	215,282

Available-for-sale financial assets include the followings:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Listed equity securities	209,682	229,791
Unlisted equity investment	5,600	50,693
	215,282	280,484

The listed equity securities mainly represented the Group's equity investment in Zeus Entertainment, the fair value of the investment in Zeus Entertainment as at 30 June 2016 was RMB208,767,000 (31 December 2015: RMB228,921,000).

The unlisted equity investment mainly represented the Group's equity investment in Blingstorm Entertainment Ltd. ("Blingstorm", 晶合思動(北京)科技有限公司). Blingstorm is mainly engaged in development and operation of mobile games in the PRC. The Group held 9.36% equity interest in Blingstorm as at 30 June 2016 (31 December 2015: 9.36%). The fair value of the investment in Blingstorm as at 30 June 2016 was RMB4,600,000 (31 December 2015: RMB49,693,000).

Notes to the Interim Condensed Consolidated Financial Information



10. DEFERRED INCOME TAX

The movement in deferred income tax assets and liabilities 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)	Deferred income tax liabilities RMB'000 (Unaudited)
At 1 January 2016	7,029	41,628
Credited to profit or loss (Note 23)	1,226	2,056
Tax credited relating to components of other comprehensive income	–	(17,673)
At 30 June 2016	8,255	26,011

11. TRADE RECEIVABLES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade receivables	66,350	77,858
Less: impairment provision	–	–
	66,350	77,858

Notes to the Interim Condensed Consolidated Financial Information



11. TRADE RECEIVABLES (Continued)

- (a) Trade receivables were arising from the development and operation of online game business. 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 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
0-60 days	41,699	51,724
61-90 days	7,076	12,687
91-180 days	9,479	6,139
Over 180 days	8,096	7,308
	66,350	77,858

- (b) As at 30 June 2016, trade receivables of past due but not impaired were approximately RMB26,753,000 (31 December 2015: RMB32,172,000). These related to a number of independent Platforms and third party payment vendors which the Group has not encountered any credit defaults in the past and they are assessed to be financially trustworthy. As a result, the directors of the Company consider that these overdue amounts can be recovered. The ageing analysis of these trade receivables was as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Outstanding after due dates:		
0-60 days	5,875	21,766
61-90 days	5,266	1,852
Over 90 days	15,612	8,554
	26,753	32,172

Notes to the Interim Condensed Consolidated Financial Information



12. PREPAYMENT AND OTHER RECEIVABLES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Included in non-current assets		
Prepayments for purchase of certain properties and assets	2,490	6,680
Loans to employees (Note (a))	14,071	10,931
	16,561	17,611
Included in current assets		
Prepayments for advertising costs	1,145	4,196
Loans to employees	6,116	10,027
Loan to associate	2,000	1,000
Undeducted input value-added tax	23	329
Prepaid commission charges	2,963	2,748
Prepayment for servers rental expenses	458	1,175
Deposits	979	5,150
Interest receivable	355	1,159
Others	7,598	4,880
	21,637	30,664
	38,198	48,275

- (a) Loans to employees mainly represented advances to employees for various expenses to be incurred in the ordinary course of business and housing or auto loans to certain employees. These loans are unsecured, interest-free and repayable on demand except that RMB14,071,000 are required to be repaid in 1 to 10 years as at 30 June 2016 (31 December 2015: RMB10,931,000). 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 4.90%) promulgated by the People's Bank of China. The differences of RMB333,000 between the initial fair values and the principals of these loans were recorded in "finance costs"(Note 22).

Notes to the Interim Condensed Consolidated Financial Information



13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Included in non-current assets		
Non-quoted investments in (Note (a))		
– asset management plans	167,250	163,221
– equity investment partnerships	122,338	96,636
– preferred shares issued by private companies	13,247	–
	302,835	259,857
Included in current assets		
Non-quoted investments in certain wealth management products (Note (b))	187,738	222,561
	490,573	482,418

- (a) As at 30 June 2016, the fair values of the investments in asset management plans were determined mainly with reference to the estimated return; the fair values of the investments in equity investment partnerships were determined mainly with reference to the Group's share of their respective net asset values; and the fair value of preferred shares issued by private companies was RMB13,247,000.
- (b) These wealth management products are investments in trust schemes and private investment funds. They have an initial term ranging from 122 days to 1 year. The fair values of these investments were based on the quotations or statements provided by the counterparties.
- (c) The above financial assets were designated as financial assets at fair value through profit or loss upon their initial recognition as the performance of these financial assets is evaluated on a fair value basis pursuant to the Group's investment strategy.

14. CASH AND CASH EQUIVALENTS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Cash at bank and in hand	149,966	117,062
Short-term bank deposits	1,096,127	948,740
	1,246,093	1,065,802

The short-term bank deposits are denominated in RMB and have a term ranging from 1 month to 3 months. The effective interest rate of these deposits for the six months ended 30 June 2016 was 3.9% (for the year ended 31 December 2015: 4.90%).

Notes to the Interim Condensed Consolidated Financial Information



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

As at 30 June 2016, the total authorized share capital of the Company comprises 2,000,000,000 ordinary shares (31 December 2015: 2,000,000,000 ordinary shares) with par value of USD0.00005 per share (31 December 2015: USD0.00005 per share).

As at 30 June 2016, the total number of issued ordinary shares of the Company was 765,077,957 shares (31 December 2015: 765,067,248 shares) which included 88,606,958 shares (31 December 2015: 90,298,503 shares) held under the RSU Scheme (Note 17(d)). They have been fully paid up.

	(Unaudited)				
	Number of ordinary shares	Nominal value of ordinary shares USD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Shares held for RSU Scheme RMB'000
At 1 January 2016	765,067,248	38	248	590,113	(18)
– proceeds from shares issued	10,709	–	–	4	–
– vesting of shares held for RSU Scheme	–	–	–	(1)	1
Dividends	–	–	–	–	–
At 30 June 2016	765,077,957	38	248	590,116	(17)

Notes to the Interim Condensed Consolidated Financial Information



16. RESERVES

	(Unaudited)					Total RMB'000
	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	
At 1 January 2016	2,000	5,479	21,000	106,160	20,627	155,266
Employee share option and RSU schemes – value of employee services (Note 20)	–	–	–	12,716	–	12,716
Change in fair value of available-for-sale financial assets	–	–	–	–	(55,406)	(55,406)
Reclassification of changes in fair value of available-for-sale financial assets to profit or loss upon disposal, net of tax	–	–	–	–	–	–
Current translation differences	–	5,500	–	–	–	5,500
At 30 June 2016	2,000	10,979	21,000	118,876	(34,779)	118,076

	(Unaudited)					Total RMB'000
	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	
At 1 January 2015	2,000	(3,582)	21,000	83,071	34,556	137,045
Employee share option and RSU schemes – value of employee services (Note 20)	–	–	–	9,896	–	9,896
Change in fair value of available-for-sale financial assets	–	–	–	–	(9,896)	(9,896)
Reclassification of changes in fair value of available-for-sale financial assets to profit or loss upon disposal, net of tax	–	–	–	–	(258)	(258)
Current translation differences	–	(322)	–	–	–	(322)
At 30 June 2015	2,000	(3,904)	21,000	92,967	24,312	136,375

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 (the “**Pre-IPO Share Option Scheme**”) with the objective to recognize 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.

The exercise price in respect of any option shall be fixed by reference to the fair value of the ordinary shares on the date upon which the option is granted, and subject to any alteration in the capital structure of the Company whilst any option remains exercisable, arising from capitalization of profits or reserves, consolidation, subdivision or reduction of the share capital of the Company. 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 (the “**Post-IPO Share Option Scheme**”) with the objective to recognize and reward the contribution of eligible directors and employees to the growth and development of the Group.

The exercise price in respect of any option granted under Post-IPO Share Option Scheme shall be such price as determined by the Board and notified to an option-holder and which shall not be less than the higher of:

- the closing price of the shares as stated in the Stock Exchange’s daily quotation sheets on the date of offer of the option;
- the average of the closing price of the shares as stated in the Stock Exchange’s daily quotation sheets for the five trading days immediately preceding the date of offer of the option; and
- the nominal value of the shares.

Notes to the Interim Condensed Consolidated Financial Information



17. SHARE-BASED PAYMENTS (Continued)

(a) Share options (Continued)

(i) Grant of share options

On 1 February 2011, 2 March 2012, 1 July 2012 and 1 November 2012, the Group granted 2,520,750 (“Tranche I”), 775,000 (“Tranche II”), 1,180,000 (“Tranche III”) and 6,760,563 (“Tranche IV”) share options to its employees and directors, respectively. The numbers of the above share options have been adjusted to reflect the effects of the share splits in prior years.

The vesting period of the share options granted is 4 years and the vesting schedules is 25% after 12 months from the grant date, 12.5% after 18 months from the grant date, 12.5% after 24 months from the grant date, and 2.083% from each month of 25 to 48 months from the grant date.

On 7 September 2015, the Group granted 26,360,000 share options under the Post-IPO Share Option Scheme to its employees. The vesting period of the share options granted is 4 years and the vesting schedule is 25% after 12 months from the grant date, 25% after 24 months from the grant date, and 2.083% from each month of 25 to 48 months from the grant date. Exercise price of the share options granted is HKD3.108 per share. The expiry date of the above newly granted share options is 6 September 2025.

The options may be exercised provided that the grantees continue to be employed by the Group.

The Group has no legal or constructive obligations to repurchase or settle the options in cash.

(ii) Replacement of certain share options with RSUs

On 4 March 2013, the Group modified the then existing share option scheme such that 25,195,000, 362,500, 590,000 and 3,380,282 of share options granted on 1 February 2011, 2 March 2012, 1 July 2012 and 1 November 2012 of the scheme, respectively, were replaced by the same number of RSUs under the RSU Scheme (see Note (b) below). The major changes are that there is no consideration payable by the grantees for the RSUs, while there were assigned exercise prices for the options exchanged. Such changes represent a modification of the instruments granted for share based payments and resulted in an aggregate incremental fair value of approximately RMB9,700,000.

Notes to the Interim Condensed Consolidated Financial Information



17. SHARE-BASED PAYMENTS (Continued)

(a) Share options (Continued)

(iii) Outstanding share options

Movements in the number of share options outstanding:

	Number of share options	
	2016 (Unaudited)	2015 (Unaudited)
At 1 January	25,563,721	8,827,506
Exercised	(10,709)	(5,412,526)
Lapsed	(4,540,791)	(319,564)
At 30 June	21,012,221	3,095,416

The related weighted average share price at the time of exercise was HKD2.88 per share.

Details of the exercise prices and the respective numbers of share options which remained outstanding as at 30 June 2016 and 2015 are as follows:

Expiry Date	Price	Number of share options	
		30 June 2016 (Unaudited)	30 June 2015 (Unaudited)
31 January 2019	USD0.05	112,232	769,392
1 March 2020	USD0.10	61,749	102,280
30 June 2020	USD0.15	78,240	111,068
31 October 2020	USD0.15	–	2,112,676
6 September 2025	HKD3.108	20,760,000	–
		21,012,221	3,095,416

(b) RSUs

Pursuant to a resolution passed by the Board of the Company on 17 September 2013, the Company set up a RSU Scheme with the objective to 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.

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

Notes to the Interim Condensed Consolidated Financial Information



17. SHARE-BASED PAYMENTS (Continued)

(b) RSUs (Continued)

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.

On 12 March 2015, the Group granted 4,955,000 additional RSUs to its employees. The vesting period of the RSUs granted is 4 years and the vesting schedule is 25% after 12 months from the grant date, 25% after 24 months from the grant date, 12.5% after 30 months from the grant date, 12.5% after 36 months from the grant date, and 2.083% from each month of 37 to 48 months from the grant date. The expiry date of the above newly granted RSUs is 11 March 2023.

Movements in the number of RSUs outstanding:

	Number of RSUs	
	2016 (Unaudited)	2015 (Unaudited)
At 1 January	47,383,431	74,215,932
Granted	–	4,955,000
Lapsed	(4,420,020)	(4,092,858)
Vested and transferred	(1,691,545)	(8,917,651)
At 30 June	41,271,866	66,160,423
Vested but not transferred as at 30 June	34,780,551	46,369,592

The related weighted average share price at the time of vested and transferred was HKD2.74 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 comprehensive income. As at 30 June 2016, the Expected Retention Rate was assessed to be 80% (31 December 2015: 85%).

(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 Core Trust Company Limited (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 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade payables	794	727
Other taxes payable	45,686	44,967
Accrued expenses	22,568	25,640
Salary and staff welfare payables	12,865	12,946
Payables for the remaining considerations for the acquisitions of subsidiaries	5,000	5,000
Advance received from sales of prepaid game cards	2,879	3,099
Others	725	3,381
	90,517	95,760

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 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
0 - 30 days	417	420
31 - 60 days	260	39
61 - 90 days	21	-
Over 90 days	96	268
	794	727

19. DEFERRED REVENUE

Deferred revenue represented service fees prepaid by the game players for the Group's online games in the forms of prepaid game cards, game tokens and virtual items, for which the related services had not been rendered as at 30 June 2016 and 31 December 2015.

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20. EXPENSES BY NATURE

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

	Three months ended 30 June		Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Commission charges by platforms and third party payment vendors	54,026	79,116	106,992	173,787
Advertising expenses	3,328	47,114	4,029	86,550
Employee benefit expenses (excluding share-based compensation expenses)	43,657	42,422	84,410	75,348
Share-based compensation expenses	5,732	5,382	12,716	9,896
Servers rental expenses	5,003	6,507	9,876	12,503
Travelling and entertainment expenses	3,238	5,851	5,223	7,696
Other professional service fees	1,700	2,937	3,588	5,439
Office rental expenses	2,527	2,599	4,887	5,026
Depreciation of property, plant and equipment (Note 7)	2,311	1,792	4,653	3,412
Auditor's remuneration	–	1,000	1,000	2,000
Amortization of intangible assets (Note 7)	418	764	812	1,438
Other expenses	4,894	6,423	8,518	9,015
	126,834	201,907	246,704	392,110

Research and development expenses during the three and six months ended 30 June 2016 and 2015 were analyzed as below:

	Three months ended 30 June		Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Employee benefit expenses	28,669	15,301	55,177	26,948
Depreciation of property, plant and equipment	442	446	860	813
Rental expenses	911	896	1,797	1,716
Others	3,623	–	6,066	–
	33,645	16,643	63,900	29,477

No development expenses were capitalized for the three and six months ended 30 June 2016 and 2015.

Notes to the Interim Condensed Consolidated Financial Information



21. OTHER INCOME AND GAINS – NET

	Three months ended 30 June		Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Return on short-term investments	–	444	–	4,197
Realized/unrealized fair value gains on financial assets at fair value through profit or loss	21,287	6,966	31,227	10,445
Government subsidies (Note a)	1,044	396	1,155	1,397
Foreign exchange losses, net	(1,842)	(613)	(1,519)	(1,928)
Deregistration of a subsidiary	227	–	227	–
Gain on disposal of subsidiaries	–	1,707	–	1,707
Gain on disposal of available-for-sale financial assets	–	250	–	250
Gain arising from partial disposal of an associate (Note 8)	–	175	695	175
Losses on disposals of property, plant and equipment	–	(14)	–	(14)
Others	1,753	1	1,766	110
	22,469	9,312	33,551	16,339

- (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



22. FINANCE INCOME – NET

	Three months ended 30 June		Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Finance income				
Interest income	3,426	15,337	10,912	20,332
Interest income on non-current loans to employees	175	162	383	722
Foreign exchange gains, net	1,218	–	1,663	–
	4,819	15,499	12,958	21,054
Finance costs				
Discounting effects of non-current loans to employees	–	(842)	(333)	(4,180)
Foreign exchange losses, net	–	(68)	–	(1,099)
	–	(910)	(333)	(5,279)
Finance income – net	4,819	14,589	12,625	15,775

23. INCOME TAX EXPENSE

The income tax expense of the Group for the three and six months ended 30 June 2016 and 2015 is analyzed as follows:

	Three months ended 30 June		Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Current tax	9,926	8,209	18,364	17,796
Deferred tax	510	(6,631)	830	(8,000)
	10,436	1,578	19,194	9,796

Notes to the Interim Condensed Consolidated Financial Information



23. INCOME TAX EXPENSE (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 for as there was business operation that is subject to Hong Kong profits tax. It has been provided for at the rate of 16.5% on the estimated assessable profits for the three and six months ended 30 June 2016 and 2015.

(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 2016 and 2015, based on the existing legislation, interpretations and practices in respect thereof.

Shenzhen Dong Fang Bo Ya Technology Co., Ltd ("**Boyaa Shenzhen**") qualified as a "High and New Technology Enterprise" ("**HNTE**") under the Corporate Income Tax Law in 2015 and as a result, Boyaa Shenzhen enjoys a preferential tax rate of 15% from 1 January 2015 to 31 December 2017. Therefore, the actual income tax rate for Boyaa Shenzhen was 15% for the three and six months ended 30 June 2016 and 2015.

Boyaa Online Game Development (Shenzhen) Co., Ltd. ("**Boyaa PRC**") qualified as a HNTE under the Corporate Income Tax Law in 2013 and as a result, Boyaa PRC enjoys a preferential tax rate of 15% from 1 January 2013 to 31 December 2015. Boyaa PRC has applied for the renewal of the HNTE qualification for the next 3 years ending 31 December 2018 and based on management's self-assessment made on 30 June 2016, it is highly probable that the above application would be successful. Therefore, the expected income tax rate for Boyaa PRC was 15% for the three and six months ended 30 June 2016 (actual income tax rate for the three and six months ended 30 June 2015: 15%).

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engage in research and development activities are entitled to claim 150% of the research and development expenses so incurred in a year as tax deductible expenses in determining its tax assessable profits for that year ("**Super Deduction**"). Boyaa Shenzhen and Boyaa PRC are entitled to claim such Super Deduction in ascertaining its tax assessable profits for the three and six months ended 30 June 2016 and 2015.

(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%.

Notes to the Interim Condensed Consolidated Financial Information



23. INCOME TAX EXPENSE (Continued)

(d) PRC withholding tax ("WHT") (Continued)

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	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Audited)
Profit before income tax	148,869	82,464
Less: Share loss/(profit) of associates, net of tax	1,459	(5,424)
	150,328	77,040
Tax calculated at a tax rate of 25% (2015: 25%)	37,582	19,260
Tax effects of:		
– Tax concession on assessable profits of Boyaa Shenzhen and Boyaa PRC	(5,122)	4,107
– Different tax rates available to different subsidiaries of the Group	(8,375)	(13,848)
– Expenses not deductible for tax purposes	145	1,718
– Income not subject to tax	(18)	(436)
– Effect of Super Deduction	(4,658)	(1,005)
Income tax expenses	19,194	9,796

Notes to the Interim Condensed Consolidated Financial Information



24. EARNINGS PER SHARE

(a) Basic

Basic earnings per ordinary share is calculated by dividing the profit of the Group attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares held for the RSU Scheme which are treated as treasury shares.

	Three months ended 30 June		Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Profit attributable to owners of the Company	70,045	16,237	129,675	73,830
Weighted average number of ordinary shares in issue (thousand shares)	676,064	711,768	675,527	707,181
Basic earnings per share (expressed in RMB cents per share)	10.36	2.28	19.20	10.44

(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 2016 and 2015, the Company 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 annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options and RSUs. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and RSUs.

Notes to the Interim Condensed Consolidated Financial Information



24. EARNINGS PER SHARE (Continued)

(b) Diluted (Continued)

	Three months ended 30 June		Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Profit used to determine diluted earnings per share	70,045	16,237	129,675	73,830
Weighted average number of ordinary shares in issue (thousand shares)	676,064	711,768	675,527	707,181
Adjustment for RSUs (thousand shares)	43,443	18,216	44,872	21,113
Adjustment for share options (thousand shares)	193	2,840	193	3,991
Weighted average number of ordinary shares for calculating diluted earnings per share (thousand shares)	719,700	732,824	720,592	732,285
Diluted earnings per share (expressed in RMB cents per share)	9.73	2.22	18.00	10.08

25. DIVIDENDS

The Board did not declare interim dividend for the six months ended 30 June 2016 and 2015.

Notes to the Interim Condensed Consolidated Financial Information



26. 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 2016 and 2015. 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.

(a) Transactions with related parties:

Advertising expenses paid/payable to an associate:

	Three months ended 30 June		Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Shenzhen Gangyun Technology Co., Ltd. ("Gangyun")	4	2,061	4	3,274

Compensation of key management personnel (including Directors):

	Three months ended 30 June		Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Short-term benefits	1,004	1,524	2,061	3,115
Post-employment benefits	24	41	53	85
Other long-term employee benefits	–	–	–	–
Termination benefits	–	–	–	–
Share-based payment	469	521	1,054	892
	1,497	2,086	3,168	4,092

(b) Balance with related parties

Amount due to an associate included in "other payables":

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Gangyun	–	2,164

Notes to the Interim Condensed Consolidated Financial Information



27. OPERATING LEASE COMMITMENTS

The Group leases servers and office buildings under non-cancellable operating lease agreements. The lease terms are between 3 months to 45 months, and majority of lease agreements are renewable at the end of the lease period at market rate.

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Not later than 1 year	10,172	8,053
Later than 1 year but not later than 5 years	6,113	12,397
	16,285	20,450

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

For the Three and Six Months Ended 30 June 2016



	For the six months ended 30 June		Year-on-Year Change* %
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)	
Revenue	350,856	437,036	(19.7)
Cost of revenue	(127,276)	(215,163)	(40.8)
Gross profit	223,580	221,873	0.8
Selling and marketing expenses	(13,900)	(107,944)	(87.1)
Administrative expenses	(105,528)	(69,003)	52.9
Other income and gains – net	33,551	16,339	105.3
Operating profit	137,703	61,265	124.8
Finance income – net	12,625	15,775	(20.0)
Share of (loss)/profit of associates	(1,459)	5,424	(126.9)
Profit before income tax	148,869	82,464	80.5
Income tax expense	(19,194)	(9,796)	95.9
Profit for the period	129,675	72,668	78.4
Non-IFRS Adjustment (unaudited)			
Share-based compensation expense included in cost of revenue	3,099	3,079	0.6
Share-based compensation expense included in selling and marketing expenses	3,165	1,941	63.1
Share-based compensation expense included in administrative expenses	6,452	4,876	32.3
Non-IFRS adjusted net profit (unaudited)	142,391	82,564	72.5

* 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 and Six Months Ended 30 June 2016



	For the three months ended			Year-on-Year Change*	Quarter-on-Quarter Change **
	30 June 2016 RMB'000 (unaudited)	31 March 2016 RMB'000 (unaudited)	30 June 2015 RMB'000 (unaudited)		
Revenue	180,660	170,196	193,080	(6.4)	6.1
Cost of revenue	(64,524)	(62,752)	(102,512)	(37.1)	2.8
Gross profit	116,136	107,444	90,568	28.2	8.1
Selling and marketing expenses	(8,140)	(5,760)	(60,036)	(86.4)	41.3
Administrative expenses	(54,170)	(51,358)	(39,359)	37.6	5.5
Other income and gains – net	22,469	11,082	9,312	141.3	102.8
Operating profit	76,295	61,408	485	15,630.9	24.2
Finance income – net	4,819	7,806	14,589	(67.0)	(38.3)
Share of (loss)/profit of associates	(633)	(826)	2,311	(127.4)	(23.4)
Profit before income tax	80,481	68,388	17,385	362.9	17.7
Income tax expense	(10,436)	(8,758)	(1,578)	561.3	19.2
Profit for the period	70,045	59,630	15,807	343.1	17.5
Non-IFRS Adjustment (unaudited)					
Share-based compensation expense included in cost of revenue	1,426	1,673	1,293	10.3	(14.8)
Share-based compensation expense included in selling and marketing expenses	1,421	1,744	1,263	12.5	(18.5)
Share-based compensation expense included in administrative expenses	2,885	3,567	2,826	2.1	(19.1)
Non-IFRS adjusted net profit (unaudited)	75,777	66,614	21,189	257.6	13.8

* 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 2016 and the immediately preceding quarter.