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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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2020

FINANCIAL HIGHLIGHTS

	For the nine months ended 30 September		Year-on-Year Change*	For the year ended
	2020	2019		31 December
	RMB'000 (unaudited)	RMB'000 (unaudited)	%	2019 RMB'000 (audited)
Revenue	273,847	245,503	11.5	323,816
– Web-based games	110,661	107,211	3.2	141,840
– Mobile games	163,186	138,292	18.0	181,976
Gross profit	191,832	168,748	13.7	221,164
(Loss)/profit attributable to owners of the Company	(14,663)	82,068	(117.9)	33,760
Non-IFRS adjusted net (loss)/profit***	(14,663)	82,540	(117.8)	34,233
	For the three months ended 30 September		Year-on-Year Change*	
	2020	2019		
	RMB'000 (unaudited)	RMB'000 (unaudited)	%	
Revenue	85,387	85,041	0.4	
– Web-based games	35,427	36,982	(4.2)	
– Mobile games	49,960	48,059	4.0	
Gross profit	59,235	59,578	(0.6)	
(Loss)/profit attributable to owners of the Company	(1,097)	18,954	(105.8)	
Non-IFRS adjusted net (loss)/profit***	(1,097)	18,995	(105.8)	

REVENUE BY GAMES

	For the nine months ended 30 September		Year-on-Year Change* %
	2020 <i>RMB'000</i> (unaudited)	2019 <i>RMB'000</i> (unaudited)	
Texas Hold'em Series	187,055	180,526	3.6
Other Card and Board****	86,792	64,977	33.6
Total	273,847	245,503	11.5

	For the three months ended 30 September		Year-on-Year Change* %
	2020 <i>RMB'000</i> (unaudited)	2019 <i>RMB'000</i> (unaudited)	
Texas Hold'em Series	58,978	62,732	(6.0)
Other Card and Board****	26,409	22,309	18.4
Total	85,387	85,041	0.4

REVENUE BY LANGUAGE VERSIONS OF GAMES

	For the nine months ended 30 September		Year-on-Year Change* %
	2020 <i>RMB'000</i> (unaudited)	2019 <i>RMB'000</i> (unaudited)	
Simplified Chinese	32,558	34,881	(6.7)
Other languages	241,289	210,622	14.6
Total	273,847	245,503	11.5

	For the three months ended 30 September		Year-on-Year Change* %
	2020 <i>RMB'000</i> (unaudited)	2019 <i>RMB'000</i> (unaudited)	
Simplified Chinese	7,494	10,003	(25.1)
Other languages	77,893	75,038	3.8
Total	85,387	85,041	0.4

OPERATIONAL HIGHLIGHTS

	For the three months ended			Year- on-Year Change*	Quarter- on-Quarter Change**
	30 September	30 June	30 September		
	2020	2020	2019		
	(unaudited)	(unaudited)	(unaudited)	%	%
Paying Players (<i>in thousands</i>)	261	292	373	(30.0)	(10.6)
– Web-based games	8	10	13	(38.5)	(20.0)
– Mobile games	253	282	360	(29.7)	(10.3)
Daily Active Users (“DAUs”) (<i>in thousands</i>) ****	2,013	2,222	2,388	(15.7)	(9.4)
– Web-based games	122	150	204	(40.2)	(18.7)
– Mobile games	1,891	2,072	2,184	(13.4)	(8.7)
Monthly Active Users (“MAUs”) (<i>in thousands</i>) ****	5,356	6,080	6,881	(22.2)	(11.9)
– Web-based games	317	402	477	(33.5)	(21.1)
– Mobile games	5,039	5,678	6,404	(21.3)	(11.3)
Average Revenue Per Paying User (“ARPPU”) of Texas Hold’em Series (<i>in RMB</i>)					
– Web-based games	1,685.3	1,420.2	1,026	64.3	18.7
– Mobile games	124.8	135.3	132.3	(5.7)	(7.8)
ARPPU for Other Card and Board (<i>in RMB</i>)					
– Web-based games	12.0	14.3	15.0	(20.0)	(16.1)
– Mobile games	46.3	45.4	25.2	83.7	2.0

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

** *Quarter-on-Quarter Change % represents a comparison between the quarter ended 30 September 2020 and the immediately preceding quarter.*

*** *Non-IFRS adjusted net profit was derived from the unaudited 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 players 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 quarterly results announcement are combined and referred to as “Other Card and Board” above.*

The board of directors (the “**Board**”) of Boyaa Interactive International Limited (the “**Company**” or “**we**” or “**our**” or “**us**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**” or “**we**” or “**our**” or “**us**”) for the three and nine months ended 30 September 2020 (the “**Reporting Period**”) (the “**Third Quarterly Results**”). The Third Quarterly Results have been reviewed by ZHONGHUI ANDA CPA Limited, the auditor of the Company, in accordance with International Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the International Auditing and Assurance Standards Board, and by the audit committee of the Company. This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

BUSINESS OVERVIEW AND OUTLOOK

In terms of financial performance, we recorded a revenue of approximately RMB273.8 million for the nine months ended 30 September 2020, representing a year-on-year increase of approximately 11.5% compared to the same period in 2019. The year-on-year increase in revenue for the nine months ended 30 September 2020 was primarily attributable to the increased time spent and spending of users on the online gaming products of the Group in the first half of 2020 due to (i) the preventive measures and social distancing policies imposed by the relevant government authorities to combat the COVID-19 pandemic (the “**COVID-19 Pandemic**”) in Mainland China, Hong Kong, Taiwan and overseas regions; and (ii) certain online operational activities held by the Group. We recorded a revenue of approximately RMB85.4 million for the third quarter of 2020, representing a year-on-year increase of approximately 0.4% compared to the same period in 2019. The revenue of the Group for the third quarter of 2020 quarter-on-quarter decreased by approximately 10.5% compared to the second quarter of 2020, which was mainly due to the fall of increased time spent and spending of users on the online gaming products of the Group occurred during the pandemic along with the gradual ease of COVID-19 Pandemic, which resulted in the Group’s income level recovering to the pre-pandemic level and the quarter-on-quarter decrease in quarterly revenue.

We recorded an unaudited non-IFRS adjusted loss of approximately RMB14.7 million for the nine months ended 30 September 2020, representing a year-on-year decrease of approximately 117.8% compared to the corresponding period of 2019; and we recorded an unaudited non-IFRS adjusted loss of approximately RMB1.1 million in the third quarter of 2020, representing a year-on-year decrease of approximately 105.8% compared to the third quarter of 2019. The year-on-year decrease in unaudited non-IFRS adjusted net profit for the nine months ended 30 September 2020 and for the third quarter of 2020 was mainly attributable to the decrease in fair value of financial assets such as equity investment partnerships of the Group for the nine

months ended 30 September 2020 due to the economic downturn and market factors caused by the COVID-19 Pandemic. Excluding the impact of non-operating one-off factors such as the changes in the fair value of financial assets, including equity investment partnerships, the unaudited non-IFRS adjusted net profit for the nine months ended 30 September 2020 and for the third quarter of 2020 represented an increase of respectively, approximately 16.4% and approximately 29.2% compared to the corresponding period in 2019. The year-on-year increase in the first three quarters of 2020 was mainly due to the increase in revenue in the same period, while the year-on-year increase in the third quarter of 2020 was mainly due to the lower expenses recorded as compared to the corresponding period. Our unaudited non-IFRS adjusted net profit in the third quarter of 2020 recorded a quarter-to-quarter increase of approximately 95.7% compared to the second quarter of 2020. Excluding the impact of non-operating one-off factors such as the changes in the fair value of equity investment partnerships, the unaudited non-IFRS adjusted net profit for the third quarter of 2020 represented a quarter-to-quarter decrease of 23.7%, mainly due to the decrease in revenue.

In terms of the operating data performance of the Group, we recorded a decrease in the number of paying players and users during the third quarter of 2020 as compared to the second quarter of 2020. In particular, the number of paying players decreased by 10.6% from approximately 0.29 million in the second quarter of 2020 to approximately 0.26 million in the third quarter of 2020. The number of DAUs decreased by 9.4% from approximately 2.2 million in the second quarter of 2020 to 2.0 million in the third quarter of 2020. The number of MAUs decreased by 11.9% from approximately 6.1 million in the second quarter of 2020 to approximately 5.4 million in the third quarter of 2020. The number of paying players and users in the third quarter of 2020 experienced a decrease as compared to the second quarter, mainly due to the relief of COVID-19 Pandemic and gradual recovery of various industries in the Mainland China. However, the ARPPU grew in both web-based version of Texas Hold'em and the mobile version of other card and board games.

The Group will continue to conduct more intensive market surveys, launch innovative game rules, explore various operation modes for card and board games in domestic and foreign market, improve the experience of our game players, continue to strengthen product refinement and operation diversification, ramp up the quality of our games in an all-rounded manner, and spare no effort to build our brand for online and offline match series. On top of consolidating our existing market, more efforts will be made to further expand our overseas market as well as develop other chess and card games business, so as to offset the impact of risks arising from policy. The Group will strictly comply with various laws and regulations of the PRC, develop high-quality puzzle games and matches, and continue with its journey to forge a century-old brand for chess and card games.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Our revenue for the three months ended 30 September 2020 amounted to approximately RMB85.4 million, representing a year-on-year increase of approximately 0.4% from approximately RMB85.0 million recorded for the same period in 2019. The year-on-year increase was primarily due to the fall of increased time spent and spending of users on the online gaming products of the Group occurred during the Pandemic along with the gradual ease of COVID-19 Pandemic, which resulted in the Group's income level recovering to the pre-Pandemic level. For the three months ended 30 September 2020, revenue generated from our mobile games and web-based games accounted for approximately 58.5% and 41.5% of our total revenue, respectively, as compared to approximately 56.5% and 43.5%, respectively, for the three months ended 30 September 2019.

Cost of revenue

Our cost of revenue for the three months ended 30 September 2020 amounted to approximately RMB26.2 million, representing a year-on-year increase of approximately 2.7% from approximately RMB25.5 million recorded for the same period in 2019. The year-on-year increase was primarily due to the increase in commission charges by platforms and third party payment vendors.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit for the three months ended 30 September 2020 amounted to approximately RMB59.2 million, representing a year-on-year decrease of approximately 0.6% from approximately RMB59.6 million recorded for the same period in 2019.

Our gross profit margin were approximately 69.4% and 70.1%, respectively, for the three months ended 30 September 2020 and the same period in 2019.

Selling and marketing expenses

Our selling and marketing expenses for the three months ended 30 September 2020 amounted to approximately RMB6.8 million, representing a year-on-year increase of approximately 5.3% from approximately RMB6.5 million recorded for the same period in 2019. The year-on-year increase was mainly attributable to the increase in the expenses incurred for advertising and promotional activities.

Administrative expenses

Our administrative expenses for the three months ended 30 September 2020 amounted to approximately RMB27.8 million, representing a year-on-year decrease of approximately 15.7% from approximately RMB33.0 million recorded for the same period in 2019. The year-on-year decrease was mainly attributable to the decrease in professional service expenses.

Other (losses)/gains, net

For the three months ended 30 September 2020, we recorded other losses, net of approximately RMB22.9 million, compared to other gains, net of approximately RMB2.3 million recorded for the same period in 2019. The other (losses)/gains, net primarily consisted of fair value changes on investment 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, and government subsidies.

Finance income, net

Our net finance income for the three months ended 30 September 2020 was approximately RMB4.8 million, compared to approximately RMB3.0 million recorded for the same period in 2019. The year-on-year change was primarily due to the increase in interest revenue as compared to the same period of 2019.

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 Huifu World Network Technology Co., Ltd.* (深圳市匯富天下網絡科技有限公司), Shenzhen Easething Technology Co., Ltd.* (深圳市易新科技有限公司), Shenzhen Jisiwei Intelligent Technology Co., Ltd.* (深圳市極思維智能科技有限公司) and Shanghai Allin Network Technology Co., Limited* (上海傲英網絡科技有限公司) and its subsidiaries as at 30 September 2020 (31 December 2019: five), all of which were online game or internet technology companies. We recorded a share of loss of associates of approximately RMB0.5 million for the three months ended 30 September 2020, compared to a share of loss of associates of approximately RMB0.2 million recorded for the same period in 2019.

Income tax expenses

Our income tax expenses for the three months ended 30 September 2020 were approximately RMB7.1 million, representing an increase of approximately 14.4% from approximately RMB6.2 million recorded for the three months ended 30 September 2019. The increase in income tax expenses is resulted from no provision of deferred tax assets is recognized for the fair value loss of investments at fair value through profit or loss.

(Loss)/profit attributable to owners of the Company

As a result of the foregoing, our loss attributable to owners of the Company for the three months ended 30 September 2020 amounted to approximately RMB1.1 million, representing a year-on-year decrease of approximately 105.8%, from the profit attributable to owners of the Company of approximately RMB19.0 million recorded for the same period in 2019.

Non-IFRS Measure – Adjusted net profit

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

Our unaudited non-IFRS adjusted loss for the three months ended 30 September 2020 amounted to approximately RMB1.1 million, as compared to our unaudited non-IFRS adjusted profit for the three months ended 30 September 2019 of approximately RMB19.0 million derived from our unaudited profit for the three months ended 30 September 2020 excluding share-based compensation expenses of approximately RMB0.01 million, RMB0.01 million and RMB0.02 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively.

The following table sets out the adjusted net (loss)/profit as well as the calculation process based on non-IFRS measures for the three months ended 30 September 2020:

	For the three months ended 30 September	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	(1,097)	18,954
Add:		
Share-based compensation expenses	—	1
	<u>—</u>	<u>1</u>
Adjusted net (loss)/profit for the period	<u>(1,097)</u>	<u>18,955</u>

Cash and cash equivalents

As at 30 September 2020, we had cash and cash equivalents of approximately RMB218.4 million (31 December 2019: approximately RMB487.3 million), which primarily consisted of cash at banks and in hand and short-term bank deposits, which were mainly denominated in RMB (as to approximately 54.5%), USD (as to approximately 38.0%) and other currencies (as to approximately 7.5%). 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.

As at 30 September 2020, the total amount of the net proceeds from our initial public offering had been fully utilized.

Equity investment 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 30 September 2020, the fair value of our unlisted and listed investments classified as equity investments at fair value through other comprehensive income amounted to approximately RMB54.4 million (31 December 2019: approximately RMB45.2 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 30 September 2020.

Investments at fair value through profit or loss

As at 30 September 2020, we also recorded investments at fair value through profit or loss amounted to approximately RMB776.8 million (31 December 2019: approximately RMB997.4 million), which consisted of non-quoted investments in asset management plans, equity investment partnerships and wealth management products. As at 30 September 2020, the fair values of the investments in asset management plans were determined by discount cash flows model; the fair values of the investments in equity investment partnerships were determined by 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 nine months ended 30 September 2020, we recorded fair value losses on investments at fair value through profit or loss of approximately RMB94.4 million (fair value gains for the nine months ended 30 September 2019: approximately RMB5.6 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 Group has in the past selected wealth management products that are principal guaranteed and relatively low risk products. Prior to making an investment, the Group had also ensured that there remains sufficient working capital for the Group's business needs even after the investments in wealth management products. During the nine months ended 30 September 2020, each of the investments made by the Group does not constitute a notifiable transaction or a connected transaction of the Group under the Listing Rules. As agreed with the financial institutions, the underlying investment portfolio of the wealth management products of the Group 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 nine months ended 30 September 2020, 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 30 September 2020 was approximately RMB180.6 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 30 September 2020, the fair value of the two Wealth Management Products were approximately RMB213.6 million and RMB136.0 million, respectively. The Wealth Management Products were assessed by the Group as very low-risk products. As at 30 September 2020, the bank accounts which holds the Wealth Management Products had been frozen. For details as to the circumstance leading to the freezing of the accounts, please refer to Note 21 under the section headed “Notes to the Condensed Consolidated Financial Statements” of this announcement and the announcements of the Group dated 1 September 2019, 13 December 2019, 3 January 2020, 6 January 2020 and 9 November 2020.

Save for our capital investment in Jiaying Boyaa 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 has a carrying amount that accounts for more than 5.0% of our total assets as at 30 September 2020.

Borrowings

For the nine months ended 30 September 2020, 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 nine months ended 30 September 2020, our capital expenditure amounted to approximately RMB10.0 million (for the nine months ended 30 September 2019: approximately RMB12.1 million). The capital expenditure mainly included purchasing equipment and leasehold improvements of approximately RMB10.0 million (for the nine months ended 30 September 2019: approximately RMB12.1 million), which was funded by using our cash flows generated from our operations.

Commitment

The Group did not have significant outstanding commitments as at 30 September 2020.

Contingent liabilities and guarantees

As at 30 September 2020, the Group did not have any significant unrecorded contingent liabilities and guarantees.

Pledge/charge of the Group's assets

As at 30 September 2020, none of the Group's assets was pledged or charged.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2020

		Three months ended 30 September		Nine months ended 30 September	
		2020	2019	2020	2019
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	4	85,387	85,041	273,847	245,503
Cost of revenue		<u>(26,152)</u>	<u>(25,463)</u>	<u>(82,015)</u>	<u>(76,755)</u>
Gross profit		59,235	59,578	191,832	168,748
Other (losses)/gains, net	5	(22,917)	2,304	(93,580)	16,311
Selling and marketing expenses		(6,841)	(6,495)	(18,025)	(15,117)
Administrative expenses		<u>(27,845)</u>	<u>(33,034)</u>	<u>(86,995)</u>	<u>(86,510)</u>
Operating profit/(loss)		1,632	22,353	(6,768)	83,432
Finance income	6	5,156	4,093	16,000	17,100
Finance costs	7	(385)	(1,121)	(685)	(2,436)
Share of losses of associates		<u>(450)</u>	<u>(210)</u>	<u>(2,147)</u>	<u>(370)</u>
Profit before income tax		5,953	25,115	6,400	97,726
Income tax expense	8	<u>(7,050)</u>	<u>(6,161)</u>	<u>(21,063)</u>	<u>(15,658)</u>
(Loss)/profit for the period attributable to owners of the Company	9	<u>(1,097)</u>	<u>18,954</u>	<u>(14,663)</u>	<u>82,068</u>
Other comprehensive (expenses)/income:					
<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		8,816	(6,119)	9,231	(16,046)
Exchange differences on translation		(2,923)	1,716	(1,486)	1,955
<i>Item that may be reclassified to profit or loss:</i>					
Exchange differences on translating foreign operations		<u>(11,211)</u>	<u>6,874</u>	<u>(6,416)</u>	<u>8,850</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2020

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Other comprehensive (expenses)/income for the period, net of tax	<u>(5,318)</u>	<u>2,471</u>	<u>1,329</u>	<u>(5,241)</u>
Total comprehensive (expenses)/income for the period attributable to owners of the Company	<u>(6,415)</u>	<u>21,425</u>	<u>(13,334)</u>	<u>76,827</u>
(Loss)/earnings per share (RMB cents)	<i>11</i>			
– Basic	<u>(0.17)</u>	<u>2.84</u>	<u>(2.22)</u>	<u>12.26</u>
– Diluted	<u>(0.17)</u>	<u>2.84</u>	<u>(2.22)</u>	<u>12.26</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2020

		30 September	31 December
		2020	2019
	<i>Notes</i>	RMB'000	RMB'000
		(unaudited)	(audited)
ASSETS			
Non-current assets			
Property, plant and equipment	<i>12</i>	43,025	41,792
Right-of-use assets		6,794	10,426
Intangible assets		53	213
Investments in associates		10,646	12,793
Equity investments at fair value through other comprehensive income	<i>13</i>	54,396	45,165
Investments at fair value through profit or loss	<i>14</i>	354,850	495,012
Prepayments, deposits and other receivables		26,737	37,860
Deferred tax assets		18,139	23,713
		<u>514,640</u>	<u>666,974</u>
Current assets			
Trade receivables	<i>15</i>	20,079	18,001
Prepayments, deposits and other receivables		43,836	41,922
Investments at fair value through profit or loss	<i>14</i>	421,917	502,347
Restricted bank deposits	<i>16</i>	291,161	288,394
Term deposits		863,174	388,216
Bank and cash balances		218,353	487,301
		<u>1,858,520</u>	<u>1,726,181</u>
Total assets		<u>2,373,160</u>	<u>2,393,155</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	<i>18</i>	232	234
Reserves		2,093,468	2,110,009
Total equity		<u>2,093,700</u>	<u>2,110,243</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

AT 30 SEPTEMBER 2020

		30 September	31 December
		2020	2019
	<i>Notes</i>	RMB'000	RMB'000
		(unaudited)	(audited)
Liabilities			
Non-current liabilities			
Lease liabilities		3,164	5,127
Deferred tax liabilities		8,275	7,696
		<u>11,439</u>	<u>12,823</u>
Current liabilities			
Trade payables	<i>17</i>	2,139	879
Accruals and other payables		72,488	71,178
Contract liabilities		10,335	18,100
Lease liabilities		4,444	4,896
Current tax liabilities		178,615	175,036
		<u>268,021</u>	<u>270,089</u>
Total liabilities		<u>279,460</u>	<u>282,912</u>
Total equity and liabilities		<u>2,373,160</u>	<u>2,393,155</u>
Net current assets		<u>1,590,499</u>	<u>1,456,092</u>
Total assets less current liabilities		<u>2,105,139</u>	<u>2,123,066</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

(Unaudited)

	Attributable to owners of the Company										
	Share capital	Share premium	Repurchased shares	Shares held for RSU scheme	Capital reserve	Foreign currency translation reserve	Statutory reserve	Share-based payments reserve	Other reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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 period	-	-	-	-	-	10,805	-	-	(16,046)	82,068	76,827
Repurchase of ordinary shares	-	-	(4,922)	-	-	-	-	-	-	-	(4,922)
Cancellation of ordinary shares	(1)	(4,084)	4,085	-	-	-	-	-	-	-	-
Share-based payments											
- value of employee services	-	-	-	-	-	-	-	472	-	-	472
- exercise and lapse of share options and RSUs	-	3,783	-	-	-	-	-	(3,783)	-	-	-
Special dividend	-	(162,545)	-	-	-	-	-	-	-	-	(162,545)
Changes in equity for the period	(1)	(162,846)	(837)	-	-	10,805	-	(3,311)	(16,046)	82,068	(90,168)
At 30 September 2019	234	380,875	(2,897)	(14)	2,000	24,284	28,474	80,721	(231,555)	1,892,744	2,174,866
At 1 January 2020	234	380,970	(4,864)	(14)	2,000	24,490	33,990	80,721	(246,204)	1,838,920	2,110,243
Total comprehensive (expenses)/income for the period	-	-	-	-	-	(7,902)	-	-	9,231	(14,663)	(13,334)
Repurchase of ordinary shares	-	-	(3,209)	-	-	-	-	-	-	-	(3,209)
Cancellation of ordinary shares	(2)	(6,439)	6,441	-	-	-	-	-	-	-	-
Share-based payments											
- exercise and lapse of share options and RSUs	-	891	-	-	-	-	-	(891)	-	-	-
Changes in equity for the period	(2)	(5,548)	3,232	-	-	(7,902)	-	(891)	9,231	(14,663)	(16,543)
At 30 September 2020	232	375,422	(1,632)	(14)	2,000	16,588	33,990	79,830	(236,973)	1,824,257	2,093,700

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

	Nine months ended	
	30 September	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cash flows from operating activities		
Cash generated from operating activities	106,062	51,756
Income tax paid	(8,570)	(4,483)
Lease interests paid	(424)	(603)
	<hr/>	<hr/>
Net cash generated from operating activities	97,068	46,670
	<hr/>	<hr/>
Cash flows from investing activities		
Placement of restricted bank deposits	–	(91,696)
Placement of term deposits with original maturities over three months	(813,814)	(286,870)
Proceeds from maturity of term deposits with original maturities over three months	334,279	512,204
Interest received	11,211	19,089
Dividends from investments at fair value through profit or loss	590	2,888
Purchases of investments at fair value through profit or loss	(417,394)	(641,547)
Proceeds from settlements of investments at fair value through profit or loss	540,197	845,912
Purchases of property, plant and equipment	(9,976)	(12,071)
Proceeds from disposals of property, plant and equipment	292	130
Proceeds from deregistration of an associate	–	150
	<hr/>	<hr/>
Net cash (used in)/generated from investing activities	(354,615)	348,189
	<hr/>	<hr/>
Cash flows from financing activities		
Repayment of lease liabilities	(2,797)	(4,463)
Repurchase of ordinary shares	(3,209)	(4,922)
Special dividend paid	–	(162,545)
	<hr/>	<hr/>
Net cash used in financing activities	(6,006)	(171,930)
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(263,553)	222,929
Effect of foreign exchange rate changes	(5,395)	2,489
Cash and cash equivalents at beginning of the period	487,301	296,890
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	218,353	522,308
	<hr/>	<hr/>
Analysis of cash and cash equivalents		
Bank and cash balances	218,353	522,308
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

1. GENERAL INFORMATION

Boyaa Interactive International Limited (the “**Company**”) was incorporated in the Cayman Islands. The address of its registered office is P.O. Box 309, Uglund 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, the People’s Republic of China (“**PRC**”). The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”).

The condensed consolidated financial statements are presented in Renminbi (the “**RMB**”), which is the Company’s presentation currency and the functional currency of the principal operating subsidiaries of the Group.

The Company acts as an investment holding company. The principal activities of the Group are the development and operation of online games and provision of advisory services.

2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“**IASB**”) and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

These condensed consolidated financial statements should be read in conjunction with the 2019 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2019.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, the Company and its subsidiaries (the “**Group**”) has adopted all the new and revised International Financial Reporting Standards (“**IFRSs**”) issued by the IASB that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. IFRSs comprise International Financial Reporting Standards; 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 period and prior years.

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.

4. REVENUE AND SEGMENT INFORMATION

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Web-based games	35,427	36,982	110,661	107,211
Mobile games	49,960	48,059	163,186	138,292
Revenue from contracts with customers	85,387	85,041	273,847	245,503

Disaggregation of revenue from contracts with customers:

Timing of revenue recognition

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At a point of time	85,387	85,041	273,847	245,503

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:

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Simplified Chinese	7,494	10,003	32,558	34,881
Other languages	77,893	75,038	241,289	210,622
	85,387	85,041	273,847	245,503

No revenue is derived from any individual game player which amounted for over 10% of the Group's total revenue (for the three and nine months ended 30 September 2019: nil).

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

	30 September	31 December
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Mainland China	72,044	86,002
Other locations	15,211	17,082
	87,255	103,084

5. OTHER (LOSSES)/GAINS, NET

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Dividends from investments at fair value through profit or loss	160	766	590	2,888
Gain/(loss) on disposals of property, plant and equipment	67	(4)	118	(668)
Government subsidies and tax rebates (<i>Note</i>)	129	480	3,154	8,692
Net foreign exchange gains/(losses)	160	(759)	(2,898)	(1,093)
Fair value changes on investments at fair value through profit or loss	(23,361)	737	(94,432)	5,637
Others	(72)	1,084	(112)	855
	<u>(22,917)</u>	<u>2,304</u>	<u>(93,580)</u>	<u>16,311</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.

6. FINANCE INCOME

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest revenue	5,065	3,849	15,706	16,343
Interest revenue on non-current loans to employees	91	244	294	757
	<u>5,156</u>	<u>4,093</u>	<u>16,000</u>	<u>17,100</u>

7. FINANCE COSTS

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Discounting effects of non-current loans to employees	261	931	261	1,833
Lease interests	124	190	424	603
	<u>385</u>	<u>1,121</u>	<u>685</u>	<u>2,436</u>

8. INCOME TAX EXPENSE

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax				
– PRC Enterprise Income Tax (“EIT”) and other jurisdictions	1,391	6,546	14,809	16,707
Deferred tax	5,659	(385)	6,254	(1,049)
	<u>7,050</u>	<u>6,161</u>	<u>21,063</u>	<u>15,658</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 nine months ended 30 September 2020 and 2019, 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% (for the nine months ended 30 September 2019: 15%) for the nine months ended 30 September 2020.

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% (for the nine months ended 30 September 2019: 15%) for the nine months ended 30 September 2020.

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% (for the nine months ended 30 September 2019: 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 nine months ended 30 September 2020 and 2019.

(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 30 September 2020, 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 RMB1,048,407,000 (31 December 2019: RMB1,118,398,000). 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 Hong Kong dollars (“**HK\$**”) 2,000,000 and 16.5% on any part of assessable profits over HK\$2,000,000 for the nine months ended 30 September 2020 and 2019.

9. (LOSS)/PROFIT FOR THE PERIOD

The Group's (loss)/profit for the period is stated after (crediting)/charging the following:

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Amortisation of intangible assets				
– included in cost of revenue	26	270	160	851
– included in selling and marketing expenses	–	11	–	34
– included in administrative expenses	–	1	–	7
	<u>26</u>	<u>282</u>	<u>160</u>	<u>892</u>
Depreciation	4,260	3,647	11,913	9,662
Research and development expenditure				
– included in staff costs	14,859	15,798	38,310	41,110
– included in depreciation	61	244	242	745
– included in other administrative expenses	1,962	1,492	6,087	4,548
	<u>16,882</u>	<u>17,534</u>	<u>44,639</u>	<u>46,403</u>
Loss allowance provision/(reversal of loss allowance) for trade receivables	558	(1,584)	888	(435)
Reversal of loss allowance for loans to employees	(450)	–	(442)	–
Staff costs including directors' emoluments				
– Wages, salaries and bonuses	20,822	19,710	52,705	55,927
– Retirement benefit scheme contributions	412	4,153	3,777	5,962
– Share-based payments expenses	–	41	–	472
	<u>21,234</u>	<u>23,904</u>	<u>56,482</u>	<u>62,361</u>

10. DIVIDENDS

	Three months ended 30 September		Nine months ended 30 September	
	2020 <i>RMB'000</i> (unaudited)	2019 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (unaudited)	2019 <i>RMB'000</i> (unaudited)
Special dividend of nil (for the nine months ended 30 September 2020: HK\$0.276 (equivalent to RMB0.24)) per ordinary share	—	—	—	162,545

11. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share is based on the following:

	Three months ended 30 September		Nine months ended 30 September	
	2020 <i>RMB'000</i> (unaudited)	2019 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (unaudited)	2019 <i>RMB'000</i> (unaudited)
(Loss)/earnings				
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share	<u>(1,097)</u>	<u>18,954</u>	<u>(14,663)</u>	<u>82,068</u>
Number of shares ('000)				
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	661,356	668,153	661,779	669,039
Effect of dilutive potential ordinary shares arising from restricted share units (“RSUs”)	—	—	—	103
Effect of dilutive potential ordinary shares arising from share options	—	7	—	22
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<u>661,356</u>	<u>668,160</u>	<u>661,779</u>	<u>669,164</u>

12. PROPERTY, PLANT AND EQUIPMENT

During the nine months ended 30 September 2020, the Group acquired property, plant and equipment of RMB9,976,000 (for the nine months ended 30 September 2019: RMB12,071,000).

Property, plant and equipment with a carrying amount of approximately RMB174,000 (for the nine months ended 30 September 2019: approximately RMB802,000) were disposed by the Group during the nine months ended 30 September 2020.

13. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 September 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Equity securities, at fair value		
– Listed in PRC – Dalian Zeus Entertainment Co., Limited	21,103	19,100
– Listed in Hong Kong – Xiaomi Corporation	30,548	16,416
– Listed in USA – Qudian Inc.	1,859	7,232
	53,510	42,748
– Unlisted equity securities in PRC	80	1,518
– Unlisted preference shares of private companies	806	899
Total equity investments at fair value through other comprehensive income, analysed as non-current assets	54,396	45,165

14. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Included in non-current assets		
Non-quoted investments in:		
– asset management plans	75,100	95,200
– equity investment partnerships	<u>279,750</u>	<u>399,812</u>
	<u>354,850</u>	<u>495,012</u>
Included in current assets		
Non-quoted investments in:		
– asset management plan	29,659	6,800
– wealth management products (<i>Note</i>)	<u>392,258</u>	<u>495,547</u>
	<u>421,917</u>	<u>502,347</u>
	<u>776,767</u>	<u>997,359</u>

Note: Investments in wealth management products are investments in wealth management plans provided by financial institutions in the PRC. They have initial terms ranging from 0 day to 360 days. As at 30 September 2020, an amount of RMB371,067,000 were frozen (31 December 2019: RMB362,930,000) (Note 21).

15. TRADE RECEIVABLES

	30 September 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Trade receivables	24,932	23,742
Provision for loss allowance	<u>(4,853)</u>	<u>(5,741)</u>
Carrying amount	<u>20,079</u>	<u>18,001</u>

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

	30 September 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
0 to 30 days	19,229	16,949
31 to 60 days	–	240
61 to 90 days	66	157
91 to 180 days	193	173
181 to 360 days	199	264
Over 360 days	<u>392</u>	<u>218</u>
	<u>20,079</u>	<u>18,001</u>

16. RESTRICTED BANK DEPOSITS

The Group's restricted bank deposits represented deposits that were frozen (Note 21).

17. TRADE PAYABLES

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

	30 September 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
0 to 30 days	636	219
31 to 90 days	128	262
91 to 180 days	521	92
181 to 365 days	590	–
Over 365 days	264	306
	<u>2,139</u>	<u>879</u>

18. SHARE CAPITAL

The total authorised share capital of the Company comprises 2,000,000,000 (31 December 2019: 2,000,000,000 ordinary shares) ordinary shares with par value of United States dollar (“USD”) 0.00005 (31 December 2019: USD0.00005 per share) per share.

	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 2019 (audited)	724,583,301	36	235
Cancellation of ordinary shares (<i>Note</i>)	<u>(2,832,000)</u>	<u>–</u>	<u>(1)</u>
At 31 December 2019 and 1 January 2020 (audited)	721,751,301	36	234
Cancellation of ordinary shares (<i>Note</i>)	<u>(6,625,000)</u>	<u>–</u>	<u>(2)</u>
At 30 September 2020 (unaudited)	<u>715,126,301</u>	<u>36</u>	<u>232</u>

Note: The Group repurchased 4,910,000 (for the year ended 31 December 2019: 6,246,000) of its own shares from the market during the nine months ended 30 September 2020. The total amount paid to acquire the shares was RMB3,209,000 (for the year ended 31 December 2019: RMB6,794,000) and has been deducted from the shareholders' equity. The related weighted average price at the time of buy-back was HK\$0.73 (for the year ended 31 December 2019: HK\$1.25) per share. 1,800,000 shares of these repurchased shares were cancelled during the nine months ended 30 September 2020. Remaining 3,110,000 shares have not been cancelled yet up to the date of this report. For the 6,625,000 cancelled shares during the nine months ended 30 September 2020, 1,800,000 ordinary shares were repurchased during the nine months ended 30 September 2020 and 4,825,000 ordinary shares were repurchased during the year ended 31 December 2019.

19. 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 period are as follows:

	Number of share options	
	For the nine months ended	
	30 September	
	2020	2019
	(unaudited)	(unaudited)
Outstanding at the beginning of the period	7,311,427	8,323,315
Lapsed during the period	(1,228,998)	(811,888)
Outstanding at the end of the period	<u>6,082,429</u>	<u>7,511,427</u>
Exercisable at the end of the period	<u>6,082,429</u>	<u>7,511,427</u>

No options were exercised during the nine months ended 30 September 2020 and 2019.

Details of the exercise prices and the respective numbers of share options which remained outstanding as at 30 September 2020 and 2019 are as follows:

Expiry date	Exercise price		Number of share options	
	Original currency	Equivalent to HK\$	For the nine months ended	
			30 September	
			2020	2019
			(unaudited)	(unaudited)
1 March 2020	USD0.10	0.775	–	2,749
30 June 2020	USD0.15	1.163	–	66,249
6 September 2025	HK\$3.108	3.108	<u>6,082,429</u>	<u>7,442,429</u>
			<u>6,082,429</u>	<u>7,511,427</u>

(b) Restricted Share Unit (“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	
	2020	2019
	(unaudited)	(unaudited)
At 1 January	5,589,245	7,781,613
Lapsed	–	(8,368)
Vested and transferred	(890,788)	(1,924,000)
	<u>4,698,457</u>	<u>5,849,245</u>
At 30 September	<u>4,698,457</u>	<u>5,849,245</u>
Vested but not transferred at 30 September	<u>4,698,457</u>	<u>5,849,245</u>

The related weighted-average share price at the time when the RSUs were vested and transferred was HK\$1.01 (for the nine months ended 30 September 2019: HK\$1.56) per share.

20. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group had the following balances with its related parties at end of the period:

	30 September 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Amount due from a director included in other receivables	657	657
Amount due from a related party included in other receivables	<u>2,003</u>	<u>2,003</u>

The amounts due from a director and related party are unsecured, interest-free and repayable on demand.

21. 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**”). As at 30 September 2020, the Group’s investments at fair value through profit or loss of RMB371,067,000 and cash and cash equivalents of RMB291,161,000 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 Sum 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 the appeal hearing against the Judgment (the “**Appeal Hearing**”) was heard on 10 November 2020. As advised by the PRC legal Advisors, the relevant PRC court had not indicated when the judgement of the Appeal Hearing will be handed down. The Judgment will not be enforced and the Judgment Sum will not be ordered to be paid until a judgement from the court has finally been handed down.

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 30 September 2020, the Group recorded current assets in the sum of RMB1.86 billion, the Judgment Amount accounted for approximately 50.7% 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.

The Independent Investigation Committee had held meetings in January, March, May and November 2020 to discuss various matters concerning the Case and the Incident. The senior management of the Company has been maintaining close contact with the Independent Investigation Committee to ensure that any updates of the Case and the Incident can be provided to the Independent Investigation Committee on a timely basis. The Independent Investigation Committee is in the course of preparing the report with details of their findings and their view on the Case and the Incident. After discussing with the Company and its legal advisors, the Independent Investigation Committee is of the view that it will be more appropriate for them to issue the report after they received the outcome of the Appeal Hearing. As at the date of this announcement, the Independent Investigation Committee was of the view that there were no material findings after conducting the independent investigation which have to bring to the attention of the shareholders and potential investors of the Company.

The Company will keep the shareholders and potential investors of the Company informed of any material development in connection with the Case and the Incident as and when appropriate pursuant to the requirements under the Listing Rules.

22. APPROVAL OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 26 November 2020.

**RECONCILIATION FROM UNAUDITED NET (LOSS)/PROFIT TO UNAUDITED
NON-IFRS ADJUSTED NET (LOSS)/PROFIT**

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

	For the nine months ended		Year-on-Year Change* %
	30 September 2020 <i>RMB'000</i> (unaudited)	2019 <i>RMB'000</i> (unaudited)	
Revenue	273,847	245,503	11.5
Cost of revenue	<u>(82,015)</u>	<u>(76,755)</u>	6.9
Gross profit	191,832	168,748	13.7
Other (losses)/gains – net	(93,580)	16,311	(673.7)
Selling and marketing expenses	(18,025)	(15,117)	19.2
Administrative expenses	<u>(86,995)</u>	<u>(86,510)</u>	0.6
Operating (loss)/profit	(6,768)	83,432	(108.1)
Finance income – net	15,315	14,664	4.4
Share of losses of associates	<u>(2,147)</u>	<u>(370)</u>	(480.3)
Profit before income tax	6,400	97,726	(93.5)
Income tax expense	<u>(21,063)</u>	<u>(15,658)</u>	34.5
(Loss)/profit for the period	<u>(14,663)</u>	<u>82,068</u>	(117.9)
Non-IFRS adjustment (unaudited)			
Share-based compensation expenses included in cost of revenue	–	115	(100.0)
Share-based compensation expenses included in selling and marketing expenses	–	124	(100.0)
Share-based compensation expenses included in administrative expenses	<u>–</u>	<u>233</u>	(100.0)
Non-IFRS adjusted net (loss)/profit (unaudited)	<u>(14,663)</u>	<u>82,540</u>	(117.8)

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

**RECONCILIATION FROM UNAUDITED NET (LOSS)/PROFIT TO UNAUDITED
NON-IFRS ADJUSTED NET (LOSS)/PROFIT (CONTINUED)**

FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2020

	For the three months ended			Year-on- Year Change*	Quarter-on- Quarter Change**
	30 September 2020 RMB'000 (unaudited)	30 June 2020 RMB'000 (unaudited)	30 September 2019 RMB'000 (unaudited)		
Revenue	85,387	95,377	85,041	0.4	(10.5)
Cost of revenue	<u>(26,152)</u>	<u>(27,978)</u>	<u>(25,463)</u>	2.7	(6.5)
Gross profit	59,235	67,399	59,578	(0.6)	(12.1)
Other (losses)/gains – net	(22,917)	(51,689)	2,304	(1,094.7)	55.7
Selling and marketing expenses	(6,841)	(6,125)	(6,495)	5.3	11.7
Administrative expenses	(27,845)	(31,228)	(33,034)	(15.7)	(10.8)
Operating profit/(loss)	1,632	(21,643)	22,353	(92.7)	107.5
Finance income – net	4,771	5,138	2,972	60.5	(7.1)
Share of losses of associates	(450)	(1,129)	(210)	(114.3)	60.1
Profit/(loss) before income tax	5,953	(17,634)	25,115	(76.3)	133.8
Income tax expenses	(7,050)	(7,835)	(6,161)	14.4	(10.0)
(Loss)/profit for the period	<u>(1,097)</u>	<u>(25,469)</u>	<u>18,954</u>	(105.8)	95.7
Non-IFRS adjustment (unaudited)					
Share-based compensation expense included in cost of revenue	–	–	10	(100.0)	–
Share-based compensation expense included in selling and marketing expenses	–	–	11	(100.0)	–
Share-based compensation expense included in administrative expenses	–	–	20	(100.0)	–
Non-IFRS adjusted net (loss)/profit (unaudited)	<u>(1,097)</u>	<u>(25,469)</u>	<u>18,995</u>	(105.8)	95.7

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

** *Quarter-on-Quarter Change % represents a comparison between the quarter ended 30 September 2020 and the immediately preceding quarter.*

EXTRACT OF INDEPENDENT AUDITOR’S REVIEW REPORT

The following is an extract of the independent auditor’s report on Review of Condensed Consolidated Financial Information of the Group for the nine months ended 30 September 2020:

“BASIS FOR QUALIFIED CONCLUSION

We were unable to obtain sufficient appropriate evidence to satisfy ourselves as to the recoverability of frozen investments at fair value through profit or loss and restricted bank deposits of RMB371,067,000 and RMB291,161,000 as at 30 September 2020 respectively and RMB362,930,000 and RMB288,394,000 as at 31 December 2019 respectively. Given the scope limitation, there were no other satisfactory procedures that we could perform to determine whether any adjustments to the carrying amounts of frozen investments at fair value through profit or loss and restricted bank deposits as at 30 September 2020 and 31 December 2019 were necessary.

QUALIFIED CONCLUSION

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

The Board wishes to remind investors and shareholders of the Company that the above financial information is based on the Group’s unaudited management accounts. Investors are cautioned not to unduly rely on such information and are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 26 November 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. Kong Fanwei.

* *For identification purposes only*