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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)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2021**

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 months ended 31 March 2021 (the “**Reporting Period**”) (the “**First Quarterly Results**”). The First Quarterly Results have been reviewed by ZHONGHUI ANDA CPA Limited, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by Hong Kong Institute of Certified Public Accountants, 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).

FINANCIAL HIGHLIGHTS

	For the three months ended 31 March		Year-on-Year Change* %	For the year ended
	2021	2020		31 December
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)		<i>RMB'000</i> (audited)
Revenue	84,919	93,083	(8.8)	351,479
– Web-based games	34,611	36,846	(6.1)	142,432
– Mobile games	50,308	56,237	(10.5)	209,047
Gross profit	57,593	65,198	(11.7)	242,231
(Loss)/profit attributable to owners of the Company	(16,118)	11,903	(235.4)	(45,102)
Non-IFRS adjusted net (loss)/profit (unaudited)***	(16,118)	11,903	(235.4)	(45,102)

REVENUE BY GAMES

	For the three months ended 31 March		Year-on-Year Change* %
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	
Texas Hold'em Series	57,992	61,728	(6.1)
Other Card and Board*****	26,927	31,355	(14.1)
Total	84,919	93,083	(8.8)

REVENUE BY LANGUAGE VERSIONS OF GAMES

	For the three months ended 31 March		Year-on-Year Change* %
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	
Simplified Chinese	5,507	14,967	(63.2)
Other languages	79,412	78,116	1.7
Total	84,919	93,083	(8.8)

OPERATIONAL HIGHLIGHTS

	For the three months ended			Year-on- Year Change* %	Quarter-on- Quarter Change** %
	31 March 2021 (unaudited)	31 December 2020 (unaudited)	31 March 2020 (unaudited)		
Paying Players (in thousands)	280	235	431	(35.0)	19.1
• Web-based games	6	7	10	(40.0)	(14.3)
• Mobile games	274	228	421	(34.9)	20.2
Daily Active Users (“DAUs”) (in thousands)****	1,498	1,626	2,548	(41.2)	(7.9)
• Web-based games	92	108	129	(28.7)	(14.8)
• Mobile games	1,406	1,518	2,419	(41.9)	(7.4)
Monthly Active Users (“MAUs”) (in thousands)****	4,405	4,493	7,838	(43.8)	(2.0)
• Web-based games	236	303	440	(46.4)	(22.1)
• Mobile games	4,169	4,190	7,398	(43.6)	(0.5)

	For the three months ended			Year-on-Year Change* %	Quarter-on-Quarter Change** %
	31 March 2021 (unaudited)	31 December 2020 (unaudited)	31 March 2020 (unaudited)		
Average Revenue Per Paying User (“ARPPU”) for Texas Hold’em Series (in RMB)					
• Web-based games	2,307.3	1,764.2	1,363.6	69.2	30.8
• Mobile games	129.9	126.2	129.7	0.2	2.9
ARPPU for Other Card and Board (in RMB)					
• Web-based games	0.3	5.3	9.3	(96.8)	(94.3)
• Mobile games	41.9	45.9	29.3	43.0	(8.7)
* <i>Year-on-Year Change % represents a comparison between the current reporting period and the corresponding period last year.</i>					
** <i>Quarter-on-Quarter Change % represents a comparison between the quarter ended 31 March 2021 and the immediately preceding quarter.</i>					
*** <i>Non-IFRS adjusted net (loss)/profit was derived from the net (loss)/profit for the period excluding share-based compensation expenses.</i>					
**** <i>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.</i>					
***** <i>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.</i>					

BUSINESS OVERVIEW AND OUTLOOK

In terms of financial performance, we recorded a revenue of approximately RMB84.9 million for the first quarter of 2021, representing a quarter-on-quarter increase of approximately 9.4% compared to the fourth quarter of 2020. The quarter-on-quarter increase in revenue was mainly due to the periodical effect of our operating promotion activities. The revenue of the Group for the first quarter of 2021 decreased by approximately 8.8% as compared to the same period in 2020, which was mainly due to the COVID-19 Pandemic had eased and the online time and consumption of online games by game users had decreased in the first quarter of 2021.

We recorded an unaudited non-IFRS adjusted loss of approximately RMB16.1 million in the first quarter of 2021, whereas we recorded a position of unaudited non-IFRS adjusted net profit of approximately RMB11.9 million in the same period of 2020. The year-on-year decrease was primarily attributable to (i) the decrease in fair value of financial assets such as equity investment partnerships due to the economic downturn caused by the COVID-19 Pandemic and market factors; and (ii) the decrease in revenue in the first quarter of 2021 as compared to the same period in 2020. 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 Group would have recorded a net profit and a year-on-year decrease of 6.2% in unaudited non-IFRS adjusted net profit for the first quarter of 2021 as compared to the first quarter of 2020, mainly due to the decrease of revenue in the first quarter of 2021 as compared to the same period in the first quarter of 2020. We recorded a quarter-on-quarter decrease in the unaudited non-IFRS adjusted loss for the first quarter of 2021 of approximately 47.0% as compared to the fourth quarter of 2020, such quarter-on-quarter decrease of loss was mainly due to (i) the quarter-on-quarter increase in income and the quarter-on-quarter decrease in employee compensation and benefits expenses; and (ii) are recorded a higher drop in fair value of financial assets such as equity investment partnerships for the fourth quarter of 2020 as compared with that of the first quarter of 2021 due to the economic downturn caused by the COVID-19 Pandemic and 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 Group would have recorded net profits both for the first quarter of 2021 and the fourth quarter of 2020, with unaudited non-IFRS adjusted net profit of approximately RMB23.7 million and RMB16.1 million, respectively, representing a quarter-on-quarter increase of 47.3%, which was mainly due to the quarter-on-quarter increase in revenue and the quarter-on-quarter decrease in employee compensation and benefits expenses as compared to the fourth quarter of 2020.

In terms of the operating data performance, we recorded an increase in the number of paying players during the first quarter of 2021 as compared to the fourth quarter of 2020. In particular, the number of paying players increased by 19.1% from approximately 0.24 million in the fourth quarter of 2020 to approximately 0.28 million in the first quarter of 2021. The number of DAUs decreased by approximately 7.9% from approximately 1.6 million in the fourth quarter of 2020 to 1.5 million in the first quarter of 2021. The number of MAUs decreased by approximately 2.0% from approximately 4.5 million in the fourth quarter of 2020 to approximately 4.4 million in the first quarter of 2021. However, the ARPPU grew relatively in both web-based version and mobile version of Texas Hold'em.

The Company 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 markets, 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 other chess and card games business. The Company will strictly comply with various laws and regulations of the People's Republic of China ("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 31 March 2021 amounted to approximately RMB84.9 million, representing a year-on-year decrease of 8.8% from approximately RMB93.1 million recorded for the same period of 2020. The year-on-year decrease was primarily due to the COVID-19 Pandemic had eased and the online time and consumption of online games by game users had decreased in the first quarter of 2021.

Cost of revenue

Our cost of revenue for the three months ended 31 March 2021 amounted to approximately RMB27.3 million, representing a year-on-year decrease of 2.0% from approximately RMB27.9 million recorded for the same period in 2020. The year-on-year decrease was primarily due to the decrease 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 31 March 2021 amounted to approximately RMB57.6 million, representing a year-on-year decrease of 11.7% from approximately RMB65.2 million recorded for the same period in 2020.

Our gross profit margin were approximately 67.8% and 70.0%, respectively, for the three months ended 31 March 2021 and the same period in 2020.

Selling and marketing expenses

Our selling and marketing expenses for the three months ended 31 March 2021 amounted to approximately RMB8.1 million, representing a year-on-year increase of 60.8% from approximately RMB5.1 million recorded for the same period in 2020. The year-on-year increase was mainly attributable to the increase in advertising and promotional activities expenses.

Administrative expenses

Our administrative expenses for the three months ended 31 March 2021 amounted to approximately RMB21.7 million, representing a year-on-year decrease of 22.1% from approximately RMB27.9 million recorded for the same period in 2020. The year-on-year decrease was mainly attributable to reasonable control of our internal cost.

Other losses – net

For the three months ended 31 March 2021, we recorded other losses – net of approximately RMB41.3 million, compared to other losses – net of approximately RMB19.0 million recorded for the same period in 2020. The other losses – 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 31 March 2021 was approximately RMB4.8 million, compared to approximately RMB5.4 million recorded for the same period of 2020. The year-on-year change was primarily due to decrease in interest income as compared to the same period of 2020.

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 Shanghai Allin Network Technology Co., Ltd. (上海傲英網絡科技有限公司) and its subsidiaries as at 31 March 2021 (31 December 2020: five), all of which were online game or internet technology companies. We recorded a share of loss of associates of approximately RMB0.7 million for the three months ended 31 March 2021, compared to a share of loss of associates of approximately RMB0.6 million recorded for the same period in 2020.

Income tax expense

Our income tax expense for the three months ended 31 March 2021 was approximately RMB6.6 million, representing an increase of 7.1% from approximately RMB6.2 million recorded for the same period in 2020.

(Loss)/Profit attributable to owners of the company

As a result of the foregoing, we recorded a loss attributable to owners of the Company for the three months ended 31 March 2021 amounted to approximately RMB16.1 million, whereas we recorded a profit attributable to owners of the Company amounted to approximately RMB11.9 million for the same period in 2020. We recorded a loss attributable to owners of the Company for the first quarter of 2021, which was primarily attributable to the decrease in fair value of financial assets such as equity investment partnerships due to the economic downturn caused by the COVID-19 Pandemic and market factors. Excluding the impact of non-operating one-off factors such as the decrease in the fair value of financial assets such as equity investment partnerships, we would have recorded a profit attributable to owners of the Company amounted to approximately RMB23.7 million for the three months ended 31 March 2021, whereas we would have recorded a profit attributable to owners of the Company amounted to approximately RMB25.2 million for the three months ended 31 March 2020.

Non-IFRS Measure – Adjusted net (loss)/profit

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use unaudited non-IFRS adjusted net (loss)/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 (loss)/profit” is not defined under IFRS. Other companies in the industry the Group operates in may calculate such non-IFRS item differently from the Group. The use of adjusted net (loss)/profit has material limitations as an analytical tool, as adjusted net (loss)/profit does not include all items that impact our net (loss)/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 loss for the three months ended 31 March 2021 amounted to approximately RMB16.1 million, while our unaudited non-IFRS adjusted net profit for the three months ended 31 March 2020 amounted to approximately RMB11.9 million. We recorded an unaudited non-IFRS adjusted loss for the first quarter of 2021, which was primarily attributable to the decrease in fair value of financial assets such as equity investment partnerships due to the economic downturn caused by the COVID-19 Pandemic and 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, we would have recorded an unaudited non-IFRS adjusted net profit amounted to approximately RMB23.7 million for the three months ended 31 March 2021, whereas we would have recorded an unaudited non-IFRS adjusted net profit amounted to approximately RMB25.2 million for the three months ended 31 March 2020.

Cash and cash equivalents

As at 31 March 2021, we had cash and cash equivalents of approximately RMB449.9 million (31 December 2020: approximately RMB389.1 million), which primarily consisted of cash at bank and in hand and short-term bank deposits, which were mainly denominated in Renminbi (as to 70.5%), US dollars (as to 21.3%) and other currencies (as to 8.2%). 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 31 March 2021, 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 31 March 2021, the fair value of our unlisted and listed investments classified as equity investments at fair value through other comprehensive income amounted to approximately RMB62.0 million (31 December 2020: approximately RMB67.2 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 31 March 2021.

Investments at fair value through profit or loss

As at 31 March 2021, we also recorded investments at fair value through profit or loss amounted to approximately RMB663.4 million (31 December 2020: approximately RMB708.0 million), which consisted of non-quoted investments in asset management plans, equity investment partnerships and wealth management products. As at 31 March 2021, the fair values of the investments in asset management plans were mainly 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 mainly 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 three months ended 31 March 2021, we recorded fair value losses on investments at fair value through profit or loss of approximately RMB39.9 million (fair value losses for the three months ended 31 March 2020: approximately RMB13.9 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. 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 Jiaxing Boyaa ChunLei Equity Investments Limited Partnership Enterprise (“**Jiaxing 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 three months ended 31 March 2021, 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 March 2021 was approximately RMB69.8 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.

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 March 2021, the fair value of the two Wealth Management Products were approximately RMB217.0 million and RMB137.9 million, respectively. The Wealth Management Products were assessed by the Company as very low-risk products. As of 31 March 2021, 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 the announcements of the Company dated 1 September 2019, 13 December 2019, 3 January 2020, 6 January 2020 and 9 November 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 March 2021.

Borrowings

During the three months ended 31 March 2021, we did not have any short-term bank borrowings and we had no outstanding, utilized or unutilized banking facilities.

Capital expenditures

For the three months ended 31 March 2021, our total capital expenditures amounted to approximately RMB9.2 million (for the three months ended 31 March 2020: approximately RMB2.2 million). The capital expenditure mainly included purchasing equipment and leasehold improvements of approximately RMB9.2 million, which was funded by using our cash flows generated from our operations.

Pledge/charge of the Group's assets

As at 31 March 2021, the Group did not have any pledged or charged assets.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 31 MARCH 2021

	<i>Notes</i>	Three months ended	
		2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)
Revenue	4	84,919	93,083
Cost of revenue		<u>(27,326)</u>	<u>(27,885)</u>
Gross profit		57,593	65,198
Other losses – net	5	(41,343)	(18,974)
Selling and marketing expenses		(8,135)	(5,059)
Administrative expenses		<u>(21,749)</u>	<u>(27,922)</u>
Operating (loss)/profit		(13,634)	13,243
Finance income	6	4,898	5,565
Finance costs	7	(74)	(159)
Share of losses of associates		<u>(692)</u>	<u>(568)</u>
(Loss)/profit before income tax		(9,502)	18,081
Income tax expense	8	<u>(6,616)</u>	<u>(6,178)</u>
(Loss)/profit for the period attributable to owners of the Company	9	<u>(16,118)</u>	<u>11,903</u>

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

FOR THE THREE MONTHS ENDED 31 MARCH 2021

		Three months ended	
		31 March	
		2021	2020
	<i>Note</i>	RMB'000	RMB'000
		(unaudited)	(unaudited)
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		(5,217)	(9,367)
Exchange differences on translation		367	1,241
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		1,566	4,448
Other comprehensive expenses for the period, net of tax		(3,284)	(3,678)
Total comprehensive (expenses)/income for the period attributable to owners of the Company		(19,402)	8,225
(Loss)/earnings per share (RMB cents)	<i>11</i>		
– Basic		(2.45)	1.80
– Diluted		(2.45)	1.80

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

		31 March	31 December
		2021	2020
	<i>Notes</i>	RMB'000	RMB'000
		(unaudited)	(audited)
ASSETS			
Non-current assets			
Property, plant and equipment	12	45,803	40,981
Right-of-use assets		4,207	5,049
Intangible assets		–	27
Investments in associates		9,240	9,933
Equity investments at fair value through other comprehensive income	13	62,029	67,246
Investments at fair value through profit or loss	14	637,157	705,136
Prepayments, deposits and other receivables		17,062	25,601
Deferred tax assets		9,461	12,205
Restricted bank deposit	16	292,388	291,866
		<u>1,077,347</u>	<u>1,158,044</u>
Current assets			
Trade receivables	15	24,545	19,557
Prepayments, deposits and other receivables		35,430	37,989
Investments at fair value through profit or loss	14	26,200	2,900
Term deposits		693,079	725,631
Bank and cash balances		449,947	389,108
		<u>1,229,201</u>	<u>1,175,185</u>
Total assets		<u>2,306,548</u>	<u>2,333,229</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 MARCH 2021

		31 March	31 December
		2021	2020
	<i>Notes</i>	RMB'000	RMB'000
		(unaudited)	(audited)
EQUITY AND LIABILITIES			
Equity			
Share capital	18	232	232
Reserves		<u>2,027,182</u>	<u>2,046,584</u>
Total equity		<u>2,027,414</u>	<u>2,046,816</u>
Liabilities			
Non-current liabilities			
Lease liabilities		–	806
Deferred tax liabilities		<u>6,391</u>	<u>6,574</u>
		<u>6,391</u>	<u>7,380</u>
Current liabilities			
Trade payables	17	944	1,932
Accruals and other payables		75,757	79,427
Contract liabilities		11,356	15,071
Lease liabilities		3,742	3,810
Current tax liabilities		<u>180,944</u>	<u>178,793</u>
		<u>272,743</u>	<u>279,033</u>
Total liabilities		<u>279,134</u>	<u>286,413</u>
Total equity and liabilities		<u>2,306,548</u>	<u>2,333,229</u>
Net current assets		<u>956,458</u>	<u>896,152</u>
Total assets less current liabilities		<u>2,033,805</u>	<u>2,054,196</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2021

(Unaudited)
 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 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 income/ (expenses) for the period	-	-	-	-	-	5,689	-	-	(9,367)	11,903	8,225
Repurchase of ordinary shares	-	-	(1,577)	-	-	-	-	-	-	-	(1,577)
Share-based payments - exercise and lapse of share options and RSUs	-	863	-	-	-	-	-	(863)	-	-	-
Changes in equity for the period	-	863	(1,577)	-	-	5,689	-	(863)	(9,367)	11,903	6,648
At 31 March 2020	234	381,833	(6,441)	(14)	2,000	30,179	33,990	79,858	(255,571)	1,850,823	2,116,891
At 1 January 2021	232	373,294	-	(14)	2,000	(1,295)	33,990	79,791	(235,000)	1,793,818	2,046,816
Total comprehensive income/ (expenses) for the period	-	-	-	-	-	1,933	-	-	(5,217)	(16,118)	(19,402)
Share-based payments - exercise and lapse of share options and RSUs	-	308	-	-	-	-	-	(308)	-	-	-
Changes in equity for the period	-	308	-	-	-	1,933	-	(308)	(5,217)	(16,118)	(19,402)
At 31 March 2021	232	373,602	-	(14)	2,000	638	33,990	79,483	(240,217)	1,777,700	2,027,414

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2021

	Three months ended	
	31 March	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cash flows from operating activities		
Cash generated from operating activities	31,314	28,851
Income tax paid	(2,655)	(5,300)
Lease interests paid	(74)	(159)
	<hr/>	<hr/>
Net cash generated from operating activities	28,585	23,392
	<hr/>	<hr/>
Cash flows from investing activities		
Placement of term deposits with original maturities over three months	(360,768)	(467,944)
Proceeds from maturity of term deposits with original maturities over three months	393,173	335,573
Interest received	3,324	5,565
Purchases of investments at fair value through profit or loss	(55,000)	(150,135)
Proceeds from settlements of investments at fair value through profit or loss	58,625	257,953
Purchases of property, plant and equipment	(9,210)	(2,175)
Proceeds from disposals of property, plant and equipment	84	16
	<hr/>	<hr/>
Net cash generated from/(used in) investing activities	30,228	(21,147)
	<hr/>	<hr/>
Cash flows from financing activities		
Repayment of lease liabilities	(902)	(902)
Repurchase of ordinary shares	–	(1,577)
	<hr/>	<hr/>
Net cash used in financing activities	(902)	(2,479)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	57,911	(234)
Effect of foreign exchange rate changes	2,928	4,096
Cash and cash equivalents at beginning of the period	389,108	487,301
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	449,947	491,163
	<hr/>	<hr/>
Analysis of cash and cash equivalents		
Bank and cash balances	449,947	491,163
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2021

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, Uglad 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 (the “**PRC**”). The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**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 (the “**Listing Rules**”).

These condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2020. 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 2020.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, the Company and its subsidiaries (collectively referred as 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 2021. 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 31 March	
	2021	2020
	RMB'000 (unaudited)	RMB'000 (unaudited)
Web-based games	34,611	36,846
Mobile games	50,308	56,237
	<hr/>	<hr/>
Revenue from contracts with customers	84,919	93,083
	<hr/>	<hr/>

Disaggregation of revenue from contracts with customers:

Timing of revenue recognition

	Three months ended 31 March	
	2021	2020
	RMB'000 (unaudited)	RMB'000 (unaudited)
At a point of time	84,919	93,083
	<hr/>	<hr/>

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 31 March	
	2021	2020
	RMB'000 (unaudited)	RMB'000 (unaudited)
Simplified Chinese	5,507	14,967
Other languages	79,412	78,116
	<hr/>	<hr/>
	84,919	93,083
	<hr/>	<hr/>

No revenue is derived from any individual game player which amounted for over 10% of the Group's total revenue (for the three months ended 31 March 2020: 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, restricted bank deposit and deferred tax assets were located as follows:

	31 March 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Mainland China	63,144	67,633
Other locations	13,168	13,958
	<u>76,312</u>	<u>81,591</u>

5. OTHER LOSSES – NET

	Three months ended 31 March	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Loss on disposals of property, plant and equipment	(476)	–
Government subsidies and tax rebates (<i>Note</i>)	92	542
Net foreign exchange losses	(888)	(5,619)
Fair value changes on investments at fair value through profit or loss	(39,899)	(13,884)
Others	(172)	(13)
	<u>(41,343)</u>	<u>(18,974)</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 31 March	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interest revenue	4,690	5,395
Interest revenue on non-current loans to employees	208	170
	<hr/>	<hr/>
	4,898	5,565

7. FINANCE COSTS

	Three months ended 31 March	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Lease interests	74	159
	<hr/>	<hr/>
	74	159

8. INCOME TAX EXPENSE

	Three months ended 31 March	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Current tax – PRC Enterprise Income Tax (“EIT”) and other jurisdictions	6,755	6,879
Deferred tax	(139)	(701)
	<hr/>	<hr/>
	6,616	6,178

(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 three months ended 31 March 2021 and 2020, 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 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 three months ended 31 March 2020: 15%) for the three months ended 31 March 2021. Shenzhen Dong Fang Bo Ya Technology Co., Limited is still renewing the HNTE as at the date of this announcement.

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 three months ended 31 March 2020: 15%) for the three months ended 31 March 2021.

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 three months ended 31 March 2020: 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 three months ended 31 March 2021 and 2020.

(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 March 2021, the retained earnings of the Group’s PRC subsidiaries not yet remitted to holding companies incorporated outside of the PRC, for which no deferred income tax liability had been provided, were approximately RMB941,902,000 (31 December 2020: approximately RMB1,000,672,000). 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 during the three months ended 31 March 2021 and 2020.

9. (LOSS)/PROFIT FOR THE PERIOD

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

	Three months ended 31 March	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Amortisation of intangible assets		
– included in cost of revenue	27	107
	<u>27</u>	<u>107</u>
Depreciation	3,445	3,817
Research and development expenditure		
– included in staff costs	16,075	12,011
– included in depreciation	22	96
– included in other administrative expenses	630	2,032
	<u>16,727</u>	<u>14,139</u>
Loss allowance provision/(reversal of loss allowance) for trade receivables	8	(1,571)
Reversal of loss allowance for loans to employees	(2)	(41)
Staff costs including directors' emoluments		
– Wages, salaries and bonuses	16,130	16,118
– Retirement benefit scheme contributions	1,530	1,594
	<u>17,660</u>	<u>17,712</u>

10. DIVIDENDS

The board of directors of the Company (the “**Board**”) has resolved not to declare any interim dividend for the three months ended 31 March 2021 (for the three months ended 31 March 2020: nil).

11. (LOSS)/EARNINGS PER SHARE

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

	Three months ended 31 March	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
(Loss)/earnings		
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share	<u>(16,118)</u>	<u>11,903</u>
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	657,680	662,054
Effect of dilutive potential ordinary shares arising from share options	<u>–</u>	<u>1</u>
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<u>657,680</u>	<u>662,055</u>

12. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 31 March 2021, the Group acquired property, plant and equipment of approximately RMB9,210,000 (for the three months ended 31 March 2020: approximately RMB2,175,000).

Property, plant and equipment with a carrying amount of approximately RMB574,000 (for the three months ended 31 March 2020: nil) were disposed by the Group during the three months ended 31 March 2021.

13. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 March 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
	Equity securities, at fair value	
– Listed in PRC – Dalian Zeus Entertainment Co., Limited	21,732	17,764
– Listed in Hong Kong – Xiaomi Corporation	36,999	47,500
– Listed in USA – Qudian Inc.	<u>3,298</u>	<u>1,982</u>
Total equity investments at fair value through other comprehensive income, analysed as non-current assets	<u>62,029</u>	<u>67,246</u>

14. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 March 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Included in non-current assets		
Non-quoted investments in:		
– asset management plans	84,800	108,000
– equity investment partnerships	175,865	223,320
– wealth management products (<i>Note</i>)	376,492	373,816
	637,157	705,136
Included in current assets		
Non-quoted investments in:		
– asset management plan	26,200	2,900
	26,200	2,900
	663,357	708,036

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 30 day to 364 days. As at 31 March 2021, an amount of RMB376,492,000 were frozen (31 December 2020: RMB373,816,000) (Note 21).

15. TRADE RECEIVABLES

	31 March 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Trade receivables	29,178	24,144
Provision for loss allowance	<u>(4,633)</u>	<u>(4,587)</u>
Carrying amount	<u>24,545</u>	<u>19,557</u>

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

	31 March 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
0 to 30 days	24,072	19,365
31 to 60 days	278	92
61 to 90 days	8	33
91 to 180 days	158	45
181 to 365 days	10	3
Over 365 days	<u>19</u>	<u>19</u>
	<u>24,545</u>	<u>19,557</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:

	31 March 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
0 to 30 days	723	536
31 to 90 days	–	131
91 to 180 days	–	183
181 to 365 days	–	239
Over 365 days	<u>221</u>	<u>843</u>
	<u>944</u>	<u>1,932</u>

18. SHARE CAPITAL

The total authorised share capital of the Company comprises 2,000,000,000 (31 December 2020: 2,000,000,000 ordinary shares) ordinary shares with par value of United States dollar (“USD”) 0.00005 (31 December 2020: 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 2020 (audited)	721,751,301	36	234
Cancellation of ordinary shares (<i>Note</i>)	<u>(10,875,000)</u>	<u>–</u>	<u>(2)</u>
At 31 December 2020 (audited), 1 January 2021 (audited) and 31 March 2021 (unaudited)	<u>710,876,301</u>	<u>36</u>	<u>232</u>

Note:

The Group did not repurchase any shares from the market during the three months ended 31 March 2021 (for the year ended 31 December 2020: 6,050,000 shares). The total amount paid to acquire the shares was nil (for the year ended 31 December 2020: RMB3,744,000) and has been deducted from the shareholders' equity. The related weighted average price at the time of share repurchase was nil (for the year ended 31 December 2020: HK\$0.7 per share) per share. All repurchased shares were cancelled during the year ended 31 December 2020. Of the 10,875,000 shares that were cancelled during the year ended 31 December 2020, 6,050,000 shares were repurchased during the year ended 31 December 2020 and 4,825,000 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 Pre-IPO Share Option Scheme was subsequently amended on 17 September 2013. 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 three months ended 31 March	
	2021	2020
	(unaudited)	(unaudited)
Outstanding at the beginning of the period	6,082,429	7,311,427
Lapsed during the period	(200,000)	(2,749)
Outstanding at the end of the period	<u>5,882,429</u>	<u>7,308,678</u>
Exercisable at the end of the period	<u>5,882,429</u>	<u>7,308,678</u>

No options were exercised during the three months ended 31 March 2021 and 2020.

Details of the exercise prices and the respective numbers of share options which remained outstanding as at 31 March 2021 and 2020 are as follows:

	Exercise price		Number of share options	
	Original	Equivalent	For the three months ended 31 March	
Expiry date	currency	to HK\$	2021	2020
			(unaudited)	(unaudited)
30 June 2020	USD0.15	1.163	–	66,249
6 September 2025	HK\$3.108	3.108	<u>5,882,429</u>	<u>7,242,429</u>
			<u>5,882,429</u>	<u>7,308,678</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	
	2021 (unaudited)	2020 (unaudited)
At 1 January	4,640,457	5,829,245
Lapsed	–	–
Vested and transferred	<u>(308,000)</u>	<u>(853,000)</u>
At 31 March	<u>4,332,457</u>	<u>4,976,245</u>
Vested but not transferred at 31 March	<u>4,332,457</u>	<u>4,976,245</u>

The related weighted-average share price at the time when the RSUs were vested and transferred was HK\$0.65 per share (for the three months ended 31 March 2020: HK\$1.01 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 period, 308,000 of RSUs were vested and transferred (note (b) above), and as a result, 57,383,829 (31 December 2020: 57,691,829 ordinary shares) ordinary shares of the Company underlying the RSUs were held by The Core Admin Boyaa RSU Limited as at 31 March 2021.

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:

	31 March 2021 RMB'000 (unaudited)	31 December 2020 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 31 March 2021, the Group’s investments at fair value through profit or loss of RMB376,492,000 and cash and cash equivalents of RMB292,388,000 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 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, 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 at the date of this announcement, to the best knowledge of the Directors after working all reasonable enquiries and as advised by the PRC Legal Advisers, the PRC court had not handed down the judgment of the Appeal Hearing. The Judgment will not be enforced and the Judgment Amount will not be ordered to be paid until a judgment 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; and (iv) the Company does not have any loan borrowing as at the date of this announcement, 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, November 2020 and March 2021 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.

**RECONCILIATION FROM UNAUDITED NET (LOSS)/PROFIT TO UNAUDITED
NON-IFRS ADJUSTED NET (LOSS)/PROFIT
FOR THE THREE MONTHS ENDED 31 MARCH 2021**

	For the three months ended			Year- on-Year Change*	Quarter- on-Quarter Change**
	31 March 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (unaudited)	31 March 2020 RMB'000 (unaudited)		
Revenue	84,919	77,632	93,083	(8.8)	9.4
Cost of revenue	<u>(27,326)</u>	<u>(27,233)</u>	<u>(27,885)</u>	(2.0)	0.3
Gross profit	57,593	50,399	65,198	(11.7)	14.3
Selling and marketing expenses	(8,135)	(6,554)	(5,059)	60.8	24.1
Administrative expenses	(21,749)	(34,330)	(27,922)	(22.1)	(36.6)
Other losses – net	<u>(41,343)</u>	<u>(42,216)</u>	<u>(18,974)</u>	117.9	(2.1)
Operating (loss)/profit	(13,634)	(32,701)	13,243	(203.0)	(58.3)
Finance income – net	4,824	4,929	5,406	(10.8)	(2.1)
Share of loss of associates	<u>(692)</u>	<u>(714)</u>	<u>(568)</u>	21.8	(3.1)
(Loss)/profit before income tax	(9,502)	(28,486)	18,081	(152.6)	(66.6)
Income tax expenses	<u>(6,616)</u>	<u>(1,953)</u>	<u>(6,178)</u>	7.1	238.8
(Loss)/profit for the period	<u>(16,118)</u>	<u>(30,439)</u>	<u>11,903</u>	(235.4)	(47.0)
Non-IFRS Adjustment (unaudited)					
Share-based compensation expense included in cost of revenue	–	–	–	–	–
Share-based compensation expense included in selling and marketing expenses	–	–	–	–	–
Share-based compensation expense included in administrative expenses	<u>–</u>	<u>–</u>	<u>–</u>	–	–
Non-IFRS adjusted net (loss)/ profit (unaudited)	<u>(16,118)</u>	<u>(30,439)</u>	<u>11,903</u>	–	–

* *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 March 2021 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 Interim Condensed Consolidated Financial Information of the Group for the three months ended 31 March 2021:

“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 RMB376,492,000 and RMB292,388,000 as at 31 March 2021 respectively and RMB373,816,000 and RMB291,866,000 as at 31 December 2020 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 31 March 2021 and 31 December 2020 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”.”

For further details in relation to the Qualified Conclusion, please refer to the Section headed “Details of the Qualified Opinion and its Potential Impact” of the annual report of the Company dated 25 March 2021.

The Board wishes to remind investors and shareholders 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, 27 May 2021

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.