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Boyaa Interactive International Limited

博雅互動國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0434)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Highlights:

- Our revenue for the year ended 31 December 2019 amounted to approximately RMB323.8 million, representing a decrease of approximately 28.6% from approximately RMB453.2 million recorded in 2018.
- Our gross profit for the year ended 31 December 2019 amounted to approximately RMB221.2 million, representing a decrease of approximately 27.5% from approximately RMB305.0 million recorded in 2018.
- Profit attributable to owners of the Company for the year ended 31 December 2019 amounted to approximately RMB33.8 million, representing a decrease of approximately 83.2% from approximately RMB201.5 million recorded in 2018.
- Our unaudited non-IFRS adjusted net profit for the year ended 31 December 2019 derived by excluding share-based compensation expenses amounted to approximately RMB34.2 million, representing a decrease of approximately 83.3% from approximately RMB204.8 million recorded in 2018.

FINANCIAL HIGHLIGHTS

	For the year ended		Year-on-Year Change*
	31 December		
	2019	2018	
	<i>RMB'000</i>	<i>RMB'000</i>	%
	(audited)	(audited)	
Revenue	323,816	453,234	(28.6)
– Web-based games	141,840	168,362	(15.8)
– Mobile games	181,976	284,872	(36.1)
Gross profit	221,164	304,970	(27.5)
Profit attributable to owners of the Company	33,760	201,532	(83.2)
Non-IFRS adjusted net profit (unaudited)**	34,233	204,753	(83.3)
Earnings per share (expressed in RMB cents per share)			
– Basic	5.05	29.56	(82.9)
– Diluted	5.05	29.48	(82.9)
	For the three months ended		Year-on-Year Change*
	31 December		
	2019	2018	
	<i>RMB'000</i>	<i>RMB'000</i>	%
	(unaudited)	(unaudited)	
Revenue	78,313	84,262	(7.1)
– Web-based games	34,629	38,403	(9.8)
– Mobile games	43,684	45,859	(4.7)
Gross profit	52,416	54,869	(4.5)
Profit attributable to owners of the Company	(48,308)	13,530	(457.0)
Non-IFRS adjusted net profit (unaudited)**	(48,307)	14,004	(445.0)

REVENUE BY GAMES

	For the year ended		Year-on-Year Change*
	31 December		
	2019	2018	
	<i>RMB'000</i>	<i>RMB'000</i>	%
	(audited)	(audited)	
Texas Hold'em Series	237,783	342,815	(30.6)
Other Card and Board****	86,033	110,419	(22.1)
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Total	<u>323,816</u>	<u>453,234</u>	(28.6)
	For the three months ended		Year-on-Year Change*
	31 December		
	2019	2018	
	<i>RMB'000</i>	<i>RMB'000</i>	%
	(unaudited)	(unaudited)	
Texas Hold'em Series	57,257	62,909	(9.0)
Other Card and Board****	21,056	21,353	(1.4)
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Total	<u>78,313</u>	<u>84,262</u>	(7.1)

REVENUE BY LANGUAGE VERSIONS OF GAMES

	For the year ended		Year-on-Year Change*
	31 December		
	2019	2018	
	<i>RMB'000</i>	<i>RMB'000</i>	%
	(audited)	(audited)	
Simplified Chinese	42,199	143,658	(70.6)
Other languages	281,617	309,576	(9.0)
Total	323,816	453,234	(28.6)
	For three months ended		Year-on-Year Change*
	31 December		
	2019	2018	
	<i>RMB'000</i>	<i>RMB'000</i>	%
	(unaudited)	(unaudited)	
Simplified Chinese	7,318	13,456	(45.6)
Other languages	70,995	70,806	0.3
Total	78,313	84,262	(7.1)

OPERATIONAL HIGHLIGHTS

	For the three months ended			Year-on-Year Change*	Quarter-on-Quarter Change**
	31 December 2019 (unaudited)	30 September 2019 (unaudited)	31 December 2018 (unaudited)		
Paying Players (<i>in thousands</i>)	334	373	490	(31.8)	(10.5)
• Web-based games	13	13	19	(31.6)	0.0
• Mobile games	321	360	471	(31.8)	(10.8)
Daily Active Users (“DAUs”) (<i>in thousands</i>)****	2,561	2,388	2,923	(12.4)	7.2
• Web-based games	207	204	180	15.0	1.5
• Mobile games	2,354	2,184	2,743	(14.2)	7.8
Monthly Active Users (“MAUs”) (<i>in thousands</i>)****	7,149	6,881	10,532	(32.1)	3.9
• Web-based games	536	477	772	(30.6)	12.4
• Mobile games	6,613	6,404	9,760	(32.2)	3.3
Average Revenue Per Paying User (“ARPPU”) of Texas Hold’em (<i>in RMB</i>)					
• Web-based games	960.4	1,026.0	704.8	36.3	(6.4)
• Mobile games	135.0	132.3	122.0	10.7	2.0
ARPPU of Other Card and Board (<i>in RMB</i>)					
• Web-based games	18.0	15.0	28.8	(37.5)	20.0
• Mobile games	26.4	25.2	17.8	48.3	4.8

* 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 31 December 2019 and the immediately preceding quarter.

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

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

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

Reference is made to the announcement of Boyaa Interactive International Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 31 March 2020 in relation to the unaudited material financial information of the Company for the year ended 31 December 2019 (the “**Material Financial Information Announcement**”).

The board of directors (the “**Board**”) of the Company is pleased to announce that the auditing process of the annual results of the Group for the year ended 31 December 2019 has been completed. As certain adjustments have been made to the unaudited material financial information contained in the Material Financial Information Announcement, the differences between the unaudited material financial information and the audited annual results contained in this announcement are set out in the section headed “Material Differences between the Unaudited Material Financial Information and the Audited Annual Results” in this announcement in accordance with Rule 13.49(3)(ii)(b) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The audited consolidated results for the year ended 31 December 2019 together with the comparative figures for the year ended 31 December 2018, are set forth in this announcement.

BUSINESS OVERVIEW AND OUTLOOK

Review of 2019

In terms of financial performance, in 2019, we recorded a revenue of approximately RMB323.8 million, representing a year-on-year decrease of approximately 28.6% compared to the same period in 2018, which was mainly attributable to (1) the impact from the incident of Apple Inc. carrying out rectification and inspection on the applications launched on its system starting from the second quarter of 2017 (the “**Apple Incident**”); (2) the effect of regulatory risk regarding the market rumor of the implementation of the “Administrative Measures of Online Card and Board Games” by the Chinese government aiming to shut down Texas Hold’em poker games and prohibiting the operation of Texas Hold’em poker games starting from 1 June 2018. Although such a policy has not yet been implemented, certain platforms have removed relevant products, which affected our revenue to a certain extent (“**Policy Risk Factor**”); and (3) revenue generated from web-based games decreased due to the industry trend of a gradual shift from web-based games to mobile terminals.

In 2019, we recorded an unaudited non-IFRS adjusted net profit of approximately RMB34.2 million, representing a year-on-year decrease of approximately 83.3% compared to the same period in 2018, mainly due to the decrease in revenue and the non-operating one-off factors such as the decrease in the fair value of financial assets including equity investment partnerships due to market factors. Excluding the impact of non-operating one-off factors such as the decrease in the fair value of financial assets including equity investment partnerships, the unaudited non-IFRS adjusted net profit in 2019 year-on-year decreased by approximately 47.1% compared to 2018, mainly due to the year-on-year decline in revenue as a result of the Policy Risk Factor. For the fourth quarter ended 31 December 2019, we recorded an unaudited non-IFRS adjusted loss of approximately RMB48.3 million, representing a quarter-to-quarter decrease of approximately 354.3% from the unaudited non-IFRS adjusted net profit for the third quarter of 2019. The significant decrease was primarily due to the impact of non-operating one-off factors such as the decrease in the fair value of financial assets including equity investment partnerships due to market factors. Excluding the impact of non-operating one-off factors such as the decrease in the fair value of financial assets including equity investment partnerships, the unaudited non-IFRS adjusted net profit for the fourth quarter of 2019 increased by 6.7% compared to the third quarter of 2019. The unaudited non-IFRS adjusted net profit for the fourth quarter of 2019 decreased by approximately 445.0% as compared to the fourth quarter of 2018. The greater year-on-year decrease in the fourth quarter was primarily due to the impact of non-operating one-off factors such as the decrease in the fair value of financial assets including equity investment partnerships due to market factors. Excluding the impact of non-operating one-off factors such as the decrease in the fair value of financial assets including equity investment partnerships, the unaudited non-IFRS adjusted net profit for the fourth quarter of 2019 decreased by approximately 59.9% compared to the fourth quarter of 2018, mainly due to the higher advertising and promotion expenses in the fourth quarter compared to the same period in 2018 and slightly lower revenue in the fourth quarter compared to the same period in 2018.

In terms of the operating data performance, we recorded a decline in the number of paying players and users during the fourth quarter of 2019 as compared to the fourth quarter of 2018. In particular, the number of paying players decreased by approximately 31.8% from approximately 0.5 million in the fourth quarter of 2018 to approximately 0.3 million in the fourth quarter of 2019. The number of DAUs decreased by approximately 12.4% from approximately 2.9 million in the fourth quarter of 2018 to 2.6 million in the fourth quarter of 2019. The number of MAUs decreased by approximately 32.1% from approximately 10.5 million in the fourth quarter of 2018 to approximately 7.1 million in the fourth quarter of 2019, whereas the ARPPU grew in both Texas Hold'em web-based and mobile games and the mobile versions of other card and board games.

During the fourth quarter of 2019, we successfully held the 2019 “Boyaa” Mahjong Competition in Zigong, the 2019 “Boyaa” Mahjong Competition in Chengdu, the 2019 “Boyaa” Chess League Competition of Nine Universities in Yunnan and the BPT Series Competition – 2019BPT Competition in Europe. “Boyaa” Competitions aim to promote the philosophy of public welfare by way of intellectual and competitive card and board intelligence games, and to guide and encourage our users to actively participate in public welfare undertakings through competitions. We donated RMB37,483 for the public welfare program of students in poverty to the Red Cross Society of China, Shenzhen Branch through holding public welfare competitions. Holding public welfare competitions can involve our game users actively participating in the Boyaa games and public welfare undertakings, thereby further enhancing the loyalty of our game users and strengthening the influence of our “Boyaa” game brands. We aim to inherit the traditional culture of Chinese intellectual and competitive card and board games by way of holding public welfare competitions and create a healthy and green environment for intellectual and competitive card and board games, which has brought good experience for a wide range of users of card and board games.

In terms of gaming products, we offered a total of 78 online gaming product portfolios with a total of 11 languages as of 31 December 2019. During 2019, with still remaining focus on research and development (“**R&D**”) of game products, innovation of gameplay, enrichment of game products and optimisation of user experience, we made efforts to refine our products and diversify our operation in a steady manner to improve the quality of our gaming products while also constantly exploring and trying new operation mode.

Outlook for 2020

In 2020, we will continue to carry out the following work:

- further explore the domestic and overseas operational model of card and board games;
- further explore overseas market for card and board games;
- keep focusing on the R&D and innovation of mobile-based products and devote more efforts to expand other card and board gaming business to continually enrich the contents and rules of the games;
- constantly improve our basic infrastructure and gaming features, and focus on enhancing the experience and service quality we provide to our users; and
- research and develop new competition gaming to enhance and consolidate the loyalty of our players and develop Boyaa into a century-old brand of intellectual and competitive card and board games.

In 2019, we move ahead in the face of challenges. In 2020, the Company will continue to strictly comply with various laws and regulations of the People's Republic of China (the "PRC"). The Company will still focus on the R&D of online card and board game products and innovation of rules for such products, therefore continuously enriching the variety of game products and optimize the user experience. Moreover, the Company will tap into overseas game market as well as other card and board games business, constantly explore and try new business models, endeavor to develop high-quality card and board games and matches. With the development in the field of online card and board games in a steady manner, the Company continues the journey to forge a century-old brand for Boyaa's intellectual and competitive card and board games.

MANAGEMENT DISCUSSION AND ANALYSIS

Year Ended 31 December 2019 Compared to Year Ended 31 December 2018

Revenue

Our revenue for the year ended 31 December 2019 amounted to approximately RMB323.8 million, representing a decrease of approximately 28.6% from approximately RMB453.2 million recorded in 2018. The year-on-year decrease was primarily due to the impact of the Apple second Incident from the second quarter of 2017, the effect of the Policy Risk Factor from the second quarter of 2018 and revenue generated from web-based games decreased due to the industry trend of a gradual transfer of web-based games to mobile terminals. For the year ended 31 December 2019, revenue generated from our mobile games and web-based games accounted for approximately 56.2% and 43.8% of our total revenue, respectively, as compared with approximately 62.9% and 37.1%, respectively, for the year ended 31 December 2018.

Cost of revenue

Our cost of revenue decreased by approximately 30.8% from approximately RMB148.3 million in 2018 to approximately RMB102.7 million in 2019 primarily due to the reduction in commission charges.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by approximately 27.5% from approximately RMB305.0 million for the year ended 31 December 2018 to approximately RMB221.2 million for the year ended 31 December 2019.

For the year ended 31 December 2019 and the same period in 2018, our gross profit margin were approximately 68.3% and 67.3%, respectively.

Selling and marketing expenses

Our selling and marketing expenses decreased by approximately 25.3% from approximately RMB27.9 million in 2018 to approximately RMB20.8 million in 2019, accounting for approximately 6.4% of our revenue in 2019, increased from approximately 6.2% in 2018. The year-on-year decrease in selling and marketing expenses was mainly attributable to the decrease in expenses for advertising and promotional activities.

Administrative expenses

Our administrative expenses decreased by approximately 12.4% from approximately RMB134.3 million in 2018 to approximately RMB117.6 million in 2019. The decrease in administrative expenses was mainly due to the control of internal cost and the decrease in employee benefit expenses.

Other (losses)/gains-net

For the year ended 31 December 2019, we recorded other losses (net) of approximately RMB53.6 million, compared to other gains (net) of approximately RMB43.8 million recorded for the same period in 2018. The other (losses)/gains net primarily consisted of fair value changes on investments at fair value through profit or loss and dividend income relating to the non-quoted investments in equity investment partnerships and certain wealth management products we purchased.

Finance income – net

Our finance income (net) was approximately RMB21.8 million in 2019 and approximately RMB18.6 million in 2018. The change was primarily due to an increase in interest income compared to the same period in 2018.

Share of result of associates

We held investments in five associates, namely Shenzhen Fanhou Technology Co., Ltd. (深圳市飯後科技有限公司), Shenzhen HuifuWorld Network Technology Co., Ltd. (深圳市滙富天下網絡科技有限公司), Shenzhen Easething Technology Co., Ltd. (深圳市易新科技有限公司), Shenzhen Jisiwei Intelligent Technology Co., Ltd. (深圳市極思維智能科技有限公司) and Shanghai Allin Network Technology Co., Ltd. (上海傲英網絡科技有限公司) as at 31 December 2019 (31 December 2018: six), all of which were online game or internet technology companies. We recorded a share of loss of associates of approximately RMB4.0 million for the year ended 31 December 2019, compared to a share of profit of associates of approximately RMB2.0 million recorded for the same period in 2018.

Income tax expenses

Our income tax expenses increased by approximately 130.2% from approximately RMB5.7 million for the year ended 31 December 2018 to approximately RMB13.1 million for the year ended 31 December 2019, primarily due to under-provision of income tax expenses of previous years. The effective income tax rate increased from approximately 2.7% in 2018 to approximately 27.9% in 2019.

Profit attributable to owners of the Company

As a result of the foregoing, the profit attributable to owners of the Company decreased by approximately 83.2% from approximately RMB201.5 million in 2018 to approximately RMB33.8 million in 2019.

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

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

Our unaudited non-IFRS adjusted net profit for the year ended 31 December 2019 of approximately RMB34.2 million was derived from our unaudited profit of the same period excluding share-based compensation expenses of approximately RMB0.1 million, RMB0.1 million and RMB0.2 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively. Our unaudited non-IFRS adjusted net profit for the year ended 31 December 2018 of approximately RMB204.8 million was derived from our unaudited profit for the same period excluding share-based compensation expenses of approximately RMB0.7 million, RMB0.9 million and RMB1.7 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively.

Fourth Quarter of 2019 Compared to Fourth Quarter of 2018

Revenue

Our revenue for the three months ended 31 December 2019 amounted to approximately RMB78.3 million, representing a year-on-year decrease of approximately 7.1% from approximately RMB84.3 million recorded for the same period of 2018. The year-on-year decrease in revenue was primarily due to the impact of the Apple Incident from the second quarter of 2017 and revenue generated from web-based games decreased due to the industry trend of a gradual transfer of web-based games to mobile terminals. For the three months ended 31 December 2019, revenue generated from our mobile games amounted to approximately RMB43.7 million as compared to approximately RMB45.9 million recorded for the same period of 2018, representing a year-on-year decrease of approximately 4.7%.

Cost of revenue

Our cost of revenue for the three months ended 31 December 2019 amounted to approximately RMB25.9 million, representing a year-on-year decrease of approximately 11.9% from approximately RMB29.4 million recorded for the same period in 2018. The year-on-year decrease was primarily due to the reduction in commission charges.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by approximately 4.5% from approximately RMB54.9 million for the three months ended 31 December 2018 to approximately RMB52.4 million for the three months ended 31 December 2019. In addition, our gross profit margin increased from approximately 65.1% for the three months ended 31 December 2018 to approximately 66.9% for the three months ended 31 December 2019.

Selling and marketing expenses

Our selling and marketing expenses increased from approximately RMB1.1 million recorded for the three months ended 31 December 2018 to approximately RMB5.7 million for the same period of 2019, representing a year-on-year increase of approximately 445.0%, which was mainly attributable to the increase in expenses for advertising and promotional activities.

Administrative expenses

Our administrative expenses for the three months ended 31 December 2019 amounted to approximately RMB31.1 million, representing a year-on-year decrease of approximately 8.0% from approximately RMB33.8 million recorded for the same period of 2018. The year-on-year decrease was mainly due to the control of internal cost and the decrease in employee benefit expenses.

Other losses – net

For the three months ended 31 December 2019, we recorded other losses (net) of approximately RMB69.8 million, compared to other losses (net) of approximately RMB31.3 million recorded for the same period in 2018. The other losses – net primarily consisted of fair value gains in investment at fair value through profit or loss relating to the non-quoted investments in equity investment partnership and certain wealth management products we purchased.

Finance income – net

Our finance income (net) for the three months ended 31 December 2019 was approximately RMB7.0 million, compared to approximately RMB4.8 million recorded for the same period of 2018, representing a year-on-year increase of approximately 44.6%. The increase was primarily due to an increase in interest income as compared to the same period of 2018.

Share of result of associates

We held investments in five 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) and Allin Network Technology Co., Ltd. (上海傲英網絡科技有限公司) as at 31 December 2019 (31 December 2018: six), all of which were online game or internet technology companies. We recorded a share of loss of associates of approximately RMB3.6 million for the three months ended 31 December 2019, compared to a share of profit of associates of approximately RMB0.4 million recorded for the same period in 2018.

Income tax credit

Our income tax credit for the three months ended 31 December 2019 was approximately RMB2.6 million, representing a year-on-year decrease of 86.9% from approximately RMB19.6 million of income tax credit recorded for the same period of 2018.

Profit attributable to owners of the Company

As a result of the foregoing, our losses attributable to owners of the Company for the three months ended 31 December 2019 amounted to approximately RMB48.3 million, representing a year-on-year decrease of approximately 457.0% from our profit attributable to owners of the Company amounted to approximately RMB13.5 million recorded for the same period of 2018.

Non-IFRS adjusted net profit

Our unaudited non-IFRS adjusted net losses for the three months ended 31 December 2019 of approximately RMB48.3 million was derived from our unaudited profit of the same period excluding share-based compensation expenses of approximately RMB0.001 million included in cost of administrative expense. Our unaudited non-IFRS adjusted net profit for the three months ended 31 December 2018 of approximately RMB14.0 million was derived from our unaudited profit for the same period excluding share-based compensation expenses of approximately RMB0.1 million, RMB0.1 million and RMB0.2 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively.

Liquidity and capital resources

For the year ended 31 December 2019, we financed our operations primarily through cash generated from our operating activities as well as the net proceeds we received from the global offering completed in November 2013. We intend to finance our expansion, investment and business operations by internal resources and through organic and sustainable growth. We will make investments in line with our capital and investment management policies and strategies.

Gearing ratio

As at 31 December 2019, the Group's gearing ratio (total liabilities divided by total assets) was 11.8% (31 December 2018: 10.4%).

Term deposits

As at 31 December 2019, we had term deposits of approximately RMB388.2 million (31 December 2018: approximately RMB398.9 million), which were mainly denominated in United States dollars (“USD”). The original maturities of the term deposits are over three months and less than one year. The effective interest rate for the term deposits of the Group for the year ended 31 December 2019 was 2.47%.

Cash and cash equivalents

As at 31 December 2019, we had cash and cash equivalents of approximately RMB487.3 million (31 December 2018: approximately RMB296.9 million), which primarily consisted of cash at bank and in hand and short-term bank deposits, which were mainly denominated in Renminbi (as to 77.3%), USD (as to 9.1%) and other currencies (as to 13.6%). We currently do not hedge transactions undertaken in foreign currencies. Due to our persistent efforts in managing our exposure to foreign currencies through constant monitoring to limit as much as possible the amount of foreign currencies held by us, fluctuations in currency exchange rates do not have any material adverse impact on our financial results.

Net proceeds from our initial public offering, after deducting the underwriting commission and other estimated expenses in connection with the offering which the Company received, amounted to approximately HKD837.9 million. Up to 31 December 2019, a total amount of approximately RMB674.6 million from the net proceeds from our initial public offering had been utilised for the following purposes:

- (a) approximately RMB303.6 million for our marketing activities and business expansion;
- (b) approximately RMB101.2 million for investments in technologies and complementary online games or businesses; and
- (c) approximately RMB269.8 million for research and development activities, working capital and other general corporate purposes, including but not limited to the investment in our technology infrastructure and enhancement of our game portfolio.

As at 31 December 2019, the total amount of the net proceeds from our initial public offering had been fully utilized.

Equity investments at fair value through other comprehensive income

We accounted for equity investments at fair values through other comprehensive income at their respective fair values. As at 31 December 2019, the fair value of our unlisted and listed investments classified as equity investments at fair values through other comprehensive income amounted to approximately RMB45.2 million (31 December 2018: approximately RMB64.5 million). These equity investments at fair value through other comprehensive income mainly consisted of both listed and unlisted equity securities, which are mainly represented by our equity investment in Dalian Zeus Entertainment Co., Ltd. (Shenzhen Stock Exchange: 002354), Xiaomi Corporation (Hong Kong Stock Exchange: 1810) and Qudian Inc. (New York Stock Exchange: QD).

We consider that, none of the other unlisted and listed investments classified as equity investments at fair value through other comprehensive income in our investment portfolio is a significant investment as none of such investments has a carrying amount that accounts for more than 5.0% of our total assets as at 31 December 2019.

Investments at fair value through profit or loss

As at 31 December 2019, we also recorded investments at fair value through profit or loss amounted to approximately RMB997.4 million (31 December 2018: approximately RMB1,409.0 million), which consisted of non-quoted investments in asset management plans, equity investment partnerships and wealth management products. As at 31 December 2019, the fair values of the investments in asset management plans were determined by an independent professional valuer engaged by the Company using discount cash flows model; the fair values of the investments in equity investment partnerships were determined by an independent professional valuer engaged by the Company using market approach and discount cash flows model; and the fair values of investments in wealth management products, which have an initial term ranging from immediate to 360 days, were determined based on the estimated rate of return of investments. For the year ended 31 December 2019, we recorded fair value losses on investments at fair value through profit or loss of approximately RMB60.4 million (fair value gains for the year ended 31 December 2018: approximately RMB23.8 million).

The investments in wealth management products under investments at fair value through profit or loss were made in line with our treasury and investment policies, after taking into account, among others, the level of risk, return on investment, liquidity and the term to maturity. Generally, the Company has in the past selected wealth management products that are principal guaranteed and relatively low risk products. Prior to making an investment, the Company had also ensured that there remains sufficient working capital for the Company's business needs even after the investments in wealth management products. During the year ended 31 December 2019, each of the investments made by the Company does not constitute a notifiable transaction or a 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.

On 28 December 2016, the Group, through Shenzhen Dong Fang Bo Ya Technology Co., Limited (深圳市東方博雅科技有限公司), established a limited partnership namely Jiaying Boyaa ChunLei Equity Investments Limited Partnership Enterprise (“**Jiaying Boyaa**”) with Shanghai Tailai Tianji Asset Management Co., Limited (上海泰來天濟資產管理有限公司). During the year ended 31 December 2019, the Group's accumulated contribution of RMB300.0 million represented 99.0% of the total capital contribution of Jiaying Boyaa. The fair value of the investment in Jiaying Boyaa as at 31 December 2019 was approximately RMB268.2 million. Jiaying Boyaa is established for carrying out equity investments, venture capital investments and investments in securities, subject to certain investment restrictions. We will continue to closely monitor the performance of Jiaying Boyaa on an on-going basis.

On 25 October 2018, the Group, through Boyaa On-line Game Development (Shenzhen) Co., Ltd* (博雅網絡遊戲開發(深圳)有限公司), had subscribed for two RMB wealth management products issued by Industrial and Commercial Bank of China at the amount of RMB200.0 million and RMB128.5 million, respectively (the “**Wealth Management Products**”). As at 31 December 2019, the fair value of the two Wealth Management Products were approximately RMB208.3 million and RMB133.1 million, respectively. The Wealth Management Products were assessed by the Company as very low-risk products. The Board considers that the Wealth Management Products will provide a good short-term investment opportunity for the Group and enhance the funds utilization efficiency and bring extra investment returns. As at 31 December 2019, the bank accounts which holds by the Wealth Management Products had been frozen. For details as to the circumstance leading to the freezing of the accounts, please refer to Note 18 under the section headed “Notes to the Consolidated Financial Statements” of this announcement and the announcements of the Company dated 1 September 2019, 13 December 2019, 3 January 2020 and 6 January 2020.

We consider that, save for our capital investment in Jiaxing Boyaa as a limited partnership and the subscription of the Wealth Management Products, no other single investment that was designated as investments at fair value through profit or loss in our investment portfolio is a significant investment as none of such investments has a carrying amount that accounts for more than 5.0% of our total assets as at 31 December 2019.

Borrowings

During the year ended 31 December 2019, we did not have any short-term or long-term bank borrowings and we had no outstanding, utilised or unutilised banking facilities.

Capital expenditures

For the year ended 31 December 2019, our total capital expenditures amounted to approximately RMB13.9 million (2018: approximately RMB8.9 million). The capital expenditure mainly included purchasing equipment, motor vehicles and leasehold improvements of approximately RMB13.9 million (2018: approximately RMB8.9 million), which was funded by using our cash flows generated from our operations.

Contractual obligations

As at 31 December 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of servers and office buildings which amounted to approximately RMB18.1 million (31 December 2018: approximately RMB18.0 million).

Save as disclosed above, the Group did not have other significant outstanding commitments as at 31 December 2019.

Contingent liabilities and guarantees

As at 31 December 2019, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against us.

Significant investments and future plans for major investments

For the year ended 31 December 2019, the Group's investment in Jiaxing Boyaa amounted to RMB300.0 million. Jiaxing Boyaa mainly carries out equity investments and venture capital investments. In addition, the Group had subscribed for the Wealth Management Products, which had an aggregate fair value of approximately RMB341.4 million as at 31 December 2019.

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

Pledge/charge of the Group's assets

As at 31 December 2019, none of the Group's assets was pledged or charged.

Employees and staff costs

As at 31 December 2019, we had a total of 282 full-time employees, who are mainly based in China. In particular, 234 employees are responsible for our game development and operation, 35 for game support and 13 for administration and senior management.

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

For the year ended 31 December 2019, the total staff costs of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to approximately RMB79.1 million, representing approximately 32.0% of the total expenses of the Group. Pursuant to the post-IPO share option scheme adopted by the Company in October 2013 (the “**Post-IPO Share Option Scheme**”) and the pre-IPO share option scheme adopted by the Company in January 2011 and amended in September 2013 (the “**Pre-IPO Share Option Scheme**”) as well as the RSU Scheme adopted by the Company in September 2013 (the “**RSU Scheme**”), there were a total of 7,311,427 share options and 5,589,245 shares underlying the RSUs outstanding and/or granted to a total of 245 senior management members and employees of the Group as at 31 December 2019. There were also 53,048,831 shares underlying the RSUs allowed to be granted under the RSU Scheme which were held by The Core Admin Boyaa RSU Limited as nominee for the benefit of eligible participants pursuant to the RSU Scheme. Further details of the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the RSU Scheme will be set out in the section headed “Share Option Schemes and Restricted Share Unit Scheme” in the Directors' Report in our 2019 annual report to be issued in due course.

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2019 (the “**Reporting Period**”). The annual results have been prepared in accordance with International Financial Reporting Standards (the “**IFRS**”) and audited by ZHONGHUI ANDA CPA Limited, the auditor of the Company. In addition, the annual results have also been reviewed by the audit committee of the Company (the “**Audit Committee**”).

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

		2019	2018
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	323,816	453,234
Cost of revenue		<u>(102,652)</u>	<u>(148,264)</u>
Gross profit		221,164	304,970
Other (losses)/gains, net	4	(53,649)	43,831
Selling and marketing expenses		(20,845)	(27,904)
Administrative expenses		<u>(117,619)</u>	<u>(134,272)</u>
Operating profit		29,051	186,625
Finance income	5	23,658	20,586
Finance costs	6	(1,874)	(2,000)
Share of (losses)/profits of associates		<u>(3,990)</u>	<u>2,006</u>
Profit before income tax		46,845	207,217
Income tax expense	7	<u>(13,085)</u>	<u>(5,685)</u>
Profit for the year attributable to owners of the Company	8	<u>33,760</u>	<u>201,532</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

	<i>Notes</i>	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Other comprehensive expenses:			
<i>Items that will not be reclassified to profit or loss:</i>			
– Changes in fair value of equity investments at fair value through other comprehensive income		(30,695)	(96,525)
– Exchange differences on translating foreign operations		1,658	3,348
<i>Item that may be reclassified to profit or loss:</i>			
– Exchange differences on translating foreign operations		<u>9,353</u>	<u>14,431</u>
Other comprehensive expenses for the year, net of tax		<u>(19,684)</u>	<u>(78,746)</u>
Total comprehensive income for the year attributable to owners of the Company		<u>14,076</u>	<u>122,786</u>
Earnings per share (RMB cents)	<i>10</i>		
– Basic		<u>5.05</u>	<u>29.56</u>
– Diluted		<u>5.05</u>	<u>29.48</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	<i>Notes</i>	2019 RMB'000	2018 <i>RMB'000</i> (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		41,792	37,442
Right-of-use assets		10,426	–
Intangible assets		213	1,384
Investments in associates	<i>11</i>	12,793	16,964
Equity investments at fair value through other comprehensive income	<i>12</i>	45,165	64,525
Investments at fair value through profit or loss	<i>13</i>	495,012	589,331
Prepayments, deposits and other receivables		37,860	25,435
Deferred tax assets		23,713	34,494
		<hr/> 666,974	<hr/> 769,575
Current assets			
Trade receivables	<i>14</i>	18,001	18,365
Prepayments, deposits and other receivables		41,922	28,262
Investments at fair value through profit or loss	<i>13</i>	502,347	819,714
Restricted bank deposits		288,394	195,460
Term deposits		388,216	398,947
Bank and cash balances		487,301	296,890
		<hr/> 1,726,181	<hr/> 1,757,638
Total assets		<hr/> 2,393,155	<hr/> 2,527,213

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2019

	<i>Notes</i>	2019 RMB'000	2018 <i>RMB'000</i> (Restated)
EQUITY AND LIABILITIES			
Equity			
Share capital	<i>16</i>	234	235
Reserves		2,110,009	2,264,799
Total equity		<u>2,110,243</u>	<u>2,265,034</u>
Liabilities			
Non-current liabilities			
Lease liabilities		5,127	–
Deferred tax liabilities		7,696	18,811
		<u>12,823</u>	<u>18,811</u>
Current liabilities			
Trade and other payables	<i>15</i>	72,057	69,363
Contract liabilities		18,100	18,005
Lease liabilities		4,896	–
Current tax liabilities		175,036	156,000
		<u>270,089</u>	<u>243,368</u>
Total liabilities		<u>282,912</u>	<u>262,179</u>
Total equity and liabilities		<u>2,393,155</u>	<u>2,527,213</u>
Net current assets		<u>1,456,092</u>	<u>1,514,270</u>
Total assets less current liabilities		<u>2,123,066</u>	<u>2,283,845</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Repurchased shares RMB'000	Shares held for RSU scheme RMB'000	Capital reserve RMB'000	Foreign currency translation reserve RMB'000	Statutory reserve RMB'000	Share-based payments reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2018	249	642,365	(27,283)	(15)	2,000	(4,300)	21,000	92,511	(118,984)	1,616,618	2,224,161
Total comprehensive income/(expenses) for the year	-	-	-	-	-	17,779	-	-	(96,325)	201,532	122,786
Repurchase of ordinary shares	-	-	(87,049)	-	-	-	-	-	-	-	(87,049)
Cancellation of ordinary shares	(14)	(112,258)	112,272	-	-	-	-	-	-	-	-
Share-based payments											
- value of employee services	-	-	-	-	-	-	-	3,221	-	-	3,221
- proceeds from shares issued	-	1,915	-	-	-	-	-	-	-	-	1,915
- vesting of shares under RSU scheme	-	(1)	-	1	-	-	-	-	-	-	-
- exercise and lapse of share options and RSUs	-	11,700	-	-	-	-	-	(11,700)	-	-	-
Transfer to statutory surplus reserve fund	-	-	-	-	-	-	7,474	-	-	(7,474)	-
Changes in equity for the year	(14)	(98,644)	25,223	1	-	17,779	7,474	(8,479)	(96,325)	194,058	40,873
At 31 December 2018	<u>235</u>	<u>543,721</u>	<u>(2,060)</u>	<u>(14)</u>	<u>2,000</u>	<u>13,479</u>	<u>28,474</u>	<u>84,032</u>	<u>(215,509)</u>	<u>1,810,676</u>	<u>2,265,034</u>
At 1 January 2019	235	543,721	(2,060)	(14)	2,000	13,479	28,474	84,032	(215,509)	1,810,676	2,265,034
Total comprehensive income/(expenses) for the year	-	-	-	-	-	11,011	-	-	(30,695)	33,760	14,076
Repurchase of ordinary shares	-	-	(6,794)	-	-	-	-	-	-	-	(6,794)
Cancellation of ordinary shares	(1)	(3,989)	3,990	-	-	-	-	-	-	-	-
Share-based payments											
- value of employee services	-	-	-	-	-	-	-	472	-	-	472
- exercise and lapse of share options and RSUs	-	3,783	-	-	-	-	-	(3,783)	-	-	-
Transfer to statutory surplus reserve fund	-	-	-	-	-	-	5,516	-	-	(5,516)	-
Special dividend	-	(162,545)	-	-	-	-	-	-	-	-	(162,545)
Changes in equity for the year	(1)	(162,751)	(2,804)	-	-	11,011	5,516	(3,311)	(30,695)	28,244	(154,791)
At 31 December 2019	<u>234</u>	<u>380,970</u>	<u>(4,864)</u>	<u>(14)</u>	<u>2,000</u>	<u>24,490</u>	<u>33,990</u>	<u>80,721</u>	<u>(246,204)</u>	<u>1,838,920</u>	<u>2,110,243</u>

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i> (Restated)
Cash flows from operating activities		
Profit before income tax	46,845	207,217
Adjustments for:		
Finance costs	1,874	2,000
Share of losses/(profits) of associates	3,990	(2,006)
Interest income	(23,658)	(20,586)
Depreciation	13,065	8,245
Amortisation of intangible assets	1,171	1,404
Loss/(gain) on disposals of property, plant and equipment	858	(139)
Net foreign exchange losses	4,148	533
Share-based payments	472	3,221
Fair value loss/(gain) on investments at fair value through profit or loss	60,356	(23,750)
Dividends from equity investments at fair value through other comprehensive income	–	(134)
Dividends from investments at fair value through profit or loss	(2,281)	(12,313)
Loss allowance provision for trade receivables	1,065	6,314
Loss allowance provision for loan to an associate	–	2,000
Loss allowance provision for loans to employees	128	1,308
	<hr/>	<hr/>
Operating profit before changes in working capital	108,033	173,314
Change in trade receivables	(1,156)	11,677
Change in prepayments, deposits and other receivables	(30,194)	29,296
Change in trade and other payables	2,341	(23,758)
Change in contract liabilities	(1,505)	(4,717)
	<hr/>	<hr/>
Cash generated from operating activities	77,519	185,812
Income tax paid	(6,062)	(24,727)
Lease interests paid	(659)	–
	<hr/>	<hr/>
Net cash generated from operating activities	70,798	161,085

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i> (Restated)
Cash flows from investing activities		
Placement of restricted bank deposits	(92,934)	(195,460)
Placement of term deposits with original maturities over three months	(587,783)	(713,510)
Proceeds from maturity of term deposits with original maturities over three months	598,949	438,683
Interest received	26,064	20,904
Dividends from equity investments at fair value through other comprehensive income	–	134
Purchases of equity investments at fair value through other comprehensive income	–	(28,352)
Dividends from investments at fair value through profit or loss	2,281	12,313
Purchases of investments at fair value through profit or loss	(895,673)	(2,512,463)
Proceeds from settlements of investments at fair value through profit or loss	1,251,355	2,327,631
Purchases of property, plant and equipment	(13,929)	(8,862)
Proceeds from disposals of property, plant and equipment	340	1,406
Net cash generated from/(used in) investing activities	<u>288,670</u>	<u>(657,576)</u>
Cash flows from financing activities		
Repayment of lease liabilities	(4,661)	–
Proceeds from issue of ordinary shares	–	1,915
Repurchase of ordinary shares	(6,794)	(87,049)
Special dividend paid	(162,545)	–
Net cash used in financing activities	<u>(174,000)</u>	<u>(85,134)</u>
Net increase/(decrease) in cash and cash equivalents	185,468	(581,625)
Effect of foreign exchange rate changes	4,943	20,322
Cash and cash equivalents at beginning of the year	<u>296,890</u>	<u>858,193</u>
Cash and cash equivalents at end of the year	<u>487,301</u>	<u>296,890</u>
Analysis of cash and cash equivalents		
Bank and cash balances	<u>487,301</u>	<u>296,890</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information

Boyaa Interactive International Limited 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 address of its principal place of business in Hong Kong is 14/F, Golden Centre, 188 Des Voeux Road, Central, Hong Kong. The address of its headquarters is 8/F, Block E1, International E Town, TCL Industry Park, 1001 Zhong Shan Yuan Road, Nanshan District, Shenzhen, PRC. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. The Group is principally engaged in the development and operations of online card and board game business in the PRC, Hong Kong and other countries and regions.

The operations of the Group were initially conducted through Shenzhen Dong Fang Bo Ya Technology Co., Limited, a limited liability company established in the PRC by two shareholders of the Company, namely Mr. Zhang Wei and Mr. Dai Zhikang, on 13 February 2004.

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

Boyaa On-line Game Development (Shenzhen) Co., Limited, Shenzhen Dong Fang Bo Ya Technology Co., Limited and its registered owners entered into a series of contractual arrangements (the "**Contractual Arrangements**") entered into on 15 May 2013, which enable Boyaa On-line Game Development (Shenzhen) Co., Limited and the Group to:

- exercise effective financial and operational control over Shenzhen Dong Fang Bo Ya Technology Co., Limited;
- exercise all owners' voting rights of Shenzhen Dong Fang Bo Ya Technology Co., Limited;
- receive substantially all of the economic interest returns generated by Shenzhen Dong Fang Bo Ya Technology Co., Limited in consideration for the business support, technical and consulting services provided by Boyaa On-line Game Development (Shenzhen) Co., Limited;
- obtain an irrevocable and exclusive right to purchase all or part of equity interests in Shenzhen Dong Fang Bo Ya Technology Co., Limited from the respective owners at a minimum purchase price permitted under PRC laws and regulations, and all or part of the assets of Shenzhen Dong Fang Bo Ya Technology Co., Limited at the net book value of such assets or such minimum purchase price permitted under PRC laws and regulations. Boyaa On-line Game Development (Shenzhen) Co., Limited may exercise such options at any time until it has acquired all equity interests and/or all assets of Shenzhen Dong Fang Bo Ya Technology Co., Limited; and

- obtain a pledge over the entire equity interest of Shenzhen Dong Fang Bo Ya Technology Co., Limited from their respective owners as collateral security for all of Shenzhen Dong Fang Bo Ya Technology Co., Limited’s payments due to Boyaa On-line Game Development (Shenzhen) Co., Limited and to secure performance of Shenzhen Dong Fang Bo Ya Technology Co., Limited’s obligations under the Contractual Arrangements.

The Group do not hold any equity interests in Shenzhen Dong Fang Bo Ya Technology Co., Limited. Nevertheless, under the Contractual Agreements entered into between Boyaa On-line Game Development (Shenzhen) Co., Limited, Shenzhen Dong Fang Bo Ya Technology Co., Limited and its owners, the management determines that the Group has the power to govern the financial and operating policies of Shenzhen Dong Fang Bo Ya Technology Co., Limited so as to obtain benefits from its activities. As such, Shenzhen Dong Fang Bo Ya Technology Co., Limited is accounted for as subsidiary of the Group for accounting purposes.

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

2. Adoption of new and revised International Financial Reporting Standards

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards (“**IFRSs**”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. IFRSs comprise International Financial Reporting Standards (“**IFRS**”); International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years except as stated below.

The Group has adopted IFRS 16 “Lease” from its mandatory adoption date of 1 January 2019. The Group has applied the simplified transition approach and has not restated comparative amounts for the 2018 reporting period. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the consolidated statement of financial position on 1 January 2019.

(a) Adjustments recognised on adoption of IFRS 16 “Lease”

	<i>RMB’000</i>
Operating lease commitments disclosed at 31 December 2018	17,998
Discounted using the lessee’s incremental borrowing rate of 6.8% p.a. at the date of initial application	16,522
Less: short-term leases recognised on a straight-line basis as expense	(3,638)
Lease liabilities recognised at 1 January 2019	<u>12,884</u>
Of which are:	
Current lease liabilities	3,660
Non-current lease liabilities	<u>9,224</u>
	<u>12,884</u>

Under the simplified transition approach, the associated right-of-use assets were measured at the amount equal to the lease liabilities on adoption, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised as at 1 January 2019.

The change in accounting policy increase right-of-use assets and lease liabilities by RMB12,884,000 on 1 January 2019.

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 “Lease” and IFRIC 4 “Determining whether an Arrangement contains a Lease”.

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

3. Revenue and segment information

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Web-based games	141,840	168,362
Mobile games	181,976	284,872
	<hr/>	<hr/>
Revenue from contracts with customers	323,816	453,234

Disaggregation of revenue from contracts with customers:

Timing of revenue recognition

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
At a point of time	323,816	453,234

The directors of the Company consider that the Group's operations are operated and managed as a single segment. The directors of the Company, being the chief operating decision maker of the Group, review the operating results of the Group as a whole when making decisions about resource allocations and assessing performances. Hence it is determined that the Group has only one operating segment. Accordingly no segment information is presented.

The Group offers its games in various language versions in order to enable game players to play the games in different geographical locations. The Group's operations are substantially located in the PRC (including Hong Kong). A breakdown of revenue derived from different languages versions of the Group's games is as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Simplified Chinese	42,199	143,658
Other languages	281,617	309,576
	<hr/>	<hr/>
	323,816	453,234

No revenue is derived from any individual game player which amounted for over 10% of the Group's total revenue (2018: nil).

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

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	86,002	64,987
Other locations	17,082	16,238
	<u>103,084</u>	<u>81,225</u>

4. Other (losses)/gains, net

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Dividends from equity investments at fair value through other comprehensive income	–	134
Dividends from investments at fair value through profit or loss	2,281	12,313
(Loss)/gain on disposals of property, plant and equipment	(858)	139
Government subsidies and tax rebates (<i>note</i>)	8,825	10,723
Net foreign exchange losses	(4,148)	(535)
Fair value changes on investments at fair value through profit or loss	(60,356)	23,750
Others	607	(2,693)
	<u>(53,649)</u>	<u>43,831</u>

Note:

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.

5. Finance income

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Interest revenue	23,278	18,489
Interest revenue on non-current loans to employees	380	2,097
	<u>23,658</u>	<u>20,586</u>

6. Finance costs

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Discounting effects of non-current loans to employees	1,215	2,000
Lease interests	659	–
	<u>1,874</u>	<u>2,000</u>

7. Income tax expense

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Current tax – PRC Enterprise Income Tax (“EIT”)		
– Provision for the year	6,651	9,743
– Under/(over)-provision in prior years	858	(18,619)
	<u>7,509</u>	<u>(8,876)</u>
Current tax - Hong Kong Profits Tax		
– Provision for the year	14,500	13,116
Current tax – Other jurisdictions		
– Provision for the year	–	75
	22,009	4,315
Deferred tax	(8,924)	1,370
	<u>13,085</u>	<u>5,685</u>

(a) **EIT**

The income tax provision of the Group in respect of operations in the PRC has been calculated at the tax rate of 25% on the estimated assessable profits for the years ended 31 December 2019 and 2018, based on the existing legislation, interpretations and practices in respect thereof.

Shenzhen Dong Fang Bo Ya Technology Co., Limited has successfully renewed its “High and New Technology Enterprise” (“**HNTE**”) qualification under PRC Enterprise Income Tax Law (“**EIT Law**”) during the year ended 31 December 2018 and as a result, Shenzhen Dong Fang Bo Ya Technology Co., Limited enjoy a preferential tax rate of 15% from 1 January 2018 to 31 December 2020. Therefore, the applicable tax rate for Shenzhen Dong Fang Bo Ya Technology Co., Limited was 15% (2018: 15%) for the year ended 31 December 2019.

Boyaa On-line Game Development (Shenzhen) Co., Limited has successfully renewed its HNTE qualification under EIT Law during the year ended 31 December 2019 and as a result, Boyaa On-line Game Development (Shenzhen) Co., Limited enjoy a preferential tax rate of 15% from 1 January 2019 to 31 December 2021. Therefore, the applicable tax rate for Boyaa On-line Game Development (Shenzhen) Co., Limited was 15% (2018: 15%) for the year ended 31 December 2019.

According to policies promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engaged in research and development activities are entitled to claim 175% (2018: 175%) 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**”). Shenzhen Dong Fang Bo Ya Technology Co., Limited and Boyaa On-line Game Development (Shenzhen) Co., Limited had claimed such Super Deduction in ascertaining its tax assessable profits for the years ended 31 December 2019 and 2018.

(b) **PRC withholding tax (“WHT”)**

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

As at 31 December 2019, the retained earnings of the Group’s PRC subsidiaries not yet remitted to holding companies incorporated outside of the PRC, for which no deferred income tax liability had been provided, were RMB1,118,398,000 (2018: RMB1,189,895,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to their foreign investor in the foreseeable future based on the management’s estimation of overseas funding requirements.

(c) **Hong Kong Profits Tax**

Hong Kong Profits Tax has been provided at the rate of 8.25% on assessable profits up to HK\$2,000,000 and 16.5% on any part of assessable profits over HK\$2,000,000 for the years ended 31 December 2019 and 2018.

The reconciliation between the income tax expense and the product of profit before income tax multiplied by the PRC EIT rate of the consolidated companies is as follows:

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax	46,845	207,217
Less: share of losses/(profits) of associates	3,990	(2,006)
	50,835	205,211
Tax at EIT rate of 25% (2018: 25%)	12,709	51,302
Tax effect of incomes that are not taxable	(8,769)	(1,133)
Tax effect of expenses that are not deductible	4,441	3,319
Under/(over)-provision in prior years	858	(18,619)
Tax losses not recognised	8,634	10
Super Deduction	(10,737)	(7,611)
Effect of different tax rates of subsidiaries	(256)	(20,441)
Others	6,205	(1,142)
Income tax expense	13,085	5,685

8. Profit for the year

The Group's profit for the year is stated after charging the following:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Amortisation of intangible assets		
– included in cost of revenue	1,119	1,332
– included in selling and marketing expenses	–	14
– included in administrative expenses	52	58
	<u>1,171</u>	<u>1,404</u>
Depreciation	13,065	8,245
Directors' emoluments		
– Fee	620	635
– Salaries, allowances and bonuses	443	1,450
– Retirement benefit scheme contributions	13	18
– Share-based payments	14	18
	<u>1,090</u>	<u>2,121</u>
Operating lease charges	–	21,370
Research and development expenditure		
– included in staff costs	53,370	61,623
– included in depreciation	520	549
– included in operating lease charges	–	2,876
– included in other administrative expenses	4,738	5,482
	<u>58,628</u>	<u>70,530</u>
Auditor's remuneration		
– Audit services	2,680	2,200
– Non-audit services	900	–
	<u>3,580</u>	<u>2,200</u>
Loss allowance provision for trade receivables	1,065	6,314
Loss allowance provision for loan to an associate	–	2,000
Loss allowance provision for loans to employees	128	1,308
Staff costs including directors' emoluments		
– Wages, salaries and bonuses	70,371	88,757
– Retirement benefit scheme contributions	8,260	14,470
– Share-based payments	472	3,221
	<u>79,103</u>	<u>106,448</u>

9. Dividend

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Special dividend of HK\$0.276 (equivalent to RMB0.24) (2018: nil) per ordinary share	<u>162,545</u>	<u>–</u>

10. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Earnings		
Earnings for the purpose of basic and diluted earnings per share	<u>33,760</u>	<u>201,532</u>

	2019 <i>'000</i>	2018 <i>'000</i>
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Number of shares

Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>667,955</u>	681,727
Effect of dilutive potential ordinary shares arising from RSUs	77	1,911
Effect of dilutive potential ordinary shares arising from share options	<u>17</u>	<u>72</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>668,049</u>	<u>683,710</u>

11. Investments in associates

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Unlisted investments in PRC:		
Share of net assets	<u>12,793</u>	<u>16,964</u>

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

12. Equity investments at fair value through other comprehensive income

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Equity securities, at fair value		
– Listed in PRC – Dalian Zeus Entertainment Co., Limited	19,100	34,994
– Listed in Hong Kong – Xiaomi Corporation	16,416	19,245
– Listed in USA – Qudian Inc.	7,232	6,480
	<u>42,748</u>	<u>60,719</u>
– Unlisted equity securities in PRC	1,518	3,035
– Unlisted preference shares of private companies	899	771
Total equity investments at fair value through other comprehensive income, analysed as non-current assets	<u>45,165</u>	<u>64,525</u>

The above investments are intended to be held for the medium to long-term. Designation of these investments as equity investments at fair value through other comprehensive income can avoid the volatility of the fair value changes of these investments to the profit or loss.

13. Investments at fair value through profit or loss

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
<u>Included in non-current assets</u>		
Non-quoted investments in:		
– asset management plans (<i>notes (i) and (iv)</i>)	95,200	104,033
– equity investment partnerships (<i>notes (ii) and (iv)</i>)	399,812	485,298
	<u>495,012</u>	<u>589,331</u>
<u>Included in current assets</u>		
Non-quoted investments in:		
– asset management plan (<i>note (i)</i>)	6,800	6,875
– wealth management products (<i>note (iii)</i>)	495,547	812,839
	<u>502,347</u>	<u>819,714</u>
	<u>997,359</u>	<u>1,409,045</u>

Notes:

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

The Group and one of the asset management company entered into several supplemental agreements. During the year ended 31 December 2018, according to supplemental agreement I, the principal investment amount was revised to RMB40 million in 2018 and RMB33 million in 2019. During the year ended 31 December 2019, according to supplemental agreement II, the principal of RMB7 million will be returned to the Group in 2020 and the remaining principal of RMB26 million and its accumulated return will be returned to the Group in 2021.

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

On 28 December 2016, the Group, through Shenzhen Dong Fang Bo Ya Technology Co., Limited, established a limited partnership namely Jiaxing Boyaa ChunLei Equity Investments Limited Partnership Enterprise (“**Jiaxing Boyaa**”) with Shanghai Tailai Tianji Asset Management Co., Limited. During the year ended 31 December 2019, the Group’s accumulated contribution of RMB300.0 million represented 99.0% of the total capital contribution of Jiaxing Boyaa. The fair value of the investment in Jiaxing Boyaa as at 31 December 2019 was approximately RMB268.2 million. Jiaxing Boyaa is established for carrying out equity investments, venture capital investments and investments in securities, subject to certain investment restrictions. We will continue to closely monitor the performance of Jiaxing Boyaa on an on-going basis.

For the year ended 31 December 2019, the fair value loss of the investment in Jiaxing Boyaa was approximately RMB44.6 million (For the year ended 31 December 2018: fair value gain was approximately RMB14.6 million).

- (iii) Investments in wealth management products are investments in wealth management plans provided by financial institutions in the PRC. They have initial terms ranging from 30 days to 364 days. At 31 December 2019, an amount of RMB362,930,000 were frozen (note 18).
- (iv) The management of the Group is of the view that the investments are not held for trading and does not expect that the Group will realise the investments at fair value through profit or loss within 12 months after the date of the consolidated statement of financial position.

14. Trade receivables

Trade receivables were arising from the operation of online game business. Third-party game distribution platform (“**Platforms**”) and third party payment vendors collect the payment from the players who purchased the Group’s in-game virtual tokens or other virtual items and remit the cash net of commission charges which are pre-determined according to the relevant terms of the agreements entered into between the Group and Platforms or third party payment vendors. The credit terms of trade receivables granted to the Platforms and third party payment vendors are usually 30 to 120 days.

	2019 <i>RMB’000</i>	2018 <i>RMB’000</i>
Trade receivables	23,742	22,955
Provision for loss allowance	(5,741)	(4,590)
	<hr/>	<hr/>
Carrying amount	18,001	18,365
	<hr/>	<hr/>

The aging analysis of trade receivables, based on recognition date of the trade receivables, net of allowance, is as follows:

	2019 <i>RMB’000</i>	2018 <i>RMB’000</i>
0 to 30 days	16,949	16,652
31 to 60 days	240	316
61 to 90 days	157	117
91 to 180 days	173	410
181 to 360 days	264	783
Over 360 days	218	87
	<hr/>	<hr/>
	18,001	18,365
	<hr/>	<hr/>

Reconciliation of loss allowance for trade receivables:

	2019 <i>RMB’000</i>	2018 <i>RMB’000</i>
At 1 January	4,590	–
Increase in loss allowance for the year	1,065	6,314
Amounts written off	–	(1,877)
Currency translation differences	86	153
	<hr/>	<hr/>
At 31 December	5,741	4,590
	<hr/>	<hr/>

15. Trade and other payables

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	879	378
Other tax payables	43,215	43,253
Accrued expenses	5,906	3,125
Accrued commissions charges by Platforms	13,854	15,138
Accrued advertising expenses	1,908	1,718
Salary and staff welfare payables	5,087	5,250
Others	1,208	501
	<hr/> 72,057	<hr/> 69,363

The aging analysis of trade payables, based on recognition date of trade payables, is as follows:

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 30 days	219	76
31 to 90 days	262	–
91 to 180 days	92	–
181 to 365 days	–	–
Over 365 days	306	302
	<hr/> 879	<hr/> 378

16. Share capital

The total authorised share capital of the Company comprises 2,000,000,000 ordinary shares (2018: 2,000,000,000 ordinary shares) with par value of USD0.00005 (2018: USD0.00005) per share.

	<i>Notes</i>	Number of ordinary shares	Nominal value of ordinary shares USD'000	Equivalent nominal value of ordinary shares RMB'000
Issued and fully paid:				
At 1 January 2018		767,821,301	38	249
Issue of ordinary shares	<i>(i)</i>	813,999	–	–
Cancellation of ordinary shares	<i>(ii)</i>	<u>(44,051,999)</u>	<u>(2)</u>	<u>(14)</u>
At 31 December 2018 and 1 January 2019		724,583,301	36	235
Cancellation of ordinary shares	<i>(ii)</i>	<u>(2,832,000)</u>	<u>–</u>	<u>(1)</u>
At 31 December 2019		<u>721,751,301</u>	<u>36</u>	<u>234</u>

Notes:

- (i) Share options exercised during the year ended 31 December 2018 resulted in 813,999 shares being issued, with a total exercise proceeds of RMB1,915,000.
- (ii) The Group repurchased 6,246,000 shares (2018: 34,971,000 shares) of its own shares from the market during the year. The total amount paid to acquire the shares was RMB6,794,000 (2018: RMB87,049,000) and has been deducted from the shareholders' equity. The related weighted average price at the time of buy-back was HK\$1.25 (2018: HK\$3.04) per share. 1,421,000 shares of these repurchased shares were cancelled during the year ended 31 December 2019. Remaining 4,825,000 shares have not been cancelled yet up to the date of this announcement. For the 2,832,000 cancelled shares during the year ended 31 December 2019, 1,411,000 ordinary shares were repurchased during the year ended 31 December 2018 and 1,421,000 ordinary shares were repurchased during the year ended 31 December 2019.

17. Share-based payments

(a) Share options

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

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

Details of the share options outstanding during the year are as follows:

	Number of share options	
	2019	2018
Outstanding at the beginning of the year	8,323,315	10,707,790
Exercised during the year	–	(813,999)
Lapsed during the year	(1,011,888)	(1,570,476)
Outstanding at the end of the year	<u>7,311,427</u>	<u>8,323,315</u>
Exercisable at the end of the year	<u>7,311,427</u>	<u>4,369,924</u>

No options were exercised in 2019. Options exercised in 2018 resulted in 813,999 shares being issued at a weighted average price of USD0.37 each. The related weighted-average share price at the time of exercise was HK\$3.28 per share as at 31 December 2018.

Details of the exercise prices and the respective numbers of share options which remained outstanding as at 31 December 2019 and 2018 are as follows:

Expiry date	Exercise price		Number of share options	
	Original currency	Equivalent to HK\$	2019	2018
31 January 2019	USD0.05	0.388	–	11,888
1 March 2020	USD0.10	0.775	2,749	2,749
30 June 2020	USD0.15	1.163	66,249	66,249
6 September 2025	HK\$3.108	3.108	<u>7,242,429</u>	<u>8,242,429</u>
			<u>7,311,427</u>	<u>8,323,315</u>

(b) RSU

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

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

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

Movements in the number of RSUs outstanding:

	Number of RSUs	
	2019	2018
At 1 January	7,781,613	20,480,853
Lapsed	(8,368)	(904,631)
Vested and transferred	(2,184,000)	(11,794,609)
	<hr/>	<hr/>
At 31 December	5,589,245	7,781,613
	<hr/>	<hr/>
Vested but not transferred as at 31 December	5,589,245	6,973,402
	<hr/>	<hr/>

The related weighted-average share price at the time when the RSUs were vested and transferred was HK\$1.56 (2018: HK\$3.09) per share.

(c) Shares held for RSU scheme

The shares held for RSU scheme were regarded as treasury shares and had been presented as a deduction against shareholders’ equity. During the year, 2,184,000 of RSUs were vested and transferred (note (b) above), and as a result, 58,640,617 ordinary shares (2018: 60,824,617 ordinary shares) of the Company underlying the RSUs were held by The Core Admin Boyaa RSU Limited as at 31 December 2019.

18. Material events

In March 2019, the Company has come to the attention that it was not able to continue to use the idle cash reserves in its individual bank accounts (the “**Relevant Idle Cash Reserves**”) for fixed-term deposits or wealth management (the “**Incident**”). At 31 December 2019, the Group’s investments at fair value through profit or loss of approximately RMB363 million and cash and cash equivalents of approximately RMB288 million were frozen.

At the relevant time, the Company considered that the Incident may be implicated as a result of the Case (as defined below) involving individual Employees (as defined below), as such, the Company has engaged its PRC legal advisers (the “**PRC Legal Advisers**”) to advise on this matter. Upon engagement of the PRC Legal Advisers, the PRC Legal Advisers have submitted applications to the relevant PRC court and procuratorate on behalf of the Company in relation to the Incident, including an application to utilize the Relevant Idle Cash Reserves.

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

On 27 December 2019, the Intermediate People’s Court of Chengde City, Hebei Province (the “**Trial Court**”) delivered the judgment in relation to the Case (the “**Judgment**”). The Trial Court held that the Employees are guilty of the Alleged Crime and ordered an amount of approximately RMB943 million to be paid to the state treasury (the “**Judgment Amount**”).

The Company is not a party to the Case. As at the date of this announcement, none of the Company, its directors and its senior management had been subject to any prosecution or investigation by the relevant PRC judicial authorities in relation to the Alleged Crime. In addition, the Company had not received any notification from any relevant PRC judicial authority in relation to the Judgment Amount and so far as the Company is aware, the other bank accounts had not been frozen by the relevant PRC judicial authorities.

The Company is discussing with its PRC Legal Advisers as to the next step forward in relation to the Judgment, including the possibility to take appropriate legal actions as to the Judgment Amount to protect the interests of the Company and its shareholders. As advised by the PRC Legal Advisers, as at the date of this announcement, one of the Employees had applied for appeal against the Judgment and therefore, the Judgment will not be enforceable and the Trial Court will not order the Judgment Amount to be paid until the judgment from the appeal hearing has been handed down. As at the date of this announcement, the date of the appeal hearing has not been fixed.

In light of the fact that (i) the Company, its directors and senior management had not been subject to any prosecution by the relevant PRC judicial authority in relation to the Alleged Crime as at the date of this announcement; (ii) the Relevant Idle Cash Reserves of the Company are only used for the purpose of investing in fixed-term deposits and wealth management products, which is the Company’s general practice; (iii) the Company has sufficient cash reserves available in the other bank accounts for its day-to-day operations; (iv) the Company does not have any loan borrowing as at the date of this announcement; and (v) as at 31 December 2019, the Group recorded current assets in the sum of approximately RMB1.73 billion, the Judgment Amount accounted for approximately 54.6% of the then Group’s current assets, the Board is of the view that the Judgment would not have any material adverse impact on the business, operation and financial conditions of the Group.

As such, certain comparative figures have been reclassified to conform to the current year’s presentation. The changes included the reclassification of certain restricted bank deposits previously classified under term deposits and bank and cash balances, hence the cash flows from restricted bank deposits reclassified in investing activities. The new classification of the accounting items was considered to provide a more appropriate presentation of the state of affairs of the Group.

EXTRACT OF THE INDEPENDENT AUDITOR’S REPORT

The following is the extract of the independent auditor’s report from the external auditors of the Group:

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis for Qualified Opinion

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of frozen investments at fair value through profit or loss and restricted bank deposits of RMB362,930,000 and RMB288,394,000 as at 31 December 2019 respectively and RMB435,473,000 and RMB195,460,000 as at 31 December 2018 respectively. There are no other satisfactory audit procedures that we could adopt to determine whether any allowances for non-recovery of these amounts should be made in the consolidated financial statements. Any adjustments to these figures might have a consequential effect on the Group’s consolidated financial performance for the years ended 31 December 2019 and 2018, the consolidated financial position of the Group as at 31 December 2019 and 2018, and the related disclosures thereof in the consolidated financial statements.

OTHER INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2019, the Company repurchased 6,246,000 shares of the Company on the Stock Exchange at an aggregate consideration of HKD7,798,820 pursuant to the share repurchase mandate approved by the shareholders of the Company at the annual general meeting held on 6 June 2019. Details of the repurchases are summarised as follows:

Date of repurchase	Price per share		Number of Ordinary Shares of USD0.00005 Each	Total consideration HKD
	Highest HKD	Lowest HKD		
8 April 2019	1.92	1.90	651,000	1,247,050
9 April 2019	1.92	1.92	1,000	1,920
19 June 2019	1.37	1.33	445,000	605,910
20 June 2019	1.40	1.40	30,000	42,000
16 July 2019	1.37	1.36	37,000	50,620
18 July 2019	1.38	1.37	257,000	354,550
4 September 2019	1.13	1.10	793,000	878,930
10 September 2019	1.22	1.20	233,000	281,780
17 September 2019	1.23	1.21	174,000	212,560
18 September 2019	1.22	1.20	120,000	146,380
20 September 2019	1.21	1.20	956,000	1,152,090
27 September 2019	1.14	1.13	216,000	245,140
30 September 2019	1.18	1.14	253,000	294,740
4 October 2019	1.14	1.11	141,000	158,970
9 October 2019	1.18	1.14	313,000	369,100
18 October 2019	1.17	1.15	308,000	358,280
3 December 2019	1.08	1.07	200,000	214,650
4 December 2019	1.06	1.05	961,000	1,016,160
6 December 2019	1.07	1.07	157,000	167,990
Total:			6,246,000	7,798,820

Except for the 4,825,000 shares repurchased in September, October and December 2019, all the repurchased 1,421,000 shares of the Company have been cancelled during the year ended 31 December 2019 and the issued share capital of the Company has been reduced by the nominal value of the repurchased shares. The premium paid on repurchase was charged against the share premium of the Company. The repurchases were effected by the Board with a view to benefiting the shareholders of the Company as a whole by enhancing the earnings per share of the Company.

Except as disclosed above, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the year ended 31 December 2019.

MATERIAL DIFFERENCES BETWEEN THE UNAUDITED MATERIAL FINANCIAL INFORMATION AND THE AUDITED ANNUAL RESULTS

Reference is made to the Material Financial Information Announcement. Since subsequent adjustments have been made to the unaudited material financial information of the Group contained in the Material Financial Information Announcement upon completion of the auditing process, shareholders and potential investors of the Company are advised to pay attention to the following material differences between the unaudited material financial information of the Group contained in the Material Financial Information Announcement and the audited annual results of the Group in this announcement.

MATERIAL FINANCIAL INFORMATION

	Audited Annual Results For the year ended 31 December 2019 RMB'000	Unaudited Annual Results Disclosed in the Material Financial Information Announcement 2019 RMB'000	Differences RMB'000	Notes
Revenue	323,816	323,150	666	(i)
Gross profit	221,164	221,795	(631)	(ii)
Profit attributable to owners of the Company	33,760	101,972	(68,212)	(iii)
Non-IFRS adjusted net profit (unaudited)	34,233	102,445	(68,212)	(iii)
	As at 31 December			
	2019 RMB'000	2019 RMB'000	RMB'000	
Consolidated total assets	2,393,155	2,469,638	(76,483)	(iii)
Bank and cash balances	487,301	775,696	(288,395)	(iv)
Equity investments at fair value through other comprehensive income	45,165	46,019	(854)	(v)
Investments at fair value through profit or loss	997,359	1,069,756	(72,397)	(iii)
Consolidated total liabilities	282,912	293,044	(10,132)	(vi)
Trade and other payables	72,057	71,818	239	(vii)
Total equity attributable to owners of the Company	2,110,243	2,176,594	(66,351)	(viii)

Notes:

- (i) The difference was mainly due to adjustment for deferral effect of revenue.
- (ii) The difference was mainly due to reclassification of revenue-related cost to cost of revenue and adjustment for deferral effect of cost of revenue.
- (iii) The difference was mainly due to increase in fair value loss on investments at fair value through profit or loss.
- (iv) The difference was due to the reclassification of RMB288,394,000 from bank and cash balances to restricted bank deposits and rounding difference.
- (v) The difference was mainly due to increase in fair value loss on equity investments at fair value through other comprehensive income.
- (vi) The difference was mainly due to decrease in provision of deferred tax liabilities.
- (vii) The difference was mainly due to provision of audit fee and reclassification of receipt in advance to contract liabilities.
- (viii) The difference was mainly due to increase in fair value loss on investments at fair value through profit or loss and related tax impact.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting will be tentatively held on Thursday, 16 July 2020 (the “**Annual General Meeting**” or the “**AGM**”). An application had been made by the Company to the Stock Exchange for a waiver from strict compliance with Rule 13.46(2) (b) of the Listing Rules subject to the Company’s compliance with its amended and restated memorandum and articles of association and the laws of the Cayman Islands. The notice of the Annual General Meeting will be published on the website of the Company and the Stock Exchange and sent to the shareholders of the Company in due course.

The Company will keep its shareholders informed of the latest progress of the waiver application and will make further announcement(s) when necessary.

CLOSURES OF REGISTER OF MEMBERS

Subject to the waiver application as set forth in the section headed “Annual General Meeting” in this announcement, for the purpose of determining the Shareholders’ eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Monday, 13 July 2020 to Thursday, 16 July 2020 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the Annual General Meeting, all transfer of share documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 10 July 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2019, the Company has complied with the applicable code provisions of the Corporate Governance Code (the “**Code**”) as set out in Appendix 14 to the Listing Rules.

The 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.

The Board currently comprises two executive directors (being Mr. Dai Zhikang, an executive director and the chairman of the Company and Ms. Tao Ying, an executive director and the acting chief executive officer), and three independent non-executive directors, and therefore has a strong independence element in its composition.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors’ securities transactions. All directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code during the year ended 31 December 2019.

AUDIT COMMITTEE

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

The Audit Committee has reviewed and discussed the audited annual results of the Company for the year ended 31 December 2019.

IMPORTANT EVENTS AFFECTING THE GROUP AFTER THE REPORTING PERIOD

After the outbreak of the novel coronavirus (“**COVID-19**”) in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country. The Group will continue to pay close attention to the development of the COVID-19 outbreak and evaluated its impact on the financial position and operating results of the Group. As at the date of this announcement, the Board was not aware of any material adverse impact on the Group’s operation and financial statement as a result of the COVID-19 outbreak.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Group’s auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 December 2019. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on this announcement.

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

The annual results announcement for the year ended 31 December 2019 is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and of the Company (<http://www.boyaa.com.hk>). The 2019 annual report (the “**Annual Report 2019**”) will be despatched to the shareholders of the Company and will be available on the websites of the Stock Exchange and of the Company in due course.

Reference is made to the announcements of the Company dated 31 March 2020, 9 April 2020, 29 April 2020, 20 May 2020 and 26 May 2020. Due to the preventive measures and quarantine requirements imposed in the PRC and Hong Kong, the Outstanding Audit Matters and the change of auditors, which were brought about as a result of the COVID-19 pandemic, the Company expects that additional time is required for the Annual Report 2019. The publication of the Annual Report 2019 will hence be delayed.

An application has been made by the Company to Stock Exchange for a waiver from the strict compliance with Rule 13.46(2)(a) of the Listing Rules in respect of the publication of the Annual Report 2019. The Company will make further announcement(s) as and when appropriate in accordance with the Listing Rules.

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

Hong Kong, 29 May 2020

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