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Boyaa Interactive International Limited

博雅互動國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0434)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE AND NINE MONTHS ENDED
30 SEPTEMBER 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 and nine months ended 30 September 2022 (the “**Reporting Period**”) (the “**Third Quarterly Results**”). The Third Quarterly Results have been reviewed by ZHONGHUI ANDA CPA Limited, the auditor of the Company, in accordance with 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 (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

FINANCIAL HIGHLIGHTS

| | For the nine months ended 30 September | | Year-on-Year Change* | For the year ended |
|--|--|----------------|-------------------------|-----------------------|
| | 2022 | 2021 | | 31 December |
| | <i>RMB'000</i> | <i>RMB'000</i> | % | <i>RMB'000</i> |
| | (unaudited) | (unaudited) | | (audited) |
| Revenue | 280,934 | 278,495 | 0.9 | 366,161 |
| – Web-based games | 92,229 | 109,584 | (15.8) | 142,167 |
| – Mobile games | 188,705 | 168,911 | 11.7 | 223,994 |
| Gross profit | 184,914 | 187,531 | (1.4) | 244,962 |
| Profit/(loss) attributable to owners of the Company | 45,529 | (5,284) | – | 7,968 |
| Non-IFRS adjusted net profit/(loss) (unaudited)** | 47,577 | (5,176) | – | 8,359 |
| | For the three months ended 30 September | | Year-on-Year Change* | |
| | 2022 | 2021 | | |
| | <i>RMB'000</i> | <i>RMB'000</i> | % | |
| | (unaudited) | (unaudited) | | |
| Revenue | 94,480 | 97,012 | (2.6) | |
| – Web-based games | 30,632 | 38,057 | (19.5) | |
| – Mobile games | 63,848 | 58,955 | 8.3 | |
| Gross profit | 62,071 | 64,872 | (4.3) | |
| Profit attributable to owners of the Company | 16,180 | 5,667 | 185.5 | |
| Non-IFRS adjusted net profit (unaudited)** | 17,079 | 5,775 | 195.7 | |

REVENUE BY GAMES

| | For the nine months ended 30 September | | Year-on-Year Change* % |
|----------------------|---|---------------------------------------|------------------------------|
| | 2022 <i>RMB'000</i> (unaudited) | 2021 <i>RMB'000</i> (unaudited) | |
| Texas Hold'em Series | 179,308 | 187,605 | (4.4) |
| Other Card and Board | 101,626 | 90,890 | 11.8 |
| Total | 280,934 | 278,495 | 0.9 |

| | For the three months ended 30 September | | Year-on-Year Change* % |
|----------------------|--|---------------------------------------|------------------------------|
| | 2022 <i>RMB'000</i> (unaudited) | 2021 <i>RMB'000</i> (unaudited) | |
| Texas Hold'em Series | 62,045 | 66,077 | (6.1) |
| Other Card and Board | 32,435 | 30,935 | 4.8 |
| Total | 94,480 | 97,012 | (2.6) |

REVENUE BY LANGUAGE VERSIONS OF GAMES

| | For the nine months ended 30 September | | Year-on-Year Change* % |
|--------------------|---|---------------------------------------|------------------------------|
| | 2022 <i>RMB'000</i> (unaudited) | 2021 <i>RMB'000</i> (unaudited) | |
| Simplified Chinese | 17,166 | 18,708 | (8.2) |
| Other languages | 263,768 | 259,787 | 1.5 |
| Total | 280,934 | 278,495 | 0.9 |

| | For the three months ended 30 September | | Year-on-Year Change* % |
|--------------------|--|---------------------------------------|------------------------------|
| | 2022 <i>RMB'000</i> (unaudited) | 2021 <i>RMB'000</i> (unaudited) | |
| Simplified Chinese | 5,113 | 6,039 | (15.3) |
| Other languages | 89,367 | 90,973 | (1.8) |
| Total | 94,480 | 97,012 | (2.6) |

OPERATIONAL HIGHLIGHTS

| | For the three months ended | | | Year-on-Year Change* | Quarter-on-Quarter Change** |
|---|----------------------------|-------------|--------------|----------------------|-----------------------------|
| | 30 September | 30 June | 30 September | | |
| | 2022 | 2022 | 2021 | | |
| | (unaudited) | (unaudited) | (unaudited) | % | % |
| Paying Players (<i>in thousands</i>) | 220 | 225 | 265 | (17.0) | (2.2) |
| – Web-based games | 5 | 7 | 7 | (28.6) | (28.6) |
| – Mobile games | 215 | 218 | 258 | (16.7) | (1.4) |
| Daily Active Users (“DAUs”) (<i>in thousands</i>) **** | 1,230 | 1,234 | 1,353 | (9.1) | (0.3) |
| – Web-based games | 101 | 94 | 92 | 9.8 | 7.4 |
| – Mobile games | 1,129 | 1,140 | 1,261 | (10.5) | (1.0) |
| Monthly Active Users (“MAUs”) (<i>in thousands</i>) **** | 3,676 | 3,490 | 4,165 | (11.7) | 5.3 |
| – Web-based games | 282 | 310 | 268 | 5.2 | (9.0) |
| – Mobile games | 3,394 | 3,180 | 3,897 | (12.9) | 6.7 |
| Average Revenue Per Paying User (“ARPPU”) of Texas Hold’em Series (<i>in RMB</i>) | | | | | |
| – Web-based games | 2,552.7 | 1,794.9 | 2,114.3 | 20.7 | 42.2 |
| – Mobile games | 205.3 | 191.6 | 139.4 | 47.3 | 7.2 |
| ARPPU for Other Card and Board (<i>in RMB</i>) | | | | | |
| – Web-based games | 0.3 | 0.3 | 0.3 | – | – |
| – Mobile games | 65.9 | 68.0 | 54.0 | 22.0 | (3.1) |

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

** *Quarter-on-Quarter Change % represents a comparison between the quarter ended 30 September 2022 and the immediately preceding quarter.*

*** *Non-IFRS adjusted net profit/(loss) was derived from the unaudited profit/(loss) for the period excluding share-based compensation expenses.*

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

BUSINESS OVERVIEW AND OUTLOOK

In terms of financial performance, we recorded revenue of approximately RMB280.9 million for the nine months ended 30 September 2022, representing a slight year-on-year increase of approximately 0.9% compared to the same period of 2021. The revenue level of the Group has been steadily increasing, which was mainly due to the Group's holding of certain online operating activities during the Reporting Period and continuous optimization of its gaming products and gameplay. We recorded revenue of approximately RMB94.5 million for the third quarter of 2022, representing a slight year-on-year decrease of approximately 2.6% compared to the same period of 2021 and a slight quarter-on-quarter decrease of approximately 0.5% compared to the second quarter of 2022.

We recorded an unaudited non-IFRS adjusted net profit of approximately RMB47.6 million for the nine months ended 30 September 2022, whereas the unaudited non-IFRS adjusted loss for the nine months ended 30 September 2021 was approximately RMB5.2 million. The change in the position of unaudited non-IFRS adjusted net profit for the nine months ended 30 September 2022 as compared to the position of unaudited non-IFRS adjusted loss for the same period in 2021, was mainly due to 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 was approximately RMB87.9 million for the nine months ended 30 September 2022, representing a slight decrease of approximately 4.9% as compared to the same period in 2021, mainly due to the increase in selling and marketing expenses as a result of the Group's increased efforts in market expansion and game promotion in 2022, as well as a slight year-on-year increase in employee compensation and benefits. In the third quarter of 2022, we recorded an unaudited non-IFRS adjusted net profit of approximately RMB17.1 million, representing a year-on-year increase of approximately 195.7% as compared to the same period in 2021, mainly due to smaller extent of the decrease in the fair value of financial assets such as equity investment partnerships in the third quarter of 2022 as compared to the corresponding 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 third quarter of 2022 represented a year-on-year decrease of approximately 13.6%, which was mainly due to a year-on-year increase in selling and marketing expenses as well as

employee compensation and benefits. The unaudited non-IFRS adjusted net profit in the third quarter of 2022 represented a quarter-on-quarter increase of approximately 21.4% as compared to the second quarter of 2022, which was mainly due to slightly smaller extent of the decrease in the fair value of financial assets such as equity investment partnerships in the third quarter of 2022 as compared to the second quarter of 2022. 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 third quarter of 2022 represented a slight increase of approximately 2.9% compared to the second quarter of 2022.

In terms of operating data performance, we recorded a decrease in the number of paying players during the third quarter of 2022 as compared to the second quarter of 2022, but we recorded an increase in the number of MAUs as compared to the second quarter of 2022. In particular, the number of paying players decreased by approximately 2.2% from approximately 0.23 million in the second quarter of 2022 to approximately 0.22 million in the third quarter of 2022. The number of DAUs was approximately 1.2 million in both the second quarter and the third quarter of 2022. The number of MAUs increased by approximately 5.3% from approximately 3.5 million in the second quarter of 2022 to approximately 3.7 million in the third quarter of 2022. The ARPPU in mobile games and web-based games of Texas Hold'em Series increased.

We 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 on-going 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 30 September 2022 amounted to approximately RMB94.5 million, representing a year-on-year decrease of approximately 2.6% from approximately RMB97.0 million recorded for the same period in 2021. The year-on-year decrease in revenue was primarily due to the increased time spent and spending of users on the online gaming products due to the preventive measures to combat the COVID-19 pandemic in Hong Kong, Taiwan when the COVID-19 pandemic turned to serious in the second and third quarters of 2021, the revenue reached a relatively high level during the third quarter of 2021, as a result, representing a year-on-year decrease in the third quarter of 2022. For the three months ended 30 September 2022, revenue generated from our mobile games and web-based games accounted for approximately 67.6% and 32.4% of our total revenue, respectively, as compared with approximately 60.8% and 39.2%, respectively, for the three months ended 30 September 2021.

Cost of revenue

Our cost of revenue for the three months ended 30 September 2022 amounted to approximately RMB32.4 million, representing a year-on-year increase of approximately 0.8% from approximately RMB32.1 million recorded for the same period in 2021. The year-on-year increase was primarily due to the increase in commission charges by platforms and third party payment vendors.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit for the three months ended 30 September 2022 amounted to approximately RMB62.1 million, representing a year-on-year decrease of approximately 4.3% from approximately RMB64.9 million recorded for the same period in 2021.

Our gross profit margin were approximately 65.7% and 66.9%, respectively, for the three months ended 30 September 2022 and the same period in 2021.

Selling and marketing expenses

Our selling and marketing expenses for the three months ended 30 September 2022 amounted to approximately RMB8.1 million, representing a year-on-year increase of approximately 27.8% from approximately RMB6.4 million recorded for the same period in 2021. The year-on-year increase was mainly attributable to the increase in the expenses incurred for advertising and promotional activities.

Administrative expenses

Our administrative expenses for the three months ended 30 September 2022 amounted to approximately RMB23.3 million, representing a year-on-year increase of approximately 6.8% from approximately RMB21.8 million recorded for the same period in 2021. The year-on-year increase was mainly attributable to the slight increase in employee compensation and benefits.

Other losses, net

For the three months ended 30 September 2022, we recorded other losses, net of approximately RMB15.2 million, compared to other losses, net of approximately RMB27.9 million recorded for the same period in 2021. The reduction in other losses, net for the three months ended 30 September 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

Our net finance income for the three months ended 30 September 2022 was approximately RMB8.0 million, compared to approximately RMB4.7 million recorded for the same period in 2021. The year-on-year change was primarily due to the increase in interest revenue as compared to the same period in 2021.

Share of losses of associates

We held investments in five associates, namely Shenzhen Fanhou Technology Co., Ltd.* (深圳市飯後科技有限公司), Shenzhen Huifu World Network Technology Co., Ltd.* (深圳市匯富天下網絡科技有限公司), Shenzhen Easething Technology Co., Ltd.* (深圳市易新科技有限公司), Shenzhen Jisiwei Intelligent Technology Co., Ltd.* (深圳市極思維智能科技有限公司) and Shanghai Allin Network Technology Co., Limited* (上海傲英網絡科技有限公司) and its subsidiaries as at 30 September 2022 (31 December 2021: five), all of which were online game or internet technology companies. We recorded a share of losses of associates of approximately RMB0.1 million for the three months ended 30 September 2022, compared to a share of losses of associates of approximately RMB1.9 million recorded for the same period in 2021.

Income tax expenses

Our income tax expenses for the three months ended 30 September 2022 was approximately RMB7.1 million, whereas we recorded income tax expenses of approximately RMB6.0 million for the same period in 2021.

* For identification purpose only

Profit attributable to owners of the Company

As a result of the foregoing, our profit attributable to owners of the Company for the three months ended 30 September 2022 amounted to approximately RMB16.2 million, representing an increase of 185.5% from approximately RMB5.7 million for the same period in 2021.

Non-IFRS Measure – Adjusted net profit

To supplement our unaudited condensed consolidated financial statements which are presented in accordance with IFRS, we also use unaudited non-IFRS adjusted net profit as an additional financial measure to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. The term “adjusted net profit” is not defined under IFRS. Other companies in the industry which the Group operates in may calculate such non-IFRS items differently from the Group. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact our profit 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 30 September 2022 was approximately RMB17.1 million, which was derived from our unaudited profit for the same period excluding share-based compensation expenses of approximately RMB0.9 million included in administrative expenses, as compared to our unaudited non-IFRS adjusted net profit for the three months ended 30 September 2021 of approximately RMB5.8 million which was derived from our unaudited profit for the same period excluding share-based compensation expenses of approximately RMB0.1 million included in administrative expenses.

Cash and cash equivalents

As at 30 September 2022, we had cash and cash equivalents of approximately RMB213.8 million (31 December 2021: approximately RMB248.3 million), which primarily consisted of cash at banks and in hand and short-term bank deposits, which were mainly denominated in RMB (as to approximately 9.1%), USD (as to approximately 57.4%) and other currencies (as to approximately 33.5%). We currently do not hedge transactions undertaken in foreign currencies. Due to our persistent efforts in managing our exposure to foreign currencies through constant monitoring to limit as much as possible the amount of foreign currencies held by us, fluctuations in currency exchange rates do not have any material adverse impact on our financial results.

As at 30 September 2022, the total amount of the net proceeds from our initial public offering had been fully utilized.

Equity investment at fair value through other comprehensive income

We accounted for equity investments at fair values through other comprehensive income at their respective fair values. As at 30 September 2022, the fair value of our unlisted and listed investments classified as equity investments at fair value through other comprehensive income amounted to approximately RMB15.2 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 investment in Xiaomi Corporation (Hong Kong Stock Exchange: 1810) and Qudian Inc. (New York Stock Exchange: QD).

We consider that, none of the other unlisted and listed investments classified as equity investments at fair value through other comprehensive income in our investment portfolio is a significant investment as none of such investments has a carrying amount that accounts for more than 5.0% of our total assets as at 30 September 2022.

Investments at fair value through profit or loss

As at 30 September 2022, we also recorded investments at fair value through profit or loss amounted to approximately RMB501.1 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 30 September 2022, the fair values of the investments in asset management plans were determined by discount cash flows model; the fair values of the investments in equity investment partnerships were determined by market approach and discount cash flows model; and the fair values of investments in wealth management products, which have no initial terms, were determined based on the estimated rate of return of investments. For the nine months ended 30 September 2022, we recorded fair value losses on investments at fair value through profit or loss of approximately RMB44.2 million (fair value losses for the nine months ended 30 September 2021: approximately RMB98.4 million).

The investments in wealth management products under investments at fair value through profit or loss were made in line with our treasury and investment policies, after taking into account, among others, the level of risk, return on investment, liquidity and the term to maturity. Generally, the Group has in the past selected wealth management products that are principal guaranteed and relatively low risk products. Prior to making an investment, the Group had also ensured that there remains sufficient working capital for the Group's business needs even after the investments in wealth management products. During the nine months ended 30 September 2022, an indirect wholly-owned subsidiary of the Company had subscribed for a structured deposit (in an amount of RMB50.0 million) and a wealth management product (in an amount of RMB50.0 million) with two licensed banks in the PRC, respectively. Each of the subscriptions

constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules. For further details, please refer to the Company's announcement dated 5 July 2022. Save as disclosed above, 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 Group were primarily represented by fixed income type assets (including but not limited to, national bonds, provincial government bonds, People's Bank of China notes, government bonds, financial bonds, bank deposits, currency market funds and bonds type funds) and fixed income derivative products (including but not limited to, bond borrowing, credit risks instruments, credit default swaps and credit enhancement instruments), 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 nine months ended 30 September 2022, 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 30 September 2022 was approximately RMB18.1 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 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 30 September 2022, the fair value of the Wealth Management Product was approximately RMB227.6 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 30 September 2022, the bank account which holds the Wealth Management Product had been frozen. For details as to the circumstance leading to the freezing of the account, 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, 29 March 2022 and 28 July 2022 respectively.

* For identification purpose only

We consider that, save as disclosed above, 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 30 September 2022.

Borrowings

For the nine months ended 30 September 2022, we did not have any short-term or long-term bank borrowings and we had no outstanding, utilised or unutilised banking facilities.

Capital expenditure

For the nine months ended 30 September 2022, our capital expenditure amounted to approximately RMB1.9 million (for the nine months ended 30 September 2021: approximately RMB10.5 million). The capital expenditure mainly included purchasing equipment, motor vehicles and leasehold improvements, which was funded by using our cash flows generated from our operations.

Commitment

As at 30 September 2022, the Group did not have significant outstanding commitments.

Contingent liabilities and guarantees

As at 30 September 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 30 September 2022, none of the Group's assets was pledged or charged.

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

FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2022

| | | Three months ended 30 September | | Nine months ended 30 September | |
|---|-------|------------------------------------|-----------------|-----------------------------------|-----------------|
| | | 2022 | 2021 | 2022 | 2021 |
| | Notes | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Revenue | 4 | 94,480 | 97,012 | 280,934 | 278,495 |
| Cost of revenue | | <u>(32,409)</u> | <u>(32,140)</u> | <u>(96,020)</u> | <u>(90,964)</u> |
| Gross profit | | 62,071 | 64,872 | 184,914 | 187,531 |
| Other losses, net | 5 | (15,234) | (27,853) | (44,932) | (100,933) |
| Selling and marketing expenses | | (8,149) | (6,378) | (25,318) | (20,538) |
| Administrative expenses | | <u>(23,319)</u> | <u>(21,830)</u> | <u>(69,821)</u> | <u>(64,429)</u> |
| Operating profit | | 15,369 | 8,811 | 44,843 | 1,631 |
| Finance income | 6 | 8,166 | 4,791 | 20,078 | 14,684 |
| Finance costs | 7 | (140) | (43) | (455) | (176) |
| Share of losses of associates | | <u>(130)</u> | <u>(1,872)</u> | <u>(274)</u> | <u>(3,351)</u> |
| Profit before income tax | | 23,265 | 11,687 | 64,192 | 12,788 |
| Income tax expense | 8 | <u>(7,085)</u> | <u>(6,020)</u> | <u>(18,663)</u> | <u>(18,072)</u> |
| Profit/(loss) for the period attributable to owners of the Company | 9 | <u>16,180</u> | <u>5,667</u> | <u>45,529</u> | <u>(5,284)</u> |

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

FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2022

| | Three months ended | | Nine months ended | |
|---|--------------------|-----------------|-------------------|-----------------|
| | 30 September | | 30 September | |
| | 2022 | 2021 | 2022 | 2021 |
| Notes | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Other comprehensive income/(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 | (7,180) | (10,503) | (15,170) | (13,491) |
| Exchange differences on translation | 15,094 | 99 | 26,762 | (785) |
| <i>Item that may be reclassified to profit or loss:</i> | | | | |
| Exchange differences on translating foreign operations | 27,577 | 43 | 45,805 | (3,703) |
| Other comprehensive income/(expenses) for the period, net of tax | 35,491 | (10,361) | 57,397 | (17,979) |
| Total comprehensive income/(expenses) for the period attributable to owners of the Company | 51,671 | (4,694) | 102,926 | (23,263) |
| Earnings/(loss) per share (RMB cents) | | | | |
| – Basic | 2.46 | 0.86 | 6.93 | (0.80) |
| – Diluted | 2.44 | 0.86 | 6.88 | (0.80) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2022

| | | 30 September | 31 December |
|---|--------------|---------------------|------------------|
| | | 2022 | 2021 |
| | <i>Notes</i> | RMB'000 | RMB'000 |
| | | (unaudited) | (audited) |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | <i>12</i> | 31,761 | 38,180 |
| Right-of-use assets | <i>12</i> | 17,469 | 962 |
| Investments in associates | | 4,130 | 4,404 |
| Equity investments at fair value through other comprehensive income | <i>13</i> | 15,182 | 27,629 |
| Investments at fair value through profit or loss | <i>14</i> | 397,378 | 356,044 |
| Prepayments, deposits and other receivables | | 11,171 | 17,594 |
| Deferred tax assets | | 1,586 | 4,646 |
| Term deposits | | 50,000 | – |
| Restricted bank deposits | <i>16</i> | 438,011 | 434,143 |
| | | 966,688 | 883,602 |
| Current assets | | | |
| Trade receivables | <i>15</i> | 29,171 | 21,849 |
| Prepayments, deposits and other receivables | | 42,003 | 36,396 |
| Investments at fair value through profit or loss | <i>14</i> | 103,691 | 98,500 |
| Term deposits | | 1,105,904 | 1,014,996 |
| Bank and cash balances | | 213,847 | 248,307 |
| | | 1,494,616 | 1,420,048 |
| Total assets | | 2,461,304 | 2,303,650 |

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

AT 30 SEPTEMBER 2022

| | | 30 September 2022 | 31 December 2021 |
|--|--------------|------------------------------|---------------------|
| | <i>Notes</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | | (unaudited) | (audited) |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 18 | 232 | 232 |
| Reserves | | <u>2,122,600</u> | <u>2,017,738</u> |
| Total equity | | <u>2,122,832</u> | <u>2,017,970</u> |
| Liabilities | | | |
| Non-current liabilities | | | |
| Lease liabilities | | 12,200 | – |
| Deferred tax liabilities | | <u>5,284</u> | <u>4,588</u> |
| | | <u>17,484</u> | <u>4,588</u> |
| Current liabilities | | | |
| Trade payables | 17 | 1,570 | 1,051 |
| Accruals and other payables | | 83,137 | 75,777 |
| Contract liabilities | | 8,655 | 11,845 |
| Lease liabilities | | 5,326 | 860 |
| Current tax liabilities | | <u>222,300</u> | <u>191,559</u> |
| | | <u>320,988</u> | <u>281,092</u> |
| Total liabilities | | <u>338,472</u> | <u>285,680</u> |
| Total equity and liabilities | | <u>2,461,304</u> | <u>2,303,650</u> |
| Net current assets | | <u>1,173,628</u> | <u>1,138,956</u> |
| Total assets less current liabilities | | <u>2,140,316</u> | <u>2,022,558</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

(Unaudited)

| | Attributable to owners of the Company | | | | | | | | | | |
|--|---------------------------------------|---------------|--------------------|----------------------------|-----------------|--------------------------------------|-------------------|------------------------------|---------------|------------------|-----------|
| | Share capital | Share premium | Repurchased shares | Shares held for RSU scheme | Capital reserve | Foreign currency translation reserve | Statutory reserve | Share-based payments reserve | Other reserve | Retained profits | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2021 | 232 | 373,294 | - | (14) | 2,000 | (1,295) | 33,990 | 79,791 | (235,000) | 1,793,818 | 2,046,816 |
| Total comprehensive expenses for the period | - | - | - | - | - | (4,488) | - | - | (13,491) | (5,284) | (23,263) |
| Repurchase of ordinary shares | - | - | (422) | - | - | - | - | - | - | - | (422) |
| Share-based payments | | | | | | | | | | | |
| – lapse of share options and RSUs | - | 179 | - | - | - | - | - | (179) | - | - | - |
| – value of employee services | - | - | - | - | - | - | - | 108 | - | - | 108 |
| Changes in equity for the period | - | 179 | (422) | - | - | (4,488) | - | (71) | (13,491) | (5,284) | (23,577) |
| At 30 September 2021 | 232 | 373,473 | (422) | (14) | 2,000 | (5,783) | 33,990 | 79,720 | (248,491) | 1,788,534 | 2,023,239 |
| 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 income/(expenses) for the period | - | - | - | - | - | 72,567 | - | - | (15,170) | 45,529 | 102,926 |
| Repurchase of ordinary shares | - | - | (112) | - | - | - | - | - | - | - | (112) |
| Share-based payments | | | | | | | | | | | |
| – value of employee services | - | - | - | - | - | - | - | 2,048 | - | - | 2,048 |
| Changes in equity for the period | - | - | (112) | - | - | 72,567 | - | 2,048 | (15,170) | 45,529 | 104,862 |
| At 30 September 2022 | 232 | 373,099 | (112) | (14) | 2,000 | 59,136 | 33,990 | 82,003 | (274,817) | 1,847,315 | 2,122,832 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

| | Nine months ended | |
|--|--------------------------|-------------|
| | 30 September | |
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Cash flows from operating activities | | |
| Cash generated from operating activities | 166,247 | 96,929 |
| Income tax paid | (5,539) | (9,006) |
| Lease interests paid | (455) | (176) |
| | <hr/> | <hr/> |
| Net cash generated from operating activities | 160,253 | 87,747 |
| | <hr/> | <hr/> |
| Cash flows from investing activities | | |
| Placement of term deposits with original maturities over three months | (1,104,154) | (1,042,415) |
| Proceeds from maturity of term deposits with original maturities over three months | 963,519 | 788,521 |
| Interest received | 23,563 | 13,089 |
| Proceeds from disposal of equity investment through other comprehensive income | – | 8,917 |
| Dividends from investments at fair value through profit or loss | 2,954 | – |
| Purchases of investments at fair value through profit or loss | (100,000) | (55,000) |
| Proceeds from settlements of investments at fair value through profit or loss | 12,716 | 58,925 |
| Purchases of property, plant and equipment | (2,163) | (10,487) |
| Proceeds from disposals of property, plant and equipment | 22 | 132 |
| | <hr/> | <hr/> |
| Net cash used in investing activities | (203,543) | (238,318) |
| | <hr/> | <hr/> |
| Cash flows from financing activities | | |
| Repayment of lease liabilities | (3,239) | (2,762) |
| Repurchase of ordinary shares | (112) | (422) |
| | <hr/> | <hr/> |
| Net cash used in financing activities | (3,351) | (3,184) |
| | <hr/> | <hr/> |
| Net increase/(decrease) in cash and cash equivalents | (46,641) | (153,755) |
| Effect of foreign exchange rate changes | 12,181 | (2,194) |
| Cash and cash equivalents at beginning of the period | 248,307 | 389,108 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at end of the period | 213,847 | 233,159 |
| | <hr/> | <hr/> |
| Analysis of cash and cash equivalents | | |
| Bank and cash balances | 213,847 | 233,159 |
| | <hr/> | <hr/> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2022

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, Uglan House, Grand Cayman, KY1-1104, Cayman Islands. The address of its principal place of business in Hong Kong is 14/F., Golden Centre, 188 Des Voeux Road Central, Hong Kong. The address of its headquarters is 8/F, Block E1, International E Town, TCL Industry Park, 1001 Zhong Shan Yuan Road, Nanshan District, Shenzhen, the People’s Republic of China (“**PRC**”). The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**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 | | Nine months ended | |
|---------------------------------------|--------------------|----------------|-------------------|----------------|
| | 30 September | | 30 September | |
| | 2022 | 2021 | 2022 | 2021 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Web-based games | 30,632 | 38,057 | 92,229 | 109,584 |
| Mobile games | 63,848 | 58,955 | 188,705 | 168,911 |
| Revenue from contracts with customers | 94,480 | 97,012 | 280,934 | 278,495 |

Disaggregation of revenue from contracts with customers:

Timing of revenue recognition

| | Three months ended | | Nine months ended | |
|--------------------|--------------------|----------------|-------------------|----------------|
| | 30 September | | 30 September | |
| | 2022 | 2021 | 2022 | 2021 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| At a point of time | 94,480 | 97,012 | 280,934 | 278,495 |

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

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

| | Three months ended | | Nine months ended | |
|--------------------|--------------------|----------------|-------------------|----------------|
| | 30 September | | 30 September | |
| | 2022 | 2021 | 2022 | 2021 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Simplified Chinese | 5,113 | 6,039 | 17,166 | 18,708 |
| Other languages | 89,367 | 90,973 | 263,768 | 259,787 |
| | 94,480 | 97,012 | 280,934 | 278,495 |

No revenue is derived from any individual game player which amounted for over 10% of the Group's total revenue (for the three and nine months ended 30 September 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, restricted bank deposit, term deposits and deferred tax assets were located as follows:

| | 30 September 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|-----------------|--|---|
| Mainland China | 52,157 | 47,182 |
| Other locations | <u>12,374</u> | <u>13,958</u> |
| | <u>64,531</u> | <u>61,140</u> |

5. OTHER LOSSES, NET

| | Three months ended 30 September | | Nine months ended 30 September | |
|--|--|--------------------------------|---|--------------------------------|
| | 2022 RMB'000 (unaudited) | 2021 RMB'000 (unaudited) | 2022 RMB'000 (unaudited) | 2021 RMB'000 (unaudited) |
| Dividends from investments at fair value through profit or loss | 633 | – | 2,954 | – |
| Loss on disposals of property, plant and equipment | – | (63) | (9) | (514) |
| Government subsidies and tax rebates (Note) | 636 | 618 | 1,531 | 818 |
| Net foreign exchange losses | (4,062) | (121) | (5,075) | (2,677) |
| Fair value changes on investments at fair value through profit or loss | (12,444) | (28,237) | (44,239) | (98,419) |
| Others | <u>3</u> | <u>(50)</u> | <u>(94)</u> | <u>(141)</u> |
| | <u>(15,234)</u> | <u>(27,853)</u> | <u>(44,932)</u> | <u>(100,933)</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 30 September | | Nine months ended 30 September | |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | 2022 <i>RMB'000</i> (unaudited) | 2021 <i>RMB'000</i> (unaudited) | 2022 <i>RMB'000</i> (unaudited) | 2021 <i>RMB'000</i> (unaudited) |
| Interest revenue | 7,971 | 4,647 | 19,451 | 14,123 |
| Interest revenue on non-current loans to employees | 195 | 144 | 627 | 561 |
| | <u>8,166</u> | <u>4,791</u> | <u>20,078</u> | <u>14,684</u> |

7. FINANCE COSTS

| | Three months ended 30 September | | Nine months ended 30 September | |
|-----------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | 2022 <i>RMB'000</i> (unaudited) | 2021 <i>RMB'000</i> (unaudited) | 2022 <i>RMB'000</i> (unaudited) | 2021 <i>RMB'000</i> (unaudited) |
| Lease interests | 140 | 43 | 455 | 176 |

8. INCOME TAX EXPENSE

| | Three months ended 30 September | | Nine months ended 30 September | |
|---|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | 2022 <i>RMB'000</i> (unaudited) | 2021 <i>RMB'000</i> (unaudited) | 2022 <i>RMB'000</i> (unaudited) | 2021 <i>RMB'000</i> (unaudited) |
| Current tax | | | | |
| – PRC Enterprise Income Tax (“EIT”) and other jurisdictions | 6,647 | 5,966 | 17,561 | 16,703 |
| Deferred tax | 438 | 54 | 1,102 | 1,369 |
| | <u>7,085</u> | <u>6,020</u> | <u>18,663</u> | <u>18,072</u> |

(a) **EIT**

The income tax provision of the Group in respect of operations in the PRC has been calculated at the tax rate of 25% on the estimated assessable profits for the nine months ended 30 September 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” (“**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. Boyaa On-line Game Development (Shenzhen) Co., Limited is still renewing the HNTE qualification as at the date of this announcement. Therefore, the applicable tax rate for Boyaa On-line Game Development (Shenzhen) Co., Limited was 15% (for the nine months ended 30 September 2021: 15%) for the nine months ended 30 September 2022.

Shenzhen Erlulu Technology Company Limited has successfully obtained HNTE 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 nine months ended 30 September 2021: 15%) for the nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 30 September 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 RMB883,526,000 (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 nine months ended 30 September 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 | | Nine months ended | |
|---|--------------------|----------------|-------------------|----------------|
| | 30 September | | 30 September | |
| | 2022 | 2021 | 2022 | 2021 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Amortisation of intangible assets | | | | |
| – included in cost of revenue | – | – | – | 27 |
| | – | – | – | 27 |
| Depreciation | 4,596 | 4,044 | 13,753 | 12,351 |
| Research and development expenditure | | | | |
| – included in staff costs | 13,224 | 12,083 | 43,497 | 39,834 |
| – included in depreciation | 65 | 12 | 188 | 46 |
| – included in other administrative expenses | 288 | 567 | 880 | 1,815 |
| | 13,577 | 12,662 | 44,565 | 41,695 |
| Loss allowance provision/(reversal of loss allowance) for trade receivables | 32 | (4) | (4,329) | (734) |
| Loss allowance provision for loans to employees | – | (41) | – | (41) |
| Staff costs including directors' emoluments | | | | |
| – Wages, salaries and bonuses | 18,086 | 15,799 | 56,678 | 52,725 |
| – Retirement benefit scheme contributions | 1,523 | 1,245 | 5,233 | 4,096 |
| – Share-based payments expenses | 899 | 108 | 2,048 | 108 |
| | 20,508 | 17,152 | 63,959 | 56,929 |

10. DIVIDENDS

The board of the directors of the Company (the “Board”) has decided not to declare an interim dividend for the nine months ended 30 September 2022 (for the nine months ended 30 September 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 | | Nine months ended | |
|---|--------------------|----------------|-------------------|----------------|
| | 30 September | | 30 September | |
| | 2022 | 2021 | 2022 | 2021 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Earnings/(loss) | | | | |
| Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share | <u>16,180</u> | <u>5,667</u> | <u>45,529</u> | <u>(5,284)</u> |
| Number of shares ('000) | | | | |
| Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share | <u>656,976</u> | 657,109 | <u>656,795</u> | 657,487 |
| Effect of dilutive potential ordinary shares arising from restricted share units ("RSUs") | <u>4,923</u> | <u>437</u> | <u>4,978</u> | <u>–</u> |
| Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share | <u>661,899</u> | <u>657,546</u> | <u>661,773</u> | <u>657,487</u> |

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

During the nine months ended 30 September 2022, the Group acquired property, plant and equipment of RMB1,897,000 (for the nine months ended 30 September 2021: RMB10,487,000).

Property, plant and equipment with a carrying amount of approximately RMB31,000 (for the nine months ended 30 September 2021: approximately RMB646,000) were disposed by the Group during the nine months ended 30 September 2022.

During the nine months ended 30 September 2022, the additions to right-of-use assets were approximately RMB20,217,000 (for the nine months ended 30 September 2021: nil)

13. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | 30 September 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|---|--|---|
| Equity securities, at fair value | | |
| – Listed in Hong Kong - Xiaomi Corporation | 13,769 | 26,269 |
| – Listed in USA – Qudian Inc. | <u>1,413</u> | <u>1,360</u> |
| Total equity investments at fair value through other comprehensive income, analysed as non-current assets | <u>15,182</u> | <u>27,629</u> |

14. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 30 September 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|--|--|---|
| Included in non-current assets | | |
| Non-quoted investments in: | | |
| – asset management plans | 64,800 | – |
| – equity investment partnerships | 83,485 | 112,171 |
| – wealth management products (<i>Note</i>) | <u>249,093</u> | <u>243,873</u> |
| | <u>397,378</u> | <u>356,044</u> |
| Included in current assets | | |
| Non-quoted investments in: | | |
| – asset management plan | 2,800 | 98,500 |
| – wealth management products (<i>Note</i>) | <u>100,891</u> | <u>–</u> |
| | <u>103,691</u> | <u>98,500</u> |
| | <u>501,069</u> | <u>454,544</u> |

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 30 September 2022, an amount of RMB249,093,000 were frozen (31 December 2021: RMB243,873,000) (*Note* 21).

15. TRADE RECEIVABLES

| | 30 September 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|------------------------------|--|---|
| Trade receivables | 29,442 | 26,449 |
| Provision for loss allowance | <u>(271)</u> | <u>(4,600)</u> |
| Carrying amount | <u>29,171</u> | <u>21,849</u> |

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

| | 30 September 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|-----------------|--|---|
| 0 to 30 days | 28,299 | 21,355 |
| 31 to 60 days | 72 | 35 |
| 61 to 90 days | 371 | 26 |
| 91 to 180 days | 206 | 306 |
| 181 to 365 days | 206 | 111 |
| Over 365 days | <u>17</u> | <u>16</u> |
| | <u>29,171</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:

| | 30 September 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|-----------------|--|---|
| 0 to 30 days | 1,162 | 784 |
| 31 to 90 days | 115 | 18 |
| 91 to 180 days | 1 | 1 |
| 181 to 365 days | 20 | – |
| Over 365 days | 272 | 248 |
| | <u>1,570</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 with par value of United States dollar (“USD”) 0.00005 (31 December 2021: USD0.00005) 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 30 September 2022 (unaudited) | <u>709,876,301</u> | <u>36</u> | <u>232</u> |

Note:

The Group repurchased 300,000 shares (for the year ended 31 December 2021: 1,000,000 shares) of its own shares from the market during the nine months ended 30 September 2022. The total amount paid to acquire the shares was RMB112,000 (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 HK\$0.41 (for the year ended 31 December 2021: HK\$0.51) per share. 300,000 repurchased shares have not been cancelled yet up to the date of this announcement. The repurchased 1,000,000 shares of its own shares from the market during the year ended 31 December 2021 were all cancelled.

19. SHARE-BASED PAYMENTS

(a) Share options

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

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

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

| | Number of share options | |
|--|----------------------------------|-------------------------|
| | For the nine months ended | |
| | 30 September | |
| | 2022 | 2021 |
| | (unaudited) | (unaudited) |
| Outstanding at the beginning of the period | 5,722,429 | 6,082,429 |
| Lapsed during the period | (500,000) | (360,000) |
| Outstanding at the end of the period | <u>5,222,429</u> | <u>5,722,429</u> |
| Exercisable at the end of the period | <u>5,222,429</u> | <u>5,722,429</u> |

No options were exercised during the nine months ended 30 September 2022 and 2021.

Details of the exercise prices and the respective numbers of share options which remained outstanding as at 30 September 2022 and 2021 are as follows:

| Expiry date | Exercise price | | Number of share options For the nine months ended | |
|------------------|----------------------|-----------------------|--|---------------------|
| | Original currency | Equivalent to HK\$ | 30 September 2022 (unaudited) | 2021 (unaudited) |
| 6 September 2025 | HK\$3.108 | 3.108 | <u>5,222,429</u> | <u>5,722,429</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.

On 15 April 2022, the Group granted 15,000,000 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 HKD0.465 per share. The expiry date of the above newly granted RSUs is 14 April 2030.

Movements in the number of RSUs outstanding:

| | Number of RSUs | |
|------------------------|-----------------------------------|---------------------|
| | 2022 (unaudited) | 2021 (unaudited) |
| At 1 January | 9,722,089 | 4,640,457 |
| Granted | 15,000,000 | 5,650,000 |
| Lapsed | (1,100,000) | (121,368) |
| Vested and transferred | – | (332,000) |
| | <u>23,622,089</u> | <u>9,837,089</u> |
| At 30 September | | |
| | <u>5,334,589</u> | <u>4,187,089</u> |

The related weighted-average share price at the time when the RSUs were vested and transferred was nil (for the nine months ended 30 September 2021: HK\$0.65) per share.

(c) Shares held for RSU schemes

The shares held for RSU schemes were regarded as treasury shares and had been presented as a deduction against shareholders' equity. During the period, nil (for the nine months ended 30 September 2021: 332,000) 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 and The Core Admin Boyaa RSU Limited as at 30 September 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:

| | 30 September 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (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 found it was not able to continue to use the idle cash reserves in its individual bank accounts (the “**Relevant Idle Cash Reserves**”) for fixed-term deposits or wealth management (the “**Incident**”). As at 30 September 2022, the Group’s investments at fair value through profit or loss of approximately RMB249,093,000 and restricted bank deposits of approximately RMB438,011,000 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**”) (as at the date of this announcement, none of the Employees remains an employee of the Group) 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 RMB942,654,382.75 to be paid to the state treasury (the “**Judgment Amount**”).

The Company had discussed 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 was 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 Judgment (the “**Appeal Hearing**”) to quash the Judgment and remanded the case to the Trial Court for a retrial (the “**Retrial**”) since it was of the view that certain facts under the Judgment was 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 Judgment of the Retrial (the “**Retrial Judgment**”). 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 originally ordered by the Trial court to be paid to the state treasury. As advised by the PRC Legal Advisers, some Employees had applied for appeal against the Retrial Judgment up to 29 March 2022 and the rehearing of the Retrial was heard by the court of second instance on 28 July 2022. The court of second instance had not indicated when the Judgment of the rehearing will be handed down. As at 30 September 2022, the Relevant Frozen Sum incurred amounted to approximately RMB687 million. As advised by the PRC Legal Advisers, the Judgment from Trial Court has been quashed and will not be enforced. The Retrial Judgment will also not be enforced and the Relevant Frozen Sum will not be ordered to be paid until a judgment from the court has finally been handed down.

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 Relevant Frozen Sum and so far as the Company is aware, the Other Bank Accounts had not been frozen by the relevant PRC judicial authorities.

In light of the fact that (i) none of the Company, its directors and senior management had been subject to any prosecution or investigation 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 30 September 2022, the Company recorded current assets and the Relevant Frozen Sum in the sum of approximately RMB2,182 million, the Relevant Frozen Sum accounted for approximately 31.5% of the Company’s relevant funds, the Board is of the view that the Retrial Judgment would not have any material adverse impact on the business, operation and financial conditions of the Group.

The Independent Investigation Committee had held meetings in January, March, May and November 2020, March, May, August, September and November 2021, March, May, July, August and November 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 judgment in respect of the Case from the court. As at the date of this announcement, the Independent Investigation Committee is of the view that there are 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.

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, 29 March 2022 and 28 July 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 24 November 2022.

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

| | For the nine months ended | | Year-on-Year Change* % |
|---|--|--------------------------------|------------------------------|
| | 30 September 2022 RMB'000 (unaudited) | 2021 RMB'000 (unaudited) | |
| Revenue | 280,934 | 278,495 | 0.9 |
| Cost of revenue | <u>(96,020)</u> | <u>(90,964)</u> | 5.6 |
| Gross profit | 184,914 | 187,531 | (1.4) |
| Other losses, net | (44,932) | (100,933) | (55.5) |
| Selling and marketing expenses | (25,318) | (20,538) | 23.3 |
| Administrative expenses | <u>(69,821)</u> | <u>(64,429)</u> | 8.4 |
| Operating profit | 44,843 | 1,631 | 2,649.4 |
| Finance income, net | 19,623 | 14,508 | 35.3 |
| Share of losses of associates | <u>(274)</u> | <u>(3,351)</u> | (91.8) |
| Profit before income tax | 64,192 | 12,788 | 402.0 |
| Income tax expense | <u>(18,663)</u> | <u>(18,072)</u> | 3.3 |
| Profit/(Loss) for the period | <u>45,529</u> | <u>(5,284)</u> | – |
| Non-IFRS adjustment (unaudited) | | | |
| Share-based compensation expenses included in cost of revenue | – | – | – |
| Share-based compensation expenses included in selling and marketing expenses | – | – | – |
| Share-based compensation expenses included in administrative expenses | <u>2,048</u> | <u>108</u> | 1,796.3 |
| Non-IFRS adjusted net profit/(loss) (unaudited) | <u>47,577</u> | <u>(5,176)</u> | – |

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

RECONCILIATION FROM UNAUDITED PROFIT TO UNAUDITED NON-IFRS ADJUSTED NET PROFIT

FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2022

| | For the three months ended | | | Year-on- Year Change* | Quarter-on- Quarter Change** |
|---|---|--|---|-----------------------------|------------------------------------|
| | 30 September 2022 <i>RMB'000</i> (unaudited) | 30 June 2022 <i>RMB'000</i> (unaudited) | 30 September 2021 <i>RMB'000</i> (unaudited) | | |
| Revenue | 94,480 | 94,930 | 97,012 | (2.6) | (0.5) |
| Cost of revenue | <u>(32,409)</u> | <u>(32,303)</u> | <u>(32,140)</u> | 0.8 | 0.3 |
| Gross profit | 62,071 | 62,627 | 64,872 | (4.3) | (0.9) |
| Other losses, net | (15,234) | (17,391) | (27,853) | (45.3) | (12.4) |
| Selling and marketing expenses | (8,149) | (8,234) | (6,378) | 27.8 | (1.0) |
| Administrative expenses | <u>(23,319)</u> | <u>(23,913)</u> | <u>(21,830)</u> | 6.8 | (2.5) |
| Operating profit | 15,369 | 13,089 | 8,811 | 74.4 | 17.4 |
| Finance income, net | 8,026 | 6,213 | 4,748 | 69.0 | 29.2 |
| Share of (losses)/gains of associates | <u>(130)</u> | <u>63</u> | <u>(1,872)</u> | (93.1) | – |
| Profit before income tax | 23,265 | 19,365 | 11,687 | 99.1 | 20.1 |
| Income tax expenses | <u>(7,085)</u> | <u>(6,201)</u> | <u>(6,020)</u> | 17.7 | 14.3 |
| Profit for the period | <u>16,180</u> | <u>13,164</u> | <u>5,667</u> | 185.5 | 22.9 |
| 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>899</u> | <u>908</u> | <u>108</u> | 732.4 | (1.0) |
| Non-IFRS adjusted net profit (unaudited) | <u>17,079</u> | <u>14,072</u> | <u>5,775</u> | 195.7 | 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 30 September 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 Condensed Consolidated Financial Information of the Group for the nine months ended 30 September 2022:

BASIS FOR QUALIFIED CONCLUSION

As disclosed in note 21, the Group’s investment at fair value through profit or loss of approximately RMB249,093,000 and restricted bank deposits of approximately RMB438,011,000 as at 30 September 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 RMB249,093,000 and RMB438,011,000 as at 30 September 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 30 September 2022 and 31 December 2021 were necessary. Any adjustments to these figures might have a consequential effect on the Group’s condensed consolidated financial performance for the three months and nine months ended 30 September 2022 and the three months and nine months ended 30 September 2021, the condensed consolidated financial position of the Group as at 30 September 2022 and 31 December 2021, and the related disclosures thereof in the condensed consolidated financial statements.

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

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

Hong Kong, 24 November 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.