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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 2022**

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 2022 (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
	2022	2021		31 December
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)		2021 <i>RMB'000</i> (audited)
Revenue	91,524	84,919	7.8	366,161
– Web-based games	29,288	34,611	(15.4)	142,167
– Mobile games	62,236	50,308	23.7	223,994
Gross profit	60,216	57,593	4.6	244,962
Profit/(loss) attributable to owners of the Company	16,185	(16,118)	–	7,968
Non-IFRS adjusted net profit/(loss) (unaudited)***	16,426	(16,118)	–	8,359

REVENUE BY GAMES

	For the three months ended 31 March		Year-on-Year Change* %
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	
Texas Hold'em Series	56,791	57,992	(2.1)
Other Card and Board*****	34,733	26,927	29.0
Total	91,524	84,919	7.8

REVENUE BY LANGUAGE VERSIONS OF GAMES

	For the three months ended 31 March		Year-on-Year Change* %
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	
Simplified Chinese	6,282	5,507	14.1
Other languages	85,242	79,412	7.3
Total	91,524	84,919	7.8

OPERATIONAL HIGHLIGHTS

	For the three months ended			Year-on- Year Change* %	Quarter-on- Quarter Change** %
	31 March 2022 (unaudited)	31 December 2021 (unaudited)	31 March 2021 (unaudited)		
Paying Players (in thousands)	267	246	280	(4.6)	8.5
• Web-based games	7	7	6	16.7	–
• Mobile games	260	239	274	(5.1)	8.8
Daily Active Users (“DAUs”) (in thousands)****	1,369	1,289	1,498	(8.6)	6.2
• Web-based games	100	88	92	8.7	13.6
• Mobile games	1,269	1,201	1,406	(9.7)	5.7
Monthly Active Users (“MAUs”) (in thousands)****	4,385	4,006	4,405	(0.5)	9.5
• Web-based games	350	237	236	48.3	47.7
• Mobile games	4,035	3,769	4,169	(3.2)	7.1

	For the three months ended			Year-on-	Quarter-on-
	31 March	31 December	31 March	Year	Quarter
	2022	2021	2021	Change*	Change**
	(unaudited)	(unaudited)	(unaudited)	%	%
Average Revenue Per Paying User (“ARPPU”) for Texas Hold’em Series (in RMB)					
• Web-based games	1,627.1	1,810.2	2,307.3	(29.5)	(10.1)
• Mobile games	176.3	142.4	129.9	35.7	23.8
ARPPU for Other Card and Board (in RMB)					
• Web-based games	0.3	0.3	0.3	–	–
• Mobile games	55.7	55.3	41.9	32.9	0.7
* <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 2022 and the immediately preceding quarter.</i>					
*** <i>Non-IFRS adjusted net profit/(loss) was derived from the net profit/(loss) 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 announcements 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 RMB91.5 million in the first quarter of 2022, representing a year-on-year increase of approximately 7.8% as compared to the first quarter of 2021, and a quarter-on-quarter increase of approximately 4.4% as compared to the fourth quarter of 2021. The increase in revenue was primarily due to the Group's holding of certain online operational activities and continuous optimization of the gaming products and gameplay during the Reporting Period.

In the first quarter of 2022, we recorded an unaudited non-IFRS adjusted net profit of approximately RMB16.4 million, whereas we recorded an unaudited non-IFRS adjusted loss of approximately RMB16.1 million for the same period in 2021. The change in the position of unaudited non-IFRS adjusted net profit in the first quarter of 2022 as compared to the position of unaudited non-IFRS adjusted loss for the same period in 2021, was mainly due to a year-on-year increase in revenue and the smaller extent of the decrease in the fair value of financial assets such as equity investment partnerships as compared to the same period in 2021, excluding the impact of non-operating one-off factors such as a decrease in fair value of financial assets such as equity investment partnerships, the unaudited non-IFRS adjusted net profit in the first quarter of 2022 represented a year-on-year increase of approximately 31.0%, which was mainly due to a year-on-year increase in revenue. The unaudited non-IFRS adjusted net profit in the first quarter of 2022 represented a quarter-on-quarter increase of approximately 21.4% as compared to the fourth quarter of 2021, which was mainly due to a quarter-on-quarter increase in revenue and a quarter-on-quarter decrease in employee compensation and benefits.

In terms of operating data performance, we recorded an increase in the number of paying players and users during the first quarter of 2022 as compared to the fourth quarter of 2021. In particular, the number of paying players increased by approximately 8.5% from approximately 0.2 million in the fourth quarter of 2021 to approximately 0.3 million in the first quarter of 2022. The number of DAUs increased by approximately 6.2% from approximately 1.3 million in the fourth quarter of 2021 to approximately 1.4 million in the first quarter of 2022. The number of MAUs increased by approximately 9.5% from approximately 4.0 million in the fourth quarter of 2021 to approximately 4.4 million in the first quarter of 2022. The ARPPU grew in both mobile versions of Texas Hold'em and other card and board games.

The Company will continue to intensify in-depth market research, enrich and innovate the contents and rules of the games, and explore the domestic and overseas operational models for card and board games on an ongoing basis, while striving to improve the players' gaming experience, further refine our products and diversify our operation to improve the game quality in an all-round way and make every effort to build our brand for online and offline competition series. On top of consolidating our existing market, more efforts will be made to further expand our overseas market as well as other card and board games business. The Company will strictly comply with various laws and regulations of the People's Republic of China (the "PRC") and develop high-quality intellectual and competitive games and competition products. We will continue the journey to forge a century-old brand for card and board games.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Our revenue for the three months ended 31 March 2022 amounted to approximately RMB91.5 million, representing an increase of approximately 7.8% from approximately RMB84.9 million recorded in the same period in 2021. The year-on-year increase was primarily due to the Group's holding of certain online operational activities during the Reporting Period, and continuous optimization of its gaming products and gameplay. For the three months ended 31 March 2022, revenue generated from our mobile games and web-based games accounted for approximately 68.0% and 32.0% of our total revenue, respectively, as compared with approximately 59.2% and 40.8%, respectively, for the three months ended 31 March 2021.

Cost of revenue

Our cost of revenue for the three months ended 31 March 2022 amounted to approximately RMB31.3 million, representing a year-on-year increase of approximately 14.6% from approximately RMB27.3 million recorded for the same period in 2021. The year-on-year increase was primarily due to the increase in revenue and commission fees paid to our payment collection channels attributable to the increase in the average rate of commission.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit for the three months ended 31 March 2022 amounted to approximately RMB60.2 million, representing a year-on-year increase of 4.6% from approximately RMB57.6 million recorded for the same period in 2021.

For the three months ended 31 March 2022 and the same period in 2021, our gross profit margin were approximately 65.8% and 67.8%, respectively.

Selling and marketing expenses

For the three months ended 31 March 2022, our selling and marketing expenses amounted to approximately RMB8.9 million, representing a year-on-year increase of 9.8% from approximately RMB8.1 million recorded for the same period in 2021. The year-on-year increase was mainly attributable to the slight increase in advertising and promotional activities expenses.

Administrative expenses

For the three months ended 31 March 2022, our administrative expenses amounted to approximately RMB22.6 million, representing a year-on-year increase of 3.9% from approximately RMB21.7 million recorded for the same period in 2021. The year-on-year increase was mainly attributable to the slight increase in employee compensation and welfare expenses.

Other losses – net

For the three months ended 31 March 2022, we recorded other losses, net of approximately RMB12.3 million, compared to other losses, net of approximately RMB41.3 million recorded for the same period in 2021. The reduction in other losses, net for the three months ended 31 March 2022 as compared to same period in 2021 is due to the reduction in loss in fair value on investment at fair value through profit or loss. The other losses, net primarily consisted of fair value changes on non-quoted investments in equity investment partnerships and certain wealth management products we purchased included in investments at fair value through profit or loss, net foreign exchange gain/(loss), dividend income and government subsidies.

Finance income – net

For the three months ended 31 March 2022, our net finance income was approximately RMB5.4 million compared to approximately RMB4.8 million recorded for the same period of 2021. The change was primarily due to a slight increase in interest income compared to the same period in 2021.

Share of result of associates

We held investments in five associates, namely Shenzhen Fanhou Technology Co., Ltd.* (深圳市飯後科技有限公司), Shenzhen HuifuWorld Network Technology Co., Ltd.* (深圳市滙富天下網絡科技有限公司), Shenzhen Easething Technology Co., Ltd.* (深圳市易新科技有限公司), Shenzhen Jisiwei Intelligent Technology Co., Ltd.* (深圳市極思維智能科技有限公司) and Shanghai Allin Network Technology Co., Ltd.* (上海傲英網絡科技有限公司) and its subsidiaries as at 31 March 2022 (31 December 2021: five associates), all of which were online game or internet technology companies. We recorded a share of losses of associates of approximately RMB0.2 million for the three months ended 31 March 2022, compared to a share of losses of associates of approximately RMB0.7 million recorded for the same period in 2021.

* For identification purpose only

Income tax expense

For the three months ended 31 March 2022, our income tax expense was approximately RMB5.4 million, whereas we recorded income tax expense of approximately RMB6.6 million for the same period in 2021.

Profit/(loss) attributable to owners of the Company

As a result of the foregoing, we recorded a profit attributable to owners of the Company of approximately RMB16.2 million for the three months ended 31 March 2022, whereas we recorded a loss attributable to owners of the Company of approximately RMB16.1 million for the same period in 2021.

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

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

Our unaudited non-IFRS adjusted net profit for the three months ended 31 March 2022 was approximately RMB16.4 million was derived from our unaudited profit for the same period excluding share-based compensation expenses of approximately RMB0.2 million included in administrative expenses, as compared to our unaudited non-IFRS adjusted net loss for the three months ended 31 March 2021 of approximately RMB16.1 million.

Cash and cash equivalents

As at 31 March 2022, we had cash and cash equivalents of approximately RMB305.8 million (31 December 2021: approximately RMB248.3 million), which primarily consisted of cash at bank and in hand and short-term bank deposits, which were mainly denominated in Renminbi (as to 19.8%), USD (as to 42.4%) and other currencies (as to 37.8%). 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 2022, the total amount of the net proceeds from our initial public offering had been fully utilised.

Equity investments at fair value through other comprehensive income

We accounted for equity investments at fair values through other comprehensive income at their respective fair values. As at 31 March 2022, the fair value of our listed and unlisted investments classified as equity investments at fair values through other comprehensive income amounted to approximately RMB20.9 million (31 December 2021: approximately RMB27.6 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 investments in Xiaomi Corporation (Hong Kong Stock Exchange: 1810) and Qudian Inc. (New York Stock Exchange: QD).

We consider that, none of the other listed and unlisted 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 have a carrying amount that accounts for more than 5.0% of our total assets as at 31 March 2022.

Investments at fair value through profit or loss

As at 31 March 2022, we also recorded investments at fair value through profit or loss of approximately RMB427.1 million (31 December 2021: approximately RMB454.5 million), which consisted of non-quoted investments in asset management plans, equity investment partnerships and wealth management products. As at 31 March 2022, the fair values of the investments in asset management plans were determined by an independent professional valuer engaged by the Company using discount cash flows model; the fair values of the investments in equity investment partnerships were determined by an independent professional valuer engaged by the Company using market approach and discount cash flows model; and the fair values of investments in wealth management products, which have no initial terms, were determined based on the estimated rate of return of investments. For the three months ended 31 March 2022, we recorded fair value losses on investments at fair value through profit or loss of approximately RMB16.1 million (fair value losses for the three months ended 31 March 2021: approximately RMB39.9 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. During the three months ended 31 March 2022, each of the investments made by the Company does not constitute a notifiable transaction or a connected transaction of the Company under the Listing Rules. As agreed with the financial institutions, the underlying investment portfolio of the wealth management products of the Company were primarily represented by inter-bank loan market instruments and exchange traded fixed-income financial instruments, such as inter-bank loans, government bonds, central bank bills and similar products, which were highly liquid with a relatively short term of maturity, and which were considered to be 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* (嘉興博雅春雷股權投資合夥企業(有限合夥)) (“**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 three months ended 31 March 2022, the Group’s accumulated contribution of RMB300.0 million represented 99.0% of the total capital contribution of Jiaying Boyaa. The fair value of the investment in Jiaying Boyaa as at 31 March 2022 was approximately RMB17.3 million. Jiaying Boyaa was 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 one RMB wealth management product issued by Industrial and Commercial Bank of China at the amount of RMB200.0 million (the “**Wealth Management Product**”). As at 31 March 2022, the fair value of the Wealth Management Product was approximately RMB224.0 million. The Wealth Management Product was assessed by the Company as very low-risk product. The Board considered that the Wealth Management Product would provide a good short-term investment opportunity for the Group and enhance the funds utilisation efficiency and bring extra investment returns. As at 31 March 2022, the bank accounts which holds the Wealth Management Product 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 Company dated 1 September 2019, 13 December 2019, 3 January 2020, 6 January 2020, 9 November 2020, 3 September 2021, 30 November 2021, 24 March 2022 and 29 March 2022 respectively.

We consider that, save for our subscription of the above Wealth Management Product, 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 2022.

* For identification purpose only

Borrowings

During the three months ended 31 March 2022, 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 three months ended 31 March 2022, our total capital expenditures amounted to approximately RMB0.7 million (for the three months ended 31 March 2021: approximately RMB9.2 million). The capital expenditure mainly included purchasing equipment and leasehold improvements, which was funded by using our cash flows generated from our operations.

Commitment

As at 31 March 2022, the Group did not have any significant commitments.

Contingent liabilities and guarantees

As at 31 March 2022, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against us.

Pledge/charge of the Group's assets

As at 31 March 2022, none of the Group's assets was pledged or charged.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 31 MARCH 2022

		Three months ended	
		31 March	
		2022	2021
	Notes	RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	4	91,524	84,919
Cost of revenue		<u>(31,308)</u>	<u>(27,326)</u>
Gross profit		60,216	57,593
Other losses, net	5	(12,307)	(41,343)
Selling and marketing expenses		(8,935)	(8,135)
Administrative expenses		<u>(22,589)</u>	<u>(21,749)</u>
Operating profit/(loss)		16,385	(13,634)
Finance income	6	5,421	4,898
Finance costs	7	(37)	(74)
Share of losses of associates		<u>(207)</u>	<u>(692)</u>
Profit/(loss) before income tax		21,562	(9,502)
Income tax expense	8	<u>(5,377)</u>	<u>(6,616)</u>
Profit/(loss) for the period attributable to owners of the Company	9	<u>16,185</u>	<u>(16,118)</u>

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

FOR THE THREE MONTHS ENDED 31 MARCH 2022

		Three months ended	
		31 March	
		2022	2021
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
		(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		(7,971)	(5,217)
Exchange differences on translation		(529)	367
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(4,312)	1,566
Other comprehensive expenses for the period, net of tax		(12,812)	(3,284)
Total comprehensive income/(expenses) for the period attributable to owners of the Company		3,373	(19,402)
Earnings/(loss) per share (RMB cents)	<i>11</i>		
– Basic		2.46	(2.45)
– Diluted		2.46	(2.45)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2022

		31 March 2022	31 December 2021
	<i>Notes</i>	RMB'000 (unaudited)	RMB'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	12	35,478	38,180
Right-of-use assets	12	19,700	962
Investments in associates		4,197	4,404
Equity investments at fair value through other comprehensive income	13	20,868	27,629
Investments at fair value through profit or loss	14	339,442	356,044
Prepayments, deposits and other receivables		16,619	17,594
Deferred tax assets		3,092	4,646
Term deposits		30,000	–
Restricted bank deposit	16	435,428	434,143
		904,824	883,602
Current assets			
Trade receivables	15	27,433	21,849
Prepayments, deposits and other receivables		33,683	36,396
Investments at fair value through profit or loss	14	87,700	98,500
Term deposits		961,383	1,014,996
Bank and cash balances		305,835	248,307
		1,416,034	1,420,048
Total assets		2,320,858	2,303,650

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AT 31 MARCH 2022

	<i>Notes</i>	31 March 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
EQUITY AND LIABILITIES			
Equity			
Share capital	18	232	232
Reserves		<u>2,021,352</u>	<u>2,017,738</u>
Total equity		<u>2,021,584</u>	<u>2,017,970</u>
Liabilities			
Non-current liabilities			
Lease liabilities		15,898	–
Deferred tax liabilities		<u>4,626</u>	<u>4,588</u>
		<u>20,524</u>	<u>4,588</u>
Current liabilities			
Trade payables	17	986	1,051
Accruals and other payables		70,335	75,777
Contract liabilities		10,842	11,845
Lease liabilities		3,636	860
Current tax liabilities		<u>192,951</u>	<u>191,559</u>
		<u>278,750</u>	<u>281,092</u>
Total liabilities		<u>299,274</u>	<u>285,680</u>
Total equity and liabilities		<u>2,320,858</u>	<u>2,303,650</u>
Net current assets		<u>1,137,284</u>	<u>1,138,956</u>
Total assets less current liabilities		<u>2,042,108</u>	<u>2,022,558</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2022

(Unaudited)

Attributable to owners of the Company

	Share capital RMB'000	Share premium 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 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 - 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
At 1 January 2022	232	373,099	(14)	2,000	(13,431)	33,990	79,955	(259,647)	1,801,786	2,017,970
Total comprehensive (expenses)/ income for the period	-	-	-	-	(4,841)	-	-	(7,971)	16,185	3,373
Share-based payments - value of employee services	-	-	-	-	-	-	241	-	-	241
Changes in equity for the period	-	-	-	-	(4,841)	-	241	(7,971)	16,185	3,614
At 31 March 2022	232	373,099	(14)	2,000	(18,272)	33,990	80,196	(267,618)	1,817,971	2,021,584

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2022

	Three months ended	
	31 March	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cash flows from operating activities		
Cash generated from operating activities	22,584	31,314
Income tax paid	(2,127)	(2,655)
Lease interests paid	(19)	(74)
	<hr/>	<hr/>
Net cash generated from operating activities	20,438	28,585
	<hr/>	<hr/>
Cash flows from investing activities		
Placement of term deposits with original maturities over three months	(370,969)	(360,768)
Proceeds from maturity of term deposits with original maturities over three months	392,065	393,173
Interest received	3,784	3,324
Dividends from investments at fair value through profit or loss	4,107	–
Purchases of investments at fair value through profit or loss	–	(55,000)
Proceeds from settlements of investments at fair value through profit or loss	10,972	58,625
Purchases of property, plant and equipment	(674)	(9,210)
Proceeds from disposals of property, plant and equipment	–	84
	<hr/>	<hr/>
Net cash generated from investing activities	39,285	30,228
	<hr/>	<hr/>
Cash flows from financing activities		
Repayment of lease liabilities	(1,063)	(902)
	<hr/>	<hr/>
Net cash used in financing activities	(1,063)	(902)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	58,660	57,911
Effect of foreign exchange rate changes	(1,132)	2,928
Cash and cash equivalents at beginning of the period	248,307	389,108
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	305,835	449,947
	<hr/>	<hr/>
Analysis of cash and cash equivalents		
Bank and cash balances	305,835	449,947
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 31 MARCH 2022

1. GENERAL INFORMATION

Boyaa Interactive International Limited (the “**Company**”) was incorporated in the Cayman Islands. The address of its registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The address of its principal place of business in Hong Kong is 14/F., Golden Centre, 188 Des Voeux Road Central, Hong Kong. The address of its headquarters is 8/F, Block E1, International E Town, TCL Industry Park, 1001 Zhong Shan Yuan Road, Nanshan District, Shenzhen, 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 2021 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 2021.

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 2022. 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	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Web-based games	29,288	34,611
Mobile games	62,236	50,308
	<hr/>	<hr/>
Revenue from contracts with customers	91,524	84,919
	<hr/>	<hr/>

Disaggregation of revenue from contracts with customers:

Timing of revenue recognition

	Three months ended	
	31 March	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
At a point of time	91,524	84,919
	<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	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Simplified Chinese	6,282	5,507
Other languages	85,242	79,412
	<hr/>	<hr/>
	91,524	84,919
	<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 2021: 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, term deposits, restricted bank deposit and deferred tax assets were located as follows:

	31 March 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Mainland China	64,352	47,182
Other locations	11,642	13,958
	<u>75,994</u>	<u>61,140</u>

5. OTHER LOSSES, NET

	Three months ended 31 March	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Dividends from investments at fair value through profit or loss	1,252	–
Loss on disposals of property, plant and equipment	(3)	(476)
Government subsidies and tax rebates (<i>Note</i>)	287	92
Net foreign exchange gain/(loss)	2,306	(888)
Fair value changes on investments at fair value through profit or loss	(16,149)	(39,899)
Others	–	(172)
	<u>(12,307)</u>	<u>(41,343)</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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interest revenue	5,197	4,690
Interest revenue on non-current loans to employees	224	208
	<u>5,421</u>	<u>4,898</u>

7. FINANCE COSTS

	Three months ended 31 March	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Lease interests	37	74

8. INCOME TAX EXPENSE

	Three months ended 31 March	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Current tax		
– PRC Enterprise Income Tax (“EIT”) and other jurisdictions	4,986	6,755
Deferred tax	391	(139)
	<u>5,377</u>	<u>6,616</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 three months ended 31 March 2022 and 2021, based on the existing legislation, interpretations and practices in respect thereof.

Boyaa On-line Game Development (Shenzhen) Co., Limited has successfully renewed its “High and New Technology Enterprise” (“HNTTE”) 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 2021: 15%) for the three months ended 31 March 2022. Boyaa On-line Game Development (Shenzhen) Co., Limited is still renewing the HNTTE as at the date of this announcement.

Shenzhen Erlulu Technology Company Limited has successfully obtained HNTTE qualification under EIT Law during the year ended 31 December 2021 and as a result, Shenzhen Erlulu Technology Company Limited enjoy a preferential tax rate of 15% from 1 January 2021 to 31 December 2023. Therefore, the applicable tax rate for Shenzhen Erlulu Technology Company Limited was 15% (for the three months ended 31 March 2021: 15%) for the three months ended 31 March 2022.

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 2021: 175%) of the research and development expenses so incurred in a period as tax deductible expenses in determining its tax assessable profits for that period (“**Super Deduction**”). Shenzhen Dong Fang Bo Ya Technology Co., Limited, Boyaa On-line Game Development (Shenzhen) Co., Limited and Shenzhen Erlulu Technology Company Limited (for the three months ended 2021: 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 2022.

(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 2022, 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 RMB892,551,000 (31 December 2021: RMB888,030,000). 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 three months ended 31 March 2022 and 2021.

9. PROFIT/(LOSS) FOR THE PERIOD

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

	Three months ended 31 March	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Amortisation of intangible assets		
– included in cost of revenue	–	27
Depreciation	4,273	4,287
Research and development expenditure		
– included in staff costs	16,677	16,075
– included in depreciation	57	22
– included in other administrative expenses	275	630
	<u>17,009</u>	<u>16,727</u>
(Reversal of loss allowance)/loss allowance provision		
for trade receivables	(698)	8
Reversal of loss allowance for loans to employees	–	(2)
Staff costs including directors' emoluments		
– Wages, salaries and bonuses	16,908	16,130
– Retirement benefit scheme contributions	2,254	1,530
– Share-based payments expenses	241	–
	<u>19,403</u>	<u>17,660</u>

10. DIVIDENDS

The board of the directors of the Company (the “Board”) has resolved not to declare an interim dividend for the three months ended 31 March 2022 (for the three months ended 31 March 2021: nil).

11. EARNINGS/(LOSS) PER SHARE

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

	Three months ended	
	31 March	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings/(loss)		
Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share	<u>16,185</u>	<u>(16,118)</u>
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	656,704	657,680
Effect of dilutive potential ordinary shares arising from RSUs	<u>1,959</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	<u>658,663</u>	<u>657,680</u>

12. PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS

During the three months ended 31 March 2022, the Group acquired property, plant and equipment of approximately RMB674,000 (for the three months ended 31 March 2021: RMB9,210,000).

Property, plant and equipment with a carrying amount of approximately RMB3,000 (for the three months ended 31 March 2021: RMB574,000) were disposed by the Group during the three months ended 31 March 2022.

During the three months ended 31 March 2022, the additions to right-of-use assets were approximately RMB19,717,000 (for the three months ended 31 March 2021: nil).

13. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 March	31 December
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(audited)
Equity securities, at fair value		
– Listed in Hong Kong - Xiaomi Corporation	19,219	26,269
– Listed in USA - Qudian Inc.	<u>1,649</u>	<u>1,360</u>
Total equity investments at fair value through other comprehensive income, analysed as non-current assets	<u>20,868</u>	<u>27,629</u>

14. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 March 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Included in non-current assets		
Non-quoted investments in:		
– equity investment partnerships	93,847	112,171
– wealth management products (<i>Note</i>)	245,595	243,873
	339,442	356,044
Included in current assets		
Non-quoted investments in:		
– asset management plan	87,700	98,500
	427,142	454,544

Note:

Investments in wealth management products are investments in wealth management plans provided by financial institutions in the PRC. They have no initial terms. As at 31 March 2022, an amount of RMB245,595,000 were frozen (31 December 2021: RMB243,873,000) (Note 21).

15. TRADE RECEIVABLES

	31 March 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Trade receivables	31,345	26,449
Provision for loss allowance	<u>(3,912)</u>	<u>(4,600)</u>
Carrying amount	<u>27,433</u>	<u>21,849</u>

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

	31 March 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
0 to 30 days	13,436	21,355
31 to 60 days	13,582	35
61 to 90 days	141	26
91 to 180 days	51	306
181 to 360 days	207	111
Over 360 days	<u>16</u>	<u>16</u>
	<u>27,433</u>	<u>21,849</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 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
0 to 30 days	716	784
31 to 90 days	6	18
91 to 180 days	–	1
181 to 365 days	19	–
Over 365 days	245	248
	<u>986</u>	<u>1,051</u>

18. SHARE CAPITAL

The total authorised share capital of the Company comprises 2,000,000,000 (31 December 2021: 2,000,000,000 ordinary shares) ordinary shares with par value of United States dollar (“USD”) 0.00005 (31 December 2021: 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 2021 (audited)	710,876,301	36	232
Cancellation of ordinary shares (<i>Note</i>)	<u>(1,000,000)</u>	<u>–</u>	<u>–</u>
At 31 December 2021 (audited), 1 January 2022 (audited) and 31 March 2022 (unaudited)	<u>709,876,301</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 2022 (for the year ended 31 December 2021: 1,000,000 shares). The total amount paid to acquire the shares was nil (for the year ended 31 December 2021: RMB422,000) and has been deducted from the shareholders' equity. The related weighted average price at the time of buy-back was nil (for the year ended 31 December 2021: HK\$0.51) per share. All repurchased shares were cancelled during the year ended 31 December 2021.

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 three months ended 31 March	
	2022 (unaudited)	2021 (unaudited)
Outstanding at the beginning of the period	5,722,429	6,082,429
Lapsed during the period	–	(200,000)
Outstanding at the end of the period	<u>5,722,429</u>	<u>5,882,429</u>
Exercisable at the end of the period	<u>5,722,429</u>	<u>5,882,429</u>

No options were exercised during the three months ended 31 March 2022 and 2021.

Details of the exercise prices and the respective numbers of share options which remained outstanding as at 31 March 2022 and 2021 are as follows:

Expiry date	Exercise price		Number of share options For the three months ended 31 March	
	Original currency	Equivalent to HK\$	2022 (unaudited)	2021 (unaudited)
6 September 2025	HK\$3.108	3.108	<u>5,722,429</u>	<u>5,882,429</u>

(b) **Restricted Share Unit (“RSU”)**

On 17 September 2013, the Company set up a RSU scheme (the “**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.

On 19 July 2021 (the “**Adoption Date**”), the Company has adopted the new RSU scheme (the “**New RSU Scheme**”), to incentivise the contributions by, and to attract, motivate and retain, Eligible Persons, for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company. The New RSU Scheme shall be valid and effective for a period of eight years commencing on the Adoption Date.

On 27 August 2021, the Group granted 5,650,000 RSUs under the New RSU Scheme to its employees. The vesting period of the RSUs granted is 4 years and the vesting schedule is 25% after 12 calendar months from the grant date, 25% after 24 calendar months from the grant date, 12.5% after 30 calendar months from the grant date, 12.5% after 36 calendar months from the grant date, and 2.083% from each month of 37 to 48 calendar months from the grant date. The fair value of each of the above newly granted RSU equals to the closing price of the Company’s ordinary shares on the grant date, which was HKD0.445 per share. The expiry date of the above newly granted RSUs is 26 August 2029.

Movements in the number of RSUs outstanding:

	Number of RSUs	
	2022	2021
	(unaudited)	(unaudited)
At 1 January	9,722,089	4,640,457
Lapsed	(300,000)	–
Vested and transferred	–	(308,000)
	<hr/>	<hr/>
At 31 March	9,422,089	4,332,457
	<hr/>	<hr/>
Vested but not transferred at 31 March	4,072,089	4,332,457
	<hr/>	<hr/>

The related weighted-average share price at the time when the RSUs were vested and transferred was nil (for the three months ended 31 March 2021: HK\$0.65) 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, nil (for the three months ended 31 March 2021: 308,000 shares) of RSUs were vested and transferred (note (b) above), and as a result, 57,244,829 ordinary shares (31 December 2021: 57,244,829 ordinary shares) of the Company underlying the RSUs were held by Core Administration RSU Limited as at 31 March 2022.

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 2022	31 December 2021
	RMB'000	RMB'000
	(unaudited)	(audited)
Amount due from a director included in other receivables	855	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 the Group was not able to continue to use the idle cash reserves in its individual bank accounts (the “**Relevant Idle Cash Reserves**”) for fixed-term deposits or wealth management (the “**Incident**”). At 31 March 2022, the Group's investments at fair value through profit or loss of approximately RMB245,595,000 and restricted bank deposits of approximately RMB435,428,000 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 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 then 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. The Company is informed, on 3 September 2021, that the PRC court of second instance (the “**Appeal Court**”) had made a decision on the appeal hearing against the Judgement (the “**Appeal Hearing**”) to quash the Judgement and remanded the case to the Trial Court for a retrial (the “**Retrial**”) since it is of the view that certain facts under the Judgement is unclear. As advised by the PRC Legal Advisers, the Retrial was heard on 1 December 2021 and 2 December 2021. The Company was informed, on 23 March 2022, the Intermediate People’s Court of Chengde City, Hebei Province delivered the judgement of the Retrial (the “**Retrial Judgement**”). The Trial court had upheld that the Employees are guilty of the Alleged Crime. However, the Trial court had held that the amount of RMB291,696,677.62 and wealth management products in the amount of RMB350,000,000 and the relevant interests which had been frozen shall be paid to the state treasury (the “**Relevant Frozen Sum**”) which superseded the amount of RMB942,654,382.75 as original ordered by the Trial court to be paid to the state treasury. As informed by the PRC Legal Advisers, some Employees had applied for appeal against the Retrial Judgement up to 29 March 2022 and is waiting for the court to schedule a hearing. As at 31 March 2022, the Relevant Frozen Sum incurred amounted to approximately RMB681 million. As advised by the PRC Legal Adviser, if the Employees appeal against the Retrial Judgement, the Retrial Judgement will not be enforceable and the Trial court will not order the Relevant Frozen Sum to be paid until a final effective judgement from the PRC 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 Frozen Sum only form part of the idle cash reserve of the Company which is used for the purpose of idle fund management, and is the Company's general practice; (iii) the Company has sufficient cash reserves available in the other bank accounts for its day-to-day operations; (iv) the Company does not have any loan borrowing as at the date of this announcement; and (v) as at 31 March 2022, the Company recorded current assets and the Relevant Frozen Sum in the sum of approximately RMB2,097 million, the Relevant Frozen Sum accounted for approximately 32.5% of the Company's relevant funds, the Board is of the view that the Retrial Judgement 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, March, May, August, September, November 2021, March and May 2022 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 final enforceable judgement in respect of the case from the court. 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, the Incident, the Relevant Frozen Sum and subsequent appeal (if any) as and when appropriate pursuant to the requirements under the Listing Rules.

For details, please refer to the announcements of the Company dated 1 September 2019, 4 September 2019, 13 December 2019, 3 January 2020, 6 January 2020, 9 November 2020, 3 September 2021, 30 November 2021, 24 March 2022 and 29 March 2022.

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 May 2022.

**RECONCILIATION FROM UNAUDITED NET PROFIT/(LOSS) TO UNAUDITED
NON-IFRS ADJUSTED NET PROFIT/(LOSS)
FOR THE THREE MONTHS ENDED 31 MARCH 2022**

	For the three months ended			Year- on-Year Change*	Quarter- on-Quarter Change**
	31 March 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (unaudited)	31 March 2021 RMB'000 (unaudited)		
Revenue	91,524	87,666	84,919	7.8	4.4
Cost of revenue	<u>(31,308)</u>	<u>(30,235)</u>	<u>(27,326)</u>	14.6	3.5
Gross profit	60,216	57,431	57,593	4.6	4.8
Other losses, net	(12,307)	(1,714)	(41,343)	(70.2)	618.0
Selling and marketing expenses	(8,935)	(7,773)	(8,135)	9.8	14.9
Administrative expenses	<u>(22,589)</u>	<u>(32,607)</u>	<u>(21,749)</u>	3.9	(30.7)
Operating profit/(loss)	16,385	15,337	(13,634)	–	6.8
Finance income, net	5,384	4,991	4,824	11.6	7.9
Share of losses of associates	<u>(207)</u>	<u>(2,178)</u>	<u>(692)</u>	(70.1)	(90.5)
Profit/(loss) before income tax	21,562	18,150	(9,502)	–	18.8
Income tax expenses	<u>(5,377)</u>	<u>(4,898)</u>	<u>(6,616)</u>	(18.7)	9.8
Profit/(loss) for the period	<u>16,185</u>	<u>13,252</u>	<u>(16,118)</u>	–	22.1
Non-IFRS Adjustment (unaudited)					
Share-based compensation expense included in administrative expenses	<u>241</u>	<u>283</u>	<u>–</u>	–	(14.8)
Non-IFRS adjusted net profit/ (loss) (unaudited)	<u>16,426</u>	<u>13,535</u>	<u>(16,118)</u>	–	21.4

* *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 2022 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 2022:

BASIS FOR QUALIFIED CONCLUSION

As disclosed in note 21, the Group’s investments at fair value through profit or loss of approximately RMB245,595,000 and restricted bank deposits of approximately RMB435,428,000 as at 31 March 2022 (the “**Relevant Idle Cash Reserves**”) were frozen. Due to the Relevant Idle Cash Reserves were still frozen and the outcome has yet to be determined, 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 RMB245,595,000 and RMB435,428,000 as at 31 March 2022 respectively and RMB243,873,000 and RMB434,143,000 as at 31 December 2021 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 2022 and 31 December 2021 were necessary.

QUALIFIED CONCLUSION

Based on our review, except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph 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 published on 28 April 2022.

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, 26 May 2022

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.