Boyaa Interactive International Limited
博雅互動國際有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 0434)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

Highlights:

- Our revenue for the year ended 31 December 2017 amounted to approximately RMB735.6 million, representing a decrease of approximately 1.3% from approximately RMB745.2 million recorded in 2016.

- Our gross profit for the year ended 31 December 2017 amounted to approximately RMB457.3 million, representing a decrease of approximately 3.1% from approximately RMB471.7 million recorded in 2016.

- Profit attributable to owners of the Company for the year ended 31 December 2017 amounted to approximately RMB243.2 million, representing an increase of approximately 15.1% from approximately RMB211.3 million recorded in 2016.

- Our unaudited non-IFRS adjusted net profit for the year ended 31 December 2017 derived by excluding share-based compensation expenses amounted to approximately RMB253.1 million, representing an increase of approximately 8.7% from approximately RMB232.8 million recorded in 2016.

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		Year-on-Year
	2017	2016	Change*
	RMB'000	*RMB'000*	%
	(audited)	(audited)	
Revenue	**735,602**	745,194	(1.3)
– Web-based games	**220,730**	260,004	(15.1)
– Mobile games	**514,872**	485,190	6.1
Gross profit	**457,267**	471,708	(3.1)
Profit attributable to owners of the Company	**243,245**	211,271	15.1
Non-IFRS adjusted net profit (unaudited)***	**253,110**	232,817	8.7
Earnings per share (expressed in RMB cents per share)			
– Basic	**35.42**	31.21	13.5
– Diluted	**34.24**	29.60	15.7

	For the three months ended 31 December		Year-on-Year
	2017	2016	Change*
	RMB'000	*RMB'000*	%
	(unaudited)	(unaudited)	
Revenue	**159,467**	208,590	(23.6)
– Web-based games	**49,759**	65,396	(23.9)
– Mobile games	**109,708**	143,194	(23.4)
Gross profit	**96,133**	129,859	(26.0)
Profit attributable to owners of the Company	**35,191**	13,702	156.8
Non-IFRS adjusted net profit***	**36,698**	17,433	110.5

REVENUE BY GAMES

	For the year ended 31 December		Year-on-Year
	2017	2016	Change*
	RMB'000	*RMB'000*	*%*
	(audited)	(audited)	
Texas Hold'em Series	**529,732**	551,262	(3.9)
Other Card and Board*****	**205,870**	193,932	6.2
Total	**735,602**	745,194	(1.3)

	For the three months ended 31 December		Year-on-Year
	2017	2016	Change*
	RMB'000	*RMB'000*	*%*
	(unaudited)	(unaudited)	
Texas Hold'em Series	**126,090**	147,948	(14.8)
Other Card and Board*****	**33,377**	60,642	(45.0)
Total	**159,467**	208,590	(23.6)

REVENUE BY LANGUAGE VERSIONS OF GAMES

	For the year ended 31 December		
	2017	2016	Year-on-Year Change*
	RMB'000	*RMB'000*	%
	(audited)	(audited)	
Simplified Chinese	**383,704**	336,825	13.9
Other languages	**351,898**	408,369	(13.8)
Total	**735,602**	745,194	(1.3)

	For three months ended 31 December		
	2017	2016	Year-on-Year Change*
	RMB'000	*RMB'000*	%
	(unaudited)	(unaudited)	
Simplified Chinese	**83,020**	101,406	(18.1)
Other languages	**76,447**	107,184	(28.7)
Total	**159,467**	208,590	(23.6)

OPERATIONAL HIGHLIGHTS

	For the three months ended			Year-on-Year Change*	Quarter-on-Quarter Change**
	31 December 2017 (unaudited)	30 September 2017 (unaudited)	31 December 2016 (unaudited)	%	%
Paying Players (in thousands)	**816**	1,257	1,997	(59.1)	(35.1)
• Web-based games	**30**	32	41	(26.8)	(6.3)
• Mobile games	**786**	1,225	1,956	(59.8)	(35.8)
Daily Active Users ("**DAUs**") (in thousands)****	**4,201**	4,792	5,830	(27.9)	(12.3)
• Web-based games	**302**	368	570	(47.0)	(17.9)
• Mobile games	**3,899**	4,424	5,260	(25.9)	(11.9)
Monthly Active Users ("**MAUs**") (in thousands)****	**17,436**	19,943	24,211	(28.0)	(12.6)
• Web-based games	**1,198**	1,450	2,407	(50.2)	(17.4)
• Mobile games	**16,238**	18,493	21,804	(25.5)	(12.2)
Average Revenue Per Paying User ("**ARPPU**") of Texas Hold'em (in RMB)					
• Web-based games	**569.0**	573.3	555.8	2.4	(0.8)
• Mobile games	**268.7**	246.1	155.3	73.0	9.2
ARPPU of Other Card and Board (in RMB)					
• Web-based games	**86.0**	106.4	122.3	(29.7)	(19.2)
• Mobile games	**16.0**	11.3	11.3	41.6	41.6

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

** *Quarter-on-Quarter Change % represents a comparison between the quarter ended 31 December 2017 and the immediately preceding quarter.*

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

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

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

The board of directors (the "**Board**") of Boyaa Interactive International Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2017 (the "**Reporting Period**"). The annual results have been prepared in accordance with International Financial Reporting Standards (the "**IFRS**") and audited by Pan-China (H.K.) CPA Limited, the auditor of the Company. In addition, the annual results have also been reviewed by the audit committee of the Company (the "**Audit Committee**").

BUSINESS OVERVIEW AND OUTLOOK

Review of 2017

In 2017, we continued to focus on the development and innovation of online card and board game products and further enriched our product portfolio, striving to enhance the users' experience. During the second half of 2017, Apple Inc. conducted inspection and rectification on the applications launched on its system (the "**Apple Incident**"); however, with the Company's positive effort, the impact arising from the Apple Incident was addressed, and most of our products have resumed normal operation. Despite of the impact of the Apple Incident on the growth of the Company's revenue in the second half of 2017, the overall revenue in 2017 was generally approximate to that of the previous year. Our unaudited non-IFRS adjusted net profit still recorded a growth due to the continuous enlargement and enrichment on game product portfolio, improvement on payment channel and promotion strategy, as well as smooth implementation of the cost control policy.

In terms of financial performance, in 2017, we recorded a revenue of approximately RMB735.6 million, representing a year-on-year decrease of approximately 1.3% compared to 2016, which was mainly attributable to the industry trend, the slow decline of overall revenue from web-based games due to the transfer of users from web-based games to mobile-based games, as well as the slowdown of the growth of revenue from mobile-based games as a result of the impact caused by Apple Incident. In 2017, we recorded an unaudited non-IFRS adjusted net profit of approximately RMB253.1 million, representing a year-on-year increase of approximately 8.7% compared to 2016.

In terms of performance with respect to operational data, due to the impact of the Apple Incident on the industry, the number of paying players and users recorded a decline in the fourth quarter of 2017 compared to the fourth quarter of 2016. The number of paying players decreased by 59.1% from approximately 2.0 million players in the fourth quarter of 2016 to approximately 0.8 million players in the fourth quarter of 2017. The number of daily active players decreased by 27.9% from approximately 5.8 million players in the fourth quarter of 2016 to 4.2 million players in the fourth quarter of 2017. The number of monthly active player decreased by 28.0% from approximately 24.2 million players in the fourth quarter of 2016 to approximately 17.4 million players in the fourth quarter of 2017, while ARPPU of Texas Hold'em mobile games and ARPPU of Other Card and Board mobile games increased.

In terms of games products, the number of our online games product portfolio increased from 65 in 2016 to 79, with 17 language versions available as of 31 December 2017. In 2017, we continued to focus on the development and innovation of our products, enrichment of the variety of games and enhancement of users' experience, thereby steadily and consistently enhancing our operations by refining and diversifying our products and improving the quality of our games.

We have successfully organised and held the Third Boyaa Poker Tour during the fourth quarter of 2017, which further increased our brand influence and the loyalty of players, making a stable progress in organising a world-class poker tour.

In addition, in 2017, we were awarded "Award for Progress in Corporate Innovation of the Year" in China Financial Market Award Gala organised by China Financial Market magazine, a well-known financial magazine in Hong Kong. The Company had been awarded "Most Promising Listed Company" consecutively in 2015 and 2016, demonstrating the high recognition for the Company and our brand from the capital market.

Outlook For 2018

In 2018, we intend to place emphasis on developing the following:

- strengthen the effort on the research on card and board games in different market segments and the exploration for market sectors so as to further expand and enrich our product portfolio;

- continue to further explore the domestic and overseas operational model of card and board games;

- constantly improve our basic infrastructure and game features, and focus on enhancing the experience and service quality we provide to our users;

- keep focusing on the development and innovation of mobile-based products to further enrich the contents and rules of the games; and

- continue to organise more professional and high quality competition games to enhance and consolidate the loyalty of our players and develop Boyaa into a century-old brand.

Although 2017 was a challenging year, we continued to step forward and have a high expectation for 2018. We believe that, through our dedication to and experience in online card and board games as well as our determination and persistence in upholding the player-oriented philosophy, we will certainly be able to achieve our goal of becoming the global leading brand in online card and board games.

MANAGEMENT DISCUSSION AND ANALYSIS

Year Ended 31 December 2017 Compared to Year Ended 31 December 2016

Revenue

Our revenue for the year ended 31 December 2017 amounted to approximately RMB735.6 million, representing a decrease of approximately 1.3% from approximately RMB745.2 million recorded in 2016. The decrease in revenue was primarily due to the general downward trend of the web-based games industry. For the year ended 31 December 2017, revenue generated from our mobile games and web-based games accounted for approximately 70.0% and 30.0% of our total revenue, respectively, as compared with approximately 65.1% and 34.9%, respectively, for the year ended 31 December 2016.

Cost of revenue

Our cost of revenue increased by approximately 1.8% from approximately RMB273.5 million in 2016 to approximately RMB278.3 million in 2017 primarily due to the growth in commission charges.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by approximately 3.1% from approximately RMB471.7 million for the year ended 31 December 2016 to approximately RMB457.3 million for the year ended 31 December 2017.

For the year ended 31 December 2017 and the same period in 2016, our gross profit margin were approximately 62.2% and 63.3%, respectively.

Selling and marketing expenses

Our selling and marketing expenses decreased by approximately 24.0% from approximately RMB44.9 million in 2016 to approximately RMB34.1 million in 2017, accounting for approximately 4.6% of our revenue in 2017, decreased from approximately 6.0% in 2016. The year-on-year decrease in selling and marketing expenses was mainly attributable to the decrease in expenses for advertising and promotional activities.

Administrative expenses

Our administrative expenses decreased by approximately 10.5% from approximately RMB277.8 million in 2016 to approximately RMB248.5 million in 2017. The decrease in administrative expenses was mainly due to a decrease in available-for-sale financial assets impairment, the control of internal cost and the decrease in employee benefit expenses.

Other gains – net

For the year ended 31 December 2017, we recorded other gains (net) of approximately RMB55.9 million, compared to approximately RMB62.1 million recorded for the same period in 2016. The other gains (net) primarily consisted of fair value gains on financial assets at fair value through profit or loss relating to the non-quoted investments in equity investment partnerships and certain wealth management products we purchased.

Finance income – net

Our finance income (net) was approximately RMB38.7 million in 2017 and we recorded net finance income (net) of approximately RMB29.7 million in 2016. The change was primarily due to an increase in interest income compared to that in 2016.

Share of result of associates

We held investments in six 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), Chengdu Boyu Interactive Technology Co., Ltd. (成都博娛互動科技有限公司), and Allin Interactive International Limited (傲英互動國際有限公司) and its subsidiaries as at 31 December 2017 (31 December 2016: six), all of which were online game or internet technology companies. We recorded a share of gain of associates of approximately RMB0.5 million for the year ended 31 December 2017, compared to a share of loss of associates of approximately RMB2.0 million recorded for the same period in 2016.

Income tax expenses

Our income tax expenses decreased by approximately 3.7% from approximately RMB27.5 million for the year ended 31 December 2016 to approximately RMB26.5 million for the year ended 31 December 2017, primarily due to utilisation of tax losses brought from previous years. The effective income tax rate decreased from approximately 11.5% in 2016 to approximately 9.8% in 2017.

Profit attributable to owners of the Company

As a result of the foregoing, our profit attributable to owners of the Company increased by approximately 15.1% from approximately RMB211.3 million in 2016 to approximately RMB243.2 million in 2017.

Non-IFRS adjusted net profit

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

Our unaudited non-IFRS adjusted net profit for the year ended 31 December 2017 of approximately RMB253.1 million was derived from our unaudited profit of the same period excluding share-based compensation expenses of approximately RMB2.1 million, RMB2.7 million and RMB5.1 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively. Our unaudited non-IFRS adjusted net profit for the year ended 31 December 2016 of approximately RMB232.8 million was derived from our unaudited profit for the same period excluding share-based compensation expenses of approximately RMB5.1 million, RMB5.4 million and RMB11.0 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively.

Fourth Quarter of 2017 Compared to Fourth Quarter of 2016

Revenue

Our revenue for the three months ended 31 December 2017 amounted to approximately RMB159.5 million, representing a year-on-year decrease of approximately 23.6% from approximately RMB208.6 million recorded for the same period of 2016. The year-on-year decrease in revenue was primarily due to the continuing impact of the Apple Incident incurred at the end of the second quarter of 2017. Under the effort of the Company, the impact of the incident on the Company was controlled from the beginning of the fourth quarter of 2017, but it still showed a decline compared with the fourth quarter of 2016. For the three months ended 31 December 2017, revenue generated from our mobile games amounted to approximately RMB109.7 million as compared to approximately RMB143.2 million recorded for the same period of 2016, representing a year-on-year decrease of approximately 23.4%.

Cost of revenue

Our cost of revenue for the three months ended 31 December 2017 amounted to approximately RMB63.3 million, representing a year-on-year decrease of approximately 19.6% from approximately RMB78.7 million recorded for the same period in 2016. The year-on-year decrease was primarily due to the reduction in commission charges.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by approximately 26.0% from approximately RMB129.9 million for the three months ended 31 December 2016 to approximately RMB96.1 million for the three months ended 31 December 2017. In addition, our gross profit margin decreased from approximately 62.3% for the three months ended 31 December 2016 to approximately 60.3% for the three months ended 31 December 2017.

Selling and marketing expenses

Our selling and marketing expenses decreased from approximately RMB20.1 million recorded for the three months ended 31 December 2016 to approximately RMB7.6 million for the same period of 2017, representing a year-on-year decrease of approximately 62.0%, which was mainly attributable to the decrease in expenses for advertising and promotional activities.

Administrative expenses

Our administrative expenses for the three months ended 31 December 2017 amounted to approximately RMB86.1 million, representing a year-on-year decrease of approximately 25.1% from approximately RMB114.9 million recorded for the same period of 2016. The year-on-year decrease was mainly due to a decrease in available-for-sale financial assets impairment, the control of internal cost and the decrease in employee benefit expenses.

Other gains – net

For the three months ended 31 December 2017, we recorded other gains (net) of approximately RMB26.3 million, compared to approximately RMB9.0 million recorded for the same period in 2016. The other gains (net) primarily consisted of fair value gains in financial assets at fair value through profit or loss relating to the non-quoted investments in equity investment partnership and certain wealth management products we purchased.

Finance income – net

Our finance income (net) for the three months ended 31 December 2017 was approximately RMB4.8 million, compared to approximately RMB9.1 million recorded for the same period of 2016, representing a year-on-year decrease of approximately 47.4%. The decrease was primarily due to a decrease in interest income as compared to the same period of 2016.

Share of result of associates

We held investments in six associates, namely Shenzhen Fanhou Technology Co., Ltd. (深圳市飯後科技有限公司), Shenzhen HuifuWorld Network Technology Co., Ltd. (深圳市匯富天下網絡科技有限公司), Shenzhen Easething Technology Co., Ltd. (深圳市易新科技有限公司), Shenzhen Jisiwei Intelligent Technology Co., Ltd. (深圳市極思維智能科技有限公司), Chengdu Boyu Interactive Technology Co., Ltd. (成都博娛互動科技有限公司) and Allin Interactive International Limited (傲英互動國際有限公司) and its subsidiaries as at 31 December 2017 (31 December 2016: six), all of which were online game or internet technology companies. We recorded a share of profit of associates of approximately RMB1.5 million for the three months ended 31 December 2017, compared to a share of loss of associates of approximately RMB0.3 million recorded for the same period in 2016.

Income tax credit

Our income tax credit for the three months ended 31 December 2017 was approximately RMB0.2 million, representing a year-on-year decrease of 82.6% from approximately RMB1.1 million of income tax credit recorded for the same period of 2016.

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 31 December 2017 amounted to approximately RMB35.2 million, representing a year-on-year increase of approximately 156.8% from approximately RMB13.7 million recorded for the same period of 2016.

Non-IFRS adjusted net profit

Our unaudited non-IFRS adjusted net profit for the three months ended 31 December 2017 of approximately RMB36.7 million was derived from our unaudited profit of the same period excluding share-based compensation expenses of approximately RMB0.3 million, RMB0.4 million and RMB0.8 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively. Our unaudited non-IFRS adjusted net profit for the three months ended 31 December 2016 of approximately RMB17.4 million was derived from our unaudited profit for the same period excluding share-based compensation expenses of approximately RMB0.8 million, RMB1.0 million and RMB1.9 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively.

Liquidity and capital resources

For the year ended 31 December 2017, we financed our operations primarily through cash generated from our operating activities as well as the net proceeds we received from the global offering completed in November 2013. We intend to finance our expansion, investment and business operations by internal resources and through organic and sustainable growth. We will make investments in line with our capital and investment management policies and strategies.

Gearing ratio

As at 31 December 2017, the Group's gearing ratio (total liabilities divided by total assets) was 11.2% (31 December 2016: 11.5%).

Term deposits

As at 31 December 2017, we had term deposits of approximately RMB119.9 million (31 December 2016: approximately RMB27.7 million), which were mainly denominated in United States dollars ("**USD**"). The original maturities of the term deposits are over 3 months and less than 1 year. The effective interest rate for the term deposits of the Group for the year ended 31 December 2017 was 1.63%.

Cash and cash equivalents

As at 31 December 2017, we had cash and cash equivalents of approximately RMB858.2 million (31 December 2016: approximately RMB1,563.3 million), which primarily consisted of cash at bank and in hand and short-term bank deposits, which were mainly denominated in Renminbi (as to 63.0%), USD (as to 29.9%) and other currencies (as to 7.1%). We currently do not hedge transactions undertaken in foreign currencies. Due to our persistent efforts in managing our exposure to foreign currencies through constant monitoring to limit as much as possible the amount of foreign currencies held by us, fluctuations in currency exchange rates do not have any material adverse impact on our financial results.

Net proceeds from our initial public offering, after deducting the underwriting commission and other estimated expenses in connection with the offering which the Company received, amounted to approximately HKD837.9 million. Up to 31 December 2017, a total amount of approximately RMB617.0 million from the net proceeds from our initial public offering had been utilised for the following purposes:

(a) approximately RMB246.0 million for our marketing activities and business expansion;

(b) approximately RMB101.2 million for investments in technologies and complementary online games or businesses; and

(c) approximately RMB269.8 million for research and development activities, working capital and other general corporate purposes, including but not limited to the investment in our technology infrastructure and enhancement of our game portfolio.

As at 31 December 2017, approximately RMB57.6 million raised from our initial public offering remains unused.

The unutilised net proceeds has been deposited into short-term demand deposits in the bank account maintained by the Group.

Available-for-sale financial assets

We accounted for available-for-sale financial assets at their respective fair values. As at 31 December 2017, the fair value of our unlisted and listed investments classified as available-for-sale financial assets amounted to approximately RMB128.3 million (31 December 2016: approximately RMB179.6 million). These available-for-sale financial assets consisted of both listed and unlisted equity securities, which are mainly represented by our equity investment in Dalian Zeus Entertainment Co., Ltd. ("**Zeus Entertainment**"). Zeus Entertainment is mainly engaged in research and development and publication of web-based and mobile games.

As at 31 December 2017, we held 6,678,260 shares in Zeus Entertainment, which represented approximately 0.7% of the share capital of Zeus Entertainment. The fair value of the investment in Zeus Entertainment as at 31 December 2017 was approximately RMB114.2 million (31 December 2016: approximately RMB165.0 million).

As disclosed in the annual preliminary results announcement of Zeus Entertainment for the year ended 31 December 2017, it generated a total revenue of approximately RMB3,106.4 million and recorded a net profit attributable to shareholders of the parent company of approximately RMB1,014.9 million, representing a year-on-year increase of 85.5% and 85.6%, respectively. Based on the high revenue and profit growth of Zeus Entertainment, we are optimistic about the on-going performance of Zeus Entertainment. Nevertheless, we will closely monitor the performance of Zeus Entertainment on an on-going basis and consider making adjustment to this investment as and when the circumstances, including market conditions, are appropriate.

We consider that, save for our investment in the listed equity securities of Zeus Entertainment, none of the other unlisted and listed investments classified as available-for-sale financial assets in our investment portfolio is a significant investment as none of such investments has a carrying amount that accounts for more than 5% of our total assets as at 31 December 2017.

Financial assets at fair value through profit or loss

As at 31 December 2017, we also recorded financial assets at fair value through profit or loss amounted to approximately RMB1,219.1 million (31 December 2016: approximately RMB325.3 million), which consisted of non-quoted investments in asset management plans and equity investment partnerships included in non-current assets, and non-quoted investments in certain wealth management products included in current assets. As at 31 December 2017, the fair values of the investments in asset management plans were determined mainly with reference to the subsequent realisation of underlying investment; the fair values of the investments in equity investment partnerships were determined mainly with reference to the Group's share of their respective net asset values; and the fair values of investments in wealth management products, which have an initial term ranging from 28 days to 183 days, were determined based on the estimated rate of return of investments. The above financial assets were designated as financial assets at fair value through profit or loss upon their initial recognition as the performance of these financial assets is evaluated on a fair value basis pursuant to the Group's investment strategy. For the year ended 31 December 2017, we recorded realised/unrealised fair value gains on financial assets at fair value through profit or loss of approximately RMB49.8 million (for the year ended 31 December 2016: approximately RMB58.9 million).

The investments in wealth management products under financial assets 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. Each of such investments made during the year ended 31 December 2017 does not constitute a notifiable transaction or a connected transaction of the Company under the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). As agreed with the financial institutions, the underlying investment portfolio of the wealth management products of the Company were primarily represented by inter-bank loan market instruments and exchange traded fixed-income financial instruments, such as inter-bank loans, government bonds, central bank bills and similar products, which were highly liquid with a relatively short term of maturity, and which were considered to akin to placing deposits with banks whilst enabling the Group to earn an attractive rate of return.

During the year ended 31 December 2017, the Group, through Shenzhen Dong Fang Bo Ya Technology Co., Ltd. ("**Boyaa Shenzhen**"), contributed RMB200.0 million out of the total capital commitment of RMB300.0 million in cash to establish a limited partnership namely Jiaxing Boyaa ChunLei Equity Investments Limited Partnership Enterprise ("**Jiaxing Boyaa**") with Shanghai Tailai Tianji Asset Management Co., Ltd ("**Tailai Tianji**"). The capital commitment of RMB300.0 million represented 99% of the total capital contribution of Jiaxing Boyaa. The fair value of the investment in Jiaxing Boyaa as at 31 December 2017 was approximately RMB198.2 million. Jiaxing Boyaa is established for carrying out equity investments, venture capital investments and investments in securities, subject to certain investment restrictions. We are optimistic about the on-going performance of Jiaxing Boyaa. Nevertheless, we will closely monitor the performance of Jiaxing Boyaa on an on-going basis.

We consider that, save for our capital investment in Jiaxing Boyaa as a limited partnership, no other single investment that was designated as financial assets 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% of our total assets as at 31 December 2017.

Borrowings

During the year ended 31 December 2017, we did not have any short-term or long-term bank borrowings and we had no outstanding, utilised or unutilised banking facilities.

Capital expenditures

For the year ended 31 December 2017, our total capital expenditures amounted to approximately RMB8.0 million (2016: approximately RMB37.3 million), mainly including purchasing of additional furniture and equipment, motor vehicles and leasehold improvements of approximately RMB8.0 million (2016: approximately RMB23.5 million), which was funded by using our cash flow generated from our operations.

Contractual obligations

As at 31 December 2017, in respect of the investment which had been signed but not yet been paid in a limited partnership between Boyaa Shenzhen (as limited partner) and Tailai Tianji (as general partner), the Group had a total capital commitment amounted to RMB300.0 million, of which RMB100.0 million had not been paid.

As at 31 December 2017, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of servers and office buildings which amounted to approximately RMB8.2 million (31 December 2016: approximately RMB14.0 million).

Save as disclosed above, the Group did not have other significant outstanding commitments as at 31 December 2017.

Contingent liabilities and guarantees

As at 31 December 2017, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against us.

Significant investments and future plans for major investments

For the year ended 31 December 2017, the Group's investment in Jiaxing Boyaa amounted to RMB200.0 million. Jiaxing Boyaa mainly carries out equity investments and venture capital investments.

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

Pledge/charge of the Group's assets

As at 31 December 2017, none of the Group's assets was pledged or charged.

Employees and staff costs

As at 31 December 2017, we had a total of 589 full-time employees, who are mainly based in China. In particular, 398 employees are responsible for our game development and operation functions, 115 for game support, and 76 for administration and senior management functions.

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

For the year ended 31 December 2017, the total staff costs of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to approximately RMB178.6 million, representing approximately 31.8% of the total expenses of the Group. Pursuant to the post-IPO share option scheme adopted by the Company in October 2013 (the "**Post-IPO Share Option Scheme**") and the pre-IPO share option scheme adopted by the Company in January 2011 and amended in September 2013 (the "**Pre-IPO Share Option Scheme**") as well as the RSU Scheme adopted by the Company in September 2013 (the "**RSU Scheme**"), there were a total of 10,707,790 share options and 20,480,853 shares underlying the RSUs outstanding and/or granted to a total of 269 senior management members and employees of the Group as at 31 December 2017. There were also 52,283,373 shares underlying the RSUs allowed to be granted under the RSU Scheme which were held by The Core Admin Boyaa RSU Limited as nominee for the benefit of eligible participants pursuant to the RSU Scheme. Further details of the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the RSU Scheme will be set out in the section headed "Share Option Schemes and Restricted Share Unit Scheme" in the Directors' Report in our 2017 annual report to be issued in due course.

FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2017

		As at 31 December	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**40,014**	42,553
Intangible assets		**2,788**	4,413
Interests in associates	*3*	**14,958**	14,466
Available-for-sale financial assets	*4*	**128,280**	179,639
Deferred income tax assets		**1,055**	7,760
Prepayments and other receivables		**26,122**	21,930
Financial assets at fair value through profit or loss	*6*	**554,660**	325,285
		767,877	596,046
Current assets			
Trade receivables	*5*	**36,203**	73,275
Prepayments and other receivables		**59,497**	24,604
Financial assets at fair value through profit or loss	*6*	**664,424**	–
Term deposits		**119,879**	27,748
Cash and cash equivalents		**858,193**	1,563,281
		1,738,196	1,688,908
Total assets		**2,506,073**	2,284,954

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2017

		As at 31 December	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	*7*	**249**	248
Share premium	*7*	**642,365**	609,826
Repurchased shares	*7*	**(27,283)**	–
Shares held for RSU Scheme	*7*	**(15)**	(17)
Reserves		**93,634**	139,542
Retained earnings		**1,515,211**	1,271,966
		2,224,161	2,021,565
Non-controlling interests		**–**	–
Total equity		**2,224,161**	2,021,565
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		**2,899**	15,195
Current liabilities			
Trade and other payables	*9*	**97,218**	84,072
Deferred revenue		**18,176**	20,685
Current income tax liabilities		**163,619**	143,437
		279,013	248,194
Total liabilities		**281,912**	263,389
Total equity and liabilities		**2,506,073**	2,284,954

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

		Year ended 31 December	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
Revenue	*10*	**735,602**	745,194
Cost of revenue	*11*	**(278,335)**	(273,486)
Gross profit		**457,267**	471,708
Selling and marketing expenses	*11*	**(34,122)**	(44,924)
Administrative expenses	*11*	**(248,535)**	(277,826)
Other gains – net	*12*	**55,865**	62,065
Operating profit		**230,475**	211,023
Finance income	*13*	**40,181**	30,311
Finance costs	*13*	**(1,435)**	(565)
Finance income – net	*13*	**38,746**	29,746
Share of profit/(loss) of associates	*3*	**492**	(2,008)
Profit before income tax		**269,713**	238,761
Income tax expenses	*14*	**(26,468)**	(27,490)
Profit for the year		**243,245**	211,271
Other comprehensive income			
Items that may be reclassified to profit or loss:			
– Changes in fair value of available-for-sale financial assets, net of tax		**(61,038)**	(96,575)
– Reclassification of changes in fair value of available-for-sale financial assets to profit or loss due to impairment of available-for-sale financial assets, net of tax		**50,755**	68,548
– Reclassification of changes in fair value of available-for-sale financial assets to profit or loss upon disposal of available-for -sale financial assets, net of tax		**–**	106
– Currency translation differences		**(19,082)**	9,303
Other comprehensive loss for the year, net of tax		**(29,365)**	(18,618)
Total comprehensive income for the year		**213,880**	192,653

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

		Year ended 31 December	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
Profit attributable to:			
– Owners of the Company		**243,245**	211,271
– Non-controlling interests		**–**	–
		243,245	211,271
Total comprehensive income attributable to:			
– Owners of the Company		**213,880**	192,653
– Non-controlling interests		**–**	–
		213,880	192,653
Earnings per share (expressed in RMB cents per share)			
– Basic	*15*	**35.42**	31.21
– Diluted	*15*	**34.24**	29.60

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

		Attributable to owners of the Company								
	Notes	Share capital *RMB'000*	Share premium *RMB'000*	Repurchased shares *RMB'000*	Shares held for RSU Scheme *RMB'000*	Reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2017		**248**	**609,826**	**–**	**(17)**	**139,542**	**1,271,966**	**2,021,565**	**–**	**2,021,565**
Comprehensive income										
Profit for the year		–	–	–	–	–	243,245	243,245	–	243,245
Other comprehensive income										
– changes in fair value of available-for-sale financial assets, net of tax		–	–	–	–	(61,038)	–	(61,038)	–	(61,038)
– reclassification of changes in fair value of available-for-sale financial assets to profit or loss due to impairment, net of tax		–	–	–	–	50,755	–	50,755	–	50,755
– currency translation differences		–	–	–	–	(19,082)	–	(19,082)	–	(19,082)
Total comprehensive income for the year		–	–	–	–	(29,365)	243,245	213,880	–	213,880
Employee share option and RSU schemes										
– value of employee services		–	–	–	–	9,865	–	9,865	–	9,865
– proceeds from shares issued	*7*	1	6,133	–	–	–	–	6,134	–	6,134
– vesting of shares under RSU scheme	*8*	–	(2)	–	2	–	–	–	–	–
– exercise and lapse of share options and RSUs		–	26,408	–	–	(26,408)	–	–	–	–
Buy-back of shares	*7*	–	–	(27,283)	–	–	–	(27,283)	–	(27,283)
Total transactions with owners, recognised directly in equity		1	32,539	(27,283)	2	(16,543)	–	(11,284)	–	(11,284)
Balance at 31 December 2017		**249**	**642,365**	**(27,283)**	**(15)**	**93,634**	**1,515,211**	**2,224,161**	**–**	**2,224,161**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

		Attributable to owners of the Company							
	Notes	Share capital *RMB'000*	Share premium *RMB'000*	Shares held for RSU Scheme *RMB'000*	Reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2016		248	590,113	(18)	155,266	1,060,695	1,806,304	–	1,806,304
Comprehensive income									
Profit for the year		–	–	–	–	211,271	211,271	–	211,271
Other comprehensive income									
– changes in fair value of available-for-sale financial assets, net of tax		–	–	–	(96,575)	–	(96,575)	–	(96,575)
– reclassification of changes in fair value of available-for-sale financial assets to profit or loss due to impairment, net of tax		–	–	–	68,548	–	68,548	–	68,548
– reclassification of changes in fair value of available-for-sale financial assets to profit or loss upon disposal, net of tax		–	–	–	106	–	106	–	106
– currency translation differences		–	–	–	9,303	–	9,303	–	9,303
Total comprehensive income for the year		–	–	–	(18,618)	211,271	192,653	–	192,653
Employee share option and RSU schemes									
– value of employee services		–	–	–	21,546	–	21,546	–	21,546
– proceeds from shares issued	7	–	1,062	–	–	–	1,062	–	1,062
– vesting of shares under RSU scheme	8	–	(1)	1	–	–	–	–	–
– exercise and lapse of share options and RSUs		–	18,652	–	(18,652)	–	–	–	–
Total transactions with owners, recognised directly in equity		–	19,713	1	2,894	–	22,608	–	22,608
Balance at 31 December 2016		248	609,826	(17)	139,542	1,271,966	2,021,565	–	2,021,565

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	For the year ended 31 December 2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Cash generated from operations		**254,997**	246,460
Income tax paid		**(3,827)**	(7,501)
Net cash generated from operating activities		**251,170**	238,959
Cash flows from investing activities			
Purchase of property, plant and equipment		**(8,018)**	(23,531)
Purchase of intangible assets		**–**	(590)
Purchase of financial assets at fair value through profit or loss		**(2,203,268)**	(1,504,504)
Purchase of available-for-sale financial assets		**–**	(13,099)
Placement of term deposits with original maturities over three months		**(119,879)**	(27,748)
Proceeds from maturity of term deposits with original maturities over three months		**27,748**	65,468
Investments in associates		**–**	(150)
Proceeds from disposals of financial assets at fair value through profit or loss		**1,335,856**	1,702,650
Proceeds from disposals of available-for-sale financial assets		**–**	967
Proceeds from disposals of property, plant and equipment		**27**	52
Proceeds from partial disposal of investment in an associate		**–**	3,200
Return on financial assets at fair value through profit or loss	*12*	**19,445**	20,583
Return on short-term investments received		**–**	964
Dividends from available-for-sale financial assets		**1,576**	–
Interest received		**34,588**	28,900
Net cash (used in)/generated from investing activities		**(911,925)**	253,162
Cash flows from financing activities			
Buy-back of shares	*7*	**(27,283)**	–
Proceeds from issuance of ordinary shares	*7*	**6,134**	1,062
Net cash (used in)/generated from financing activities		**(21,149)**	1,062
Net (decrease)/increase in cash and cash equivalents		**(681,904)**	493,183
Cash and cash equivalents at the beginning of the year		**1,563,281**	1,065,802
Exchange (losses)/gains on cash and cash equivalents		**(23,184)**	4,296
Cash and cash equivalents at the end of the year		**858,193**	1,563,281

Notes:

1. General information

The Company was incorporated in the Cayman Islands. The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 12 November 2013 (the "**Listing**").

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

The operations of the Group were initially conducted through Shenzhen Dong Fang Bo Ya Technology Co., Ltd. ("**Boyaa Shenzhen**"), a limited liability company established in the PRC by certain shareholders of the Company on 13 February 2004. Boyaa Shenzhen is controlled by Mr. Zhang Wei.

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

Boyaa PRC, Boyaa Shenzhen and its registered owners entered into a series of contractual arrangements (the "**Contractual Arrangements**"). The Group does not have any equity interest in Boyaa Shenzhen. However, as a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with Boyaa Shenzhen and has the ability to affect those returns through its power over Boyaa Shenzhen and is considered to control Boyaa Shenzhen. Consequently, the Company regards Boyaa Shenzhen as an indirect subsidiary for accounting purpose.

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

The consolidated financial statements have been approved for issue by the Board on 23 March 2018.

2. Basis of preparation and significant accounting policies

The consolidated financial statements of the Group have been prepared in accordance with all applicable IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss, which were carried at fair value.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise their judgment in the process of applying the Group's accounting policies.

New and revised standards and amendments to existing standards that are mandatory for the first time for the financial year beginning on 1 January 2017, are either currently not relevant to the Group or had no material impact on the Group's consolidated financial statements.

The Group has not applied any of the following new and revised standards and amendments to existing standards that have been issued and are relevant to the Group, but are not yet mandatorily effective for the financial year beginning on 1 January 2017 and have not been early adopted.

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[5]
IFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions[1]
IFRS 4 (Amendments)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation[2]
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
IAS 40 (Amendments)	Transfers of Investment Property[1]
IFRSs (Amendments)	Annual Improvements to IFRS 2014-2016 Cycle[4]
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for annual periods beginning on or after 1 January 2019.

3 Effective date not yet determined.

4 For those amendments that will become effective for annual periods beginning on or after 1 January 2018.

5 Effective for annual periods beginning on or after 1 January 2021.

IFRS 9 Financial Instruments

IFRS 9 has introduced new requirements for (a) classification and measurement of financial assets, (b) impairment of financial assets and (c) general hedge accounting.

With regards to the classification and measurement of financial assets, financial assets that are within the scope of IFRS 9 are subsequently measured at either amortised cost or fair value. Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of each of the subsequent accounting periods. All other financial assets are measured at fair value at the end of each of the subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("**FVTOCI**"). All other debt instrument financial assets and equity investments are measured at their fair value at the end of subsequent accounting periods with changes in fair value recognised in profit or loss, except that the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is neither held for trading nor being contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss and the cumulative fair value changes will not be reclassified to profit or loss upon derecognition of the investment.

With regards to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. This differs from the accounting treatment under IAS 39, whereby the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is recognised in profit or loss.

With regard to impairment of financial assets, IFRS 9 has adopted an expected credit loss model, as opposed to an incurred credit loss model required under IAS 39. In general, the adoption of the expected credit loss model will require the Group to assess at each reporting date whether there is a significant increase in credit risk of its financial assets since initial recognition and to recognise loss allowance equal to the lifetime or 12-month expected credit losses depending on whether or not there is a significant increase in credit risk.

With regards to the general hedge accounting requirements, IFRS 9 retains the three types of hedge accounting mechanisms currently available in IAS 39. IFRS 9 will provide greater flexibility as to the types of transactions eligible for hedge accounting, specifically by broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group's risk management activities have also been introduced. IFRS 9 will allow the Group when it applies the Standard for the first time to choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 Financial Instruments: Recognition and Measurement instead of the requirements in the Standard. If the Group chooses to do so, it should apply that policy to all of its hedging relationships.

IFRS 9 contains specific transitional provisions for (a) classification and measurement of financial assets; (b) impairment of financial assets; and (c) hedge accounting, which will be adopted by the Group when it applies IFRS 9 in the year ending 31 December 2018.

The amendments to IFRS 9 Prepayment Features with Negative Compensation mainly clarify and provide additional guidance as to when a debt instrument financial asset with a prepayment option would satisfy the "solely payment of principal and interest" test.

With respect to the Group's financial assets currently classified as available-for-sale, these are investments in equity instruments which the Group has irrevocably designated as FVTOCI. The Group continues this designated option for any of these investments held on 1 January 2018 and will recognise the gains or losses on disposal and impairment losses in respect of these investments in other comprehensive income without recycling. This will give rise to a change in accounting policy as currently the Group recognises the impairment losses of available-for-sale financial assets in profit or loss. This changes in policy will have no impact on the Group's net assets and total comprehensive income, but will increase volatility in profit or loss. Upon the initial adoption of IFRS 9, impairment losses of approximately RMB101,407,000 arising from the prolonged decline in fair value of certain equity investments classified as FVTOCI will be transferred from the retained earnings to other reserves at 1 January 2018. Financial assets currently measured at fair value through profit or loss and available-for-sale financial assets currently measured at FVTOCI would likely continue to be measured on the same basis under IFRS 9.

The Group currently does not have any financial liabilities designated at fair value through profit or loss and therefore the new requirements will not have any impact on the Group on adoption of IFRS 9.

The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses.

The Group currently does not have any hedging instruments and therefore the new requirements will not have any impact on the Group on adoption of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, IFRS 15 introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, the Group will recognise revenue when a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

IFRS 15 contains a number of transitional provisions as well as practical expedients to help preparers so through the transition.

The Group assessd that the new revenue standard is not likely to have a significant impact on how it recognises revenue from game development operations.

IFRS 16 Leases

IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

With regards to lessee accounting, the distinction of operating leases and finance leases, as required by IAS 17, has been replaced by a model which requires a right-of-use asset and a corresponding liability to be recognised for all leases by lessees except for short-term leases and leases of low value assets.

Specifically, the right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas, under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

With regards to lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, IFRS 16 requires extensive disclosures in the financial statements.

IFRS 16 will primarily affect the accounting for the Group's operating leases. Upon adoption of IFRS 16 the majority of the Group's operating lease commitments will be recognised in the consolidated balance sheet as lease liabilities and right-of-use assets. The lease liabilities would subsequently be measured at amortised cost and the right-of-use asset will be depreciated on a straight-line basis during the lease term. The directors of the Company anticipate that the application of the IFRS 16 in the future may have an impact on the Group's consolidated financial statements.

3. Interests in associates

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**14,466**	18,829
Additions	**–**	150
Disposal	**–**	(2,505)
Share of profit/(loss)	**492**	(2,008)
	14,958	14,466

The directors of the Company consider that all associates as at 31 December 2017 and 2016 were insignificant to the Group and thus the individual summarised financial information of these associates are not disclosed.

4. Available-for-sale financial assets

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**179,639**	280,484
Additions	**–**	13,099
Fair value changes	**(50,755)**	(113,625)
Currency translation differences	**(604)**	613
Disposals	**–**	(932)
At 31 December	**128,280**	179,639

Available-for-sale financial assets include the following:

	2017	2016
	RMB'000	*RMB'000*
Listed equity securities in PRC *(Note (a))*	**114,198**	164,953
Unlisted equity investment *(Note (b))*	**1,000**	1,000
Preference shares of private companies *(Note (c))*	**13,082**	13,686
	128,280	179,639

Notes:

(a) The listed equity securities represented the Group's equity investment in Zeus Entertainment, a company whose shares are listed in the Shenzhen stock exchange. The fair value of the investment in Zeus Entertainment as at 31 December 2017 was approximately RMB114,198,000 (31 December 2016: approximately RMB164,953,000). Due to prolonged decline in the fair value of Zeus Entertainment below its cost, directors considered that it is an evidence that the assets are impaired. Hence, the cumulative decrease in fair value recognised in "Other reserves" amounting to approximately RMB50,755,000 was reclassified as "Impairment loss of available-for-sale financial assets" included in "administrative expenses" in the consolidated statement of comprehensive income for the year ended 31 December 2017 (2016: approximately RMB68,548,000).

(b) The unlisted equity investment represented the cost of Group's equity investment in 進化時代科技(北京)有限責任公司. The unlisted equity investment is stated at cost less any accumulated impairment losses because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably.

(c) Preference shares mainly represented the investment cost in the preference shares of uSens, Inc. ("**uSens**") and Hangzhou Linggan Technology Co., Ltd. ("**Hangzhou Linggan**"). The preference shares entitle the holders to receive dividends at the rate equal to 8% of the original issue price of preference shares per annum, payable only when, as and if declared by the board of directors of the uSens and Hangzhou Linggan. Preference shares are stated at cost less any accumulated impairment losses because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably.

5. Trade receivables

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**36,203**	73,275
Less: impairment provision	**–**	–
	36,203	73,275

Trade receivables were arising from the development and operation of online game business. Platforms and third party payment vendors collect the payment from the Paying Players and remit the cash net of commission charges which are pre-determined according to the relevant terms of the agreements entered into between the Group and Platforms or third party payment vendors. The credit terms of trade receivables granted to the platforms and third party payment vendors are usually 30 to 120 days. Ageing analysis based on recognition date of the gross trade receivables at the end of respective balance sheet date is as follows:

	2017	2016
	RMB'000	*RMB'000*
0-60 days	**27,369**	50,932
61-90 days	**2,952**	10,138
91-180 days	**2,155**	5,140
Over 180 days	**3,727**	7,065
	36,203	73,275

As at 31 December 2017, trade receivables that past due but not impaired were approximately RMB11,104,000 (31 December 2016: approximately RMB27,409,000). These related to a number of independent platforms and third party payment vendors which the Group has not encountered any credit defaults in the past and they are assessed to be financially trustworthy. As a result, the directors of the Company consider that these overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	2017	2016
	RMB'000	*RMB'000*
Outstanding after due dates:		
0-60 days	**7,388**	20,006
61-90 days	**1,354**	5,380
Over 90 days	**2,362**	2,023
	11,104	27,409

6. Financial assets at fair value through profit or loss

	2017	2016
	RMB'000	*RMB'000*
Included in non-current assets		
Non-quoted investments in:		
– asset management plans *(Note (a))*	**160,000**	160,000
– equity investment partnerships *(Note (b))*	**394,660**	165,285
	554,660	325,285
Included in current assets		
Non-quoted investments in certain wealth management products *(Note (c))*	**664,424**	–
	1,219,084	325,285

Notes:

(a) They represented the entrusted investments with the principal amount of RMB80 million each to 2 independent asset management companies incorporated in the PRC. The estimated minimum return of such asset management plans is 5.05% per annum. If the annual estimated return cannot be achieved, the Group or asset management companies have option to early terminate the asset management plans. The Group will obtain the accumulated return and the entrusted principal in 2022 or upon early termination. As at 31 December 2017 and 2016, the fair values of the investments in asset management plans were determined mainly with reference to the subsequent realisation of underlying investments.

(b) They represented investments in equity investment partnership as a limited partner, which are mainly engaged in investments in early-stage and high-growth companies in the technology, media and telecommunications industry in China. They have an initial term ranging from 7 to 10 years. As at 31 December 2017 and 2016, the fair values of the investments in equity investment partnerships were determined mainly with reference to the Group's share of their respective net asset values.

During the financial year 31 December 2017, the Group contributed RMB200 million out of the total capital commitment of RMB300 million in cash to establish a limited partnership namely Jiaxing Boyaa with Tailai Tianji. The contribution represented 99% of the total contribution of Jiaxing Boyaa.

(c) Investments in wealth management products are investments in wealth management plan provided by financial institutions in the PRC. They have initial terms ranging from 28 days to 183 days. The fair values of these investments were based on the estimated rate of return of the investments.

(d) The above financial assets were designated as at fair value through profit or loss upon initial recognition as the performance of these financial assets are evaluated on a fair value basis pursuant to the Group's investment strategy.

7. Share capital, share premium, repurchased shares and shares held for RSU Scheme

The total authorised share capital of the Company comprises 2,000,000,000 ordinary shares (2016: 2,000,000,000 ordinary shares) with par value of USD0.00005 per share (2016: USD0.00005 per share).

As at 31 December 2017, the total number of issued ordinary shares of the Company was 767,821,301 shares (2016: 765,503,957 shares) which included 72,764,226 shares (2016: 85,461,038 shares) held under the RSU Scheme (Note 8(c)), and 10,492,000 repurchased shares (2016: nil) repurchased for subsequent cancellation. They have been fully paid up.

	Notes	Number of ordinary shares *'000*	Nominal value of ordinary shares *USD'000*	Equivalent nominal value of ordinary shares *RMB'000*	Share premium *RMB'000*	Repurchased shares *RMB'000*	Share held for RSU Scheme *RMB'000*
At 1 January 2016		765,067	38	248	590,113	–	(18)
Employee share option and RSU schemes							
– proceeds from shares issued	*(a)*	437	–	–	1,062	–	–
– vesting of shares held for RSU Scheme	*8(c)*	–	–	–	(1)	–	1
– exercise and lapse of share options and RSUs		–	–	–	18,652	–	–
At 31 December 2016 and 1 January 2017		**765,504**	**38**	**248**	**609,826**	**–**	**(17)**
Employee share option and RSU schemes							
– proceeds from shares issued	*(a)*	**2,317**	**–**	**1**	**6,133**	**–**	**–**
– vesting of shares held for RSU Scheme	*8(c)*	**–**	**–**	**–**	**(2)**	**–**	**2**
– exercise and lapse of share options and RSUs		**–**	**–**	**–**	**26,408**	**–**	**–**
Buy-back of shares	*(b)*	**–**	**–**	**–**	**–**	**(27,283)**	**–**
At 31 December 2017		**767,821**	**38**	**249**	**642,365**	**(27,283)**	**(15)**

Notes:

(a) Share options exercised during the year ended 31 December 2017 resulted in 2,317,344 shares being issued (2016: 436,709 shares), with a total exercise proceeds of approximately RMB6,133,000 (2016: approximately RMB1,062,000). As at 31 December 2017, approximately RMB660,000 was due from The Core Admin Boyaa Option Limited (31 December 2016: approximately RMB111,000), being the nominee of the Group's share option scheme.

(b) The Group repurchased 10,492,000 of its own shares from the market in 2017. The total amount paid to acquire the shares was approximately RMB27,283,000 and has been deducted from the shareholders' equity. These repurchased shares were subsequently cancelled in March 2018. The related weighted average price at the time of buy-back was HKD3.11 per share.

8. Share-based payments

(a) Share options

On 7 January 2011, the Board of the Company approved the establishment of a share option scheme (i.e. the 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 (i.e. the 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.

Movements in the number of share options outstanding:

	Number of share options	
	2017	2016
At 1 January	**19,421,221**	25,563,721
Exercised	**(2,317,344)**	(436,709)
Lapsed	**(6,396,087)**	(5,705,791)
At 31 December	**10,707,790**	19,421,221

Out of the 10,707,790 outstanding options, 5,507,020 options were exercisable as at 31 December 2017. Options exercised in 2017 resulted in 2,317,344 shares being issued at a weighted average price of USD0.39 each. The related weighted average share price at the time of exercise was HKD3.79 per share (2016: HKD4.42 per share).

Details of the exercise prices and the respective numbers of share options which remained outstanding as at 31 December 2017 and 2016 are as follows:

	Exercise price		Number of share options	
Expiry date	Original currency	Equivalent to HKD	2017	2016
31 January 2019	USD0.05	HKD0.388	**56,888**	88,232
1 March 2020	USD0.10	HKD0.775	**14,749**	45,749
30 June 2020	USD0.15	HKD1.163	**72,240**	72,240
6 September 2025	HKD3.108	HKD3.108	**10,563,913**	19,215,000
			10,707,790	19,421,221

(b) ***RSUs***

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

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

The RSU Scheme will be valid and effective for a period of eight years, commencing from the date of the first grant of the RSUs.

Movements in the number of RSUs outstanding:

	Number of RSUs	
	2017	2016
At 1 January	**37,170,304**	47,383,431
Lapsed	**(4,142,639)**	(5,375,662)
Vested and transferred	**(12,546,812)**	(4,837,465)
At 31 December	**20,480,853**	37,170,304
Vested but not transferred as at 31 December	**17,028,959**	36,903,401

The related weighted average share price at the time when the RSUs were vested and transferred was HKD3.52 per share (2016: HKD3.55 per share).

(c) Shares held for RSU Scheme

The shares held for RSU Scheme were regarded as treasury shares and had been presented as a deduction against shareholders' equity.

During the year, 12,546,812 of RSUs were vested and transferred (Note (b) above), and as a result, 72,764,226 ordinary shares of the Company underlying the RSUs were held by The Core Admin Boyaa RSU Limited as at 31 December 2017 (2016: 85,461,038 shares).

Meanwhile as a result of the vesting of 5,376,123 of RSUs during the year ended 31 December 2017 (see Note (b) above) (2016: 7,517,585 RSUs), approximately RMB2,000 (2016: approximately RMB1,000) of other reserves was transferred to share premium upon vesting of these RSUs under the RSU Scheme.

9. Trade and other payables

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**837**	1,025
Other taxes payable	**44,927**	46,692
Accrued expenses	**3,105**	5,760
Accrued commissions charges by platforms	**33,877**	8,904
Accrued advertising expenses	**2,155**	6,105
Salary and staff welfare payables	**6,858**	9,851
Advance received from sales of prepaid game cards	**4,097**	3,189
Others	**1,362**	2,546
	97,218	84,072

Trade payables were mainly arising from the leasing of servers. The credit terms of trade payables granted by the vendors are usually 30 to 90 days. The ageing analysis of trade payables based on recognition date is as follows:

	2017	2016
	RMB'000	*RMB'000*
0-30 days	**542**	737
31-60 days	**6**	1
61-90 days	**–**	–
Over 90 days	**289**	287
	837	1,025

10. Revenue and segment information

	2017	2016
	RMB'000	*RMB'000*
Development and operations of online games		
– Web-based games	**220,730**	260,004
– Mobile games	**514,872**	485,190
	735,602	745,194

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. All revenue derived from the PRC (including Hong Kong). A breakdown of revenue derived from different language versions of the Group's games is as follows:

	2017	2016
	RMB'000	*RMB'000*
Simplified Chinese	**383,704**	336,825
Other languages	**351,898**	408,369
	735,602	745,194

The Group has a large number of game players, none of whom contributed 10% or more of the Group's revenue for the years ended 31 December 2017 and 2016.

The Group's non-current assets other than deferred income tax assets, financial assets at fair value through profit or loss and available-for-sale financial assets were located as follows:

	2017	2016
	RMB'000	*RMB'000*
Mainland China	**66,807**	63,660
Other locations	**17,075**	19,702
	83,882	83,362

11. Expenses by nature

Expenses included in cost of revenue, selling and marketing expenses and administrative expenses are analysed as follows:

	2017	2016
	RMB'000	*RMB'000*
Commission charges by platforms and third party payment vendors (included in cost of revenue)	**237,707**	234,019
Employee benefit expenses (excluding share-based compensation expenses)	**168,694**	172,967
Share-based compensation expenses	**9,865**	21,546
Servers rental expenses	**17,168**	19,230
Office rental expenses	**9,813**	9,635
Depreciation of property, plant and equipment	**9,225**	9,091
Travelling and entertainment expenses	**5,551**	8,156
Other professional service fees	**6,111**	7,574
Auditor's remuneration	**2,100**	1,800
Advertising expenses	**21,607**	27,528
Amortisation of intangible assets	**1,625**	1,650
Impairment loss of available-for-sale financial assets	**50,755**	68,548
Other expenses	**20,771**	14,492
	560,992	596,236

Research and development expenses during the years ended 31 December 2017 and 2016, are analysed as below:

	2017	2016
	RMB'000	*RMB'000*
Employee benefit expenses	**111,160**	113,486
Depreciation of property, plant and equipment	**–**	1,625
Rental expenses	**3,051**	3,523
Other expenses	**13,469**	10,647
	127,680	129,281

No research and development expenses were capitalised for the years ended 31 December 2017 and 2016.

12. Other gains – net

	2017	2016
	RMB'000	*RMB'000*
Realised fair value gain on financial assets at fair value through profit or loss	**19,445**	20,583
Unrealised fair value gain on financial assets at fair value through profit or loss	**30,403**	38,332
Return on short-term investments	**–**	964
Foreign exchange losses, net	**(66)**	(2,380)
Gain on deregistration of a subsidiary	**–**	227
Government subsidies and tax rebates *(Note (a))*	**3,860**	1,708
Dividends from available-for-sale financial assets	**1,576**	–
Gain on disposal of an associate	**–**	695
Loss on disposal of available-for-sale financial assets	**–**	(71)
(Loss)/gain on disposals of property, plant and equipment	**(87)**	1
Others	**734**	2,006
	55,865	62,065

Note:

(a) 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.

13. Finance income – net

	2017	2016
	RMB'000	*RMB'000*
Finance income		
Interest income	**34,588**	28,900
Interest income on non-current loans to employees	**827**	744
Foreign exchange gains, net	**4,766**	667
	40,181	30,311
Finance costs		
Discounting effects of non-current loans to employees	**(1,435)**	(565)
Finance income – net	**38,746**	29,746

14. Income tax expenses

The income tax expenses of the Group for the years ended 31 December 2017 and 2016 is analysed as follows:

	2017	2016
	RMB'000	*RMB'000*
Current income tax – PRC		
– Provision for the year	**2,835**	14,490
– Under-provision in prior years	**1,121**	–
	3,956	14,490
Current income tax – Hong Kong		
– Provision for the year	**17,820**	33,396
	21,776	47,886
Deferred tax	**4,692**	(20,396)
	26,468	27,490

(a) Cayman Islands Income Tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) Hong Kong Profits tax

Hong Kong profits tax has been provided for as the Group has business operation that is subject to Hong Kong profits tax. It has been provided for at the rate of 16.5% on the estimated assessable profits for the years ended 31 December 2017 and 2016.

(c) PRC Corporate Income Tax ("CIT")

The income tax provision of the Group in respect of operations in the PRC has been calculated at the tax rate of 25% on the estimated assessable profits for the years ended 31 December 2017 and 2016, based on the existing legislation, interpretations and practices in respect thereof.

Boyaa Shenzhen qualified as a "High and New Technology Enterprise" ("**HNTE**") under the Corporate Income Tax Law in 2015 and as a result, Boyaa Shenzhen enjoys a preferential tax rate of 15% from 1 January 2015 to 31 December 2017. Therefore, the actual income tax rate for Boyaa Shenzhen was 15% for the year ended 31 December 2017 (2016: 15%).

Boyaa PRC has successfully renewed its HNTE qualification in 2016 and as a result, Boyaa PRC enjoys a preferential tax rate of 15% from 1 January 2016 to 31 December 2018. Therefore, the actual income tax rate for Boyaa PRC was 15% for the year ended 31 December 2017 (2016: 15%).

According to a policy 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 150% of the research and development expenses so incurred in a year as tax deductible expenses in determining its tax assessable profits for that year ("**Super Deduction**"). Boyaa Shenzhen and Boyaa PRC has claimed such Super Deduction in ascertaining its tax assessable profits for the years ended 31 December 2017 and 2016.

(d) PRC withholding Tax ("WHT")

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

As at 31 December 2017, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside of the PRC, for which no deferred income tax liability had been provided, were approximately RMB956,225,000 (2016: approximately RMB835,965,000). 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 management's estimation of overseas funding requirements.

(e) Tax reconciliation

The tax on the Group's profit before tax differ from the theoretical amount that would arise using the weighted average tax rate applicable to profits of consolidated entities in the respective jurisdictions, as follows:

	2017	2016
	RMB'000	*RMB'000*
Profit before income tax	**269,713**	238,761
(Less)/add: Share (profit)/loss of associates, net of tax	**(492)**	2,008
	269,221	240,769
Tax calculated at a tax rate 25%	**67,305**	60,192
Tax effects:		
– Tax concession on assessable profits of Boyaa Shenzhen and Boyaa PRC	**(12,847)**	(2,453)
– Different tax rates available to different subsidiaries of the Group other than PRC	**(9,778)**	(17,104)
– Expenses not deductible for tax purposes	**3,431**	6,187
– Income not subject to tax	**(11,676)**	(11,126)
– Tax losses not recognised	**617**	1,226
– Super Deduction	**(9,347)**	(9,432)
– Utilisation of tax losses not recognised in prior years	**(2,358)**	–
– Under-provision in prior years	**1,121**	–
Income tax expenses	**26,468**	27,490

15. Earnings per share

(a) Basic

Basic earnings per ordinary share is calculated by dividing the profit of the Group attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares held for the RSU Scheme and repurchased shares.

	2017	2016
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**243,245**	211,271
Weighted average number of ordinary shares in issue (thousand shares)	**686,741**	676,834
Basic earnings per share (expressed in RMB cents per share)	**35.42**	31.21

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the years ended 31 December 2017 and 2016, the Group had two categories of dilutive potential ordinary shares, namely share options and RSUs of the Company. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options and RSUs. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and RSUs.

	2017	2016
	RMB'000	*RMB'000*
Profit used to determine diluted earnings per shares	**243,245**	211,271
Weighted average number of ordinary shares in issue (thousand shares)	**686,741**	676,834
Adjustment for RSUs (thousand shares)	**21,627**	35,675
Adjustment for share options (thousand shares)	**1,945**	1,282
Weighted average number of ordinary shares for calculating diluted earnings per share (thousand shares)	**710,313**	713,791
Diluted earnings per share (expressed in RMB cents per share)	**34.24**	29.60

16. Dividends

The Board did not declare final and interim dividends during 2017 and 2016.

17. Commitments

(a) Capital commitments

Capital commitments as at 31 December 2017 are analysed as follows:

	2017	2016
	RMB'000	*RMB'000*
Contracted obligation:		
Investment in a limited partnership	**100,000**	300,000

(b) Operating lease commitments

The Group leases servers and office buildings under non-cancellable operating lease agreements. The lease terms are between 1 to 5 years, and majority of lease agreements are renewable at the end of the lease period at market rate.

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2017	2016
	RMB'000	*RMB'000*
Not later than 1 year	**7,176**	10,381
Later than 1 year but not later than 5 years	**982**	3,626
	8,158	14,007

18. Material event/litigation

Boyaa Shenzhen, a company regarded as indirect subsidiary of the Company by virtue of contractual arrangement, received an indictment from the judicial authority in the PRC as a defendant due to its alleged act of bribery in 2017. Mr. Zhang Wei, the Chairman of the Board, as the legal representative of Boyaa Shenzhen, has become a co-defendant of the case.

The PRC lawyer engaged by the Group in respect of the case considers that the prosecution evidence is insufficient to support a conviction of Boyaa Shenzhen under the case. The PRC lawyer will plead not guilty and defend the case on behalf of Boyaa Shenzhen. The severest punishment on Boyaa Shenzhen upon conviction would be a fine as administrative punishment (the amount of which is not expected to have material financial impact), and the business license and the qualification of operation would not be affected. The maximum penalty on the legal representative is up to five years imprisonment, but the PRC lawyer considers that the possibility of being imposed the maximum penalty is remoted. The Company has been well prepared to ensure that, regardless of any possible outcome, the normal operation of the Group would not be affected. The Board considers that the case will not cause any adverse impact to the business, operation and financial status of Boyaa Shenzhen and the Group. As of the date of this announcement, the operations of Boyaa Shenzhen and the Group remain normal. The Company will keep close communication with the PRC lawyer on the development of the case and evaluate any influence to the Group from time to time. Relevant update will be disclosed in due course in accordance with the regulatory requirements.

RECONCILIATION FROM NET PROFIT TO UNAUDITED NON-IFRS ADJUSTED NET PROFIT FOR THE YEAR ENDED 31 DECEMBER 2017

	For the year ended 31 December		Year-on-Year
	2017	2016	Change*
	RMB'000	*RMB'000*	%
	(audited)	(audited)	
Revenue	**735,602**	745,194	(1.3)
Cost of revenue	**(278,335)**	(273,486)	1.8
Gross profit	**457,267**	471,708	(3.1)
Selling and marketing expenses	**(34,122)**	(44,924)	(24.0)
Administrative expenses	**(248,535)**	(277,826)	(10.5)
Other gains – net	**55,865**	62,065	(10.0)
Operating profit	**230,475**	211,023	9.2
Finance income – net	**38,746**	29,746	30.3
Share of profit/(loss) of associates	**492**	(2,008)	(124.5)
Profit before income tax	**269,713**	238,761	13.0
Income tax expenses	**(26,468)**	(27,490)	(3.7)
Profit for the year	**243,245**	211,271	15.1
Non-IFRS adjustment (unaudited)			
Share-based compensation expenses included in cost of revenue	**2,064**	5,133	(59.8)
Share-based compensation expenses included in selling and marketing expenses	**2,681**	5,436	(50.7)
Share-based compensation expenses included in administrative expenses	**5,120**	10,977	(53.4)
Non-IFRS adjusted net profit (unaudited)	**253,110**	232,817	8.7

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

RECONCILIATION FROM NET PROFIT TO UNAUDITED NON-IFRS ADJUSTED NET PROFIT FOR THE THREE MONTHS ENDED 31 DECEMBER 2017

	For the three months ended			Year-on-Year Change*	Quarter-on-Quarter Change**
	31 December 2017	30 September 2017	31 December 2016		
	RMB'000	*RMB'000*	*RMB'000*	%	%
	(unaudited)	(unaudited)	(unaudited)		
Revenue	**159,467**	164,430	208,590	(23.6)	(3.0)
Cost of revenue	**(63,334)**	(55,734)	(78,731)	(19.6)	13.6
Gross profit	**96,133**	108,696	129,859	(26.0)	(11.6)
Selling and marketing expenses	**(7,628)**	(8,793)	(20,081)	(62.0)	(13.2)
Administrative expenses	**(86,078)**	(47,928)	(114,935)	(25.1)	79.6
Other gains – net	**26,258**	18,175	8,969	192.8	44.5
Operating profit	**28,685**	70,150	3,812	652.5	(59.1)
Finance income – net	**4,781**	6,718	9,087	(47.4)	(28.8)
Share of profit/(loss) of associates	**1,538**	(775)	(271)	(667.5)	(298.5)
Profit before income tax	**35,004**	76,093	12,628	177.2	(54.0)
Income tax credit/(expenses)	**187**	(9,408)	1,074	(82.6)	(102.0)
Profit for the period	**35,191**	66,685	13,702	156.8	(47.2)
Non-IFRS adjustment (unaudited)					
Share-based compensation expenses included in cost of revenue	**309**	511	818	(62.2)	(39.5)
Share-based compensation expenses included in selling and marketing expenses	**413**	652	977	(57.7)	(36.7)
Share-based compensation expenses included in administrative expenses	**785**	1,242	1,936	(59.5)	(36.8)
Non-IFRS adjusted net profit (unaudited)	**36,698**	69,090	17,433	110.5	(46.9)

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

** Quarter-on-Quarter Change % represents a comparison between the quarter ended 31 December 2017 and the immediately preceding quarter.

OTHER INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2017, the Company repurchased 10,492,000 shares of the Company on the Stock Exchange at an aggregate consideration of HKD32,586,860.00 pursuant to the share repurchase mandate approved by the shareholders of the Company at the annual general meeting held on 29 May 2017. Details of the repurchases are summarised as follows:

Date of repurchase	Price per share Highest *HKD*	Price per share Lowest *HKD*	Number of Ordinary Shares of USD0.00005 Each	Total consideration *HKD*
29 September 2017	3.14	3.12	235,000	735,600.00
19 October 2017	3.28	3.25	289,000	944,740.00
27 November 2017	3.18	3.17	40,000	127,000.00
28 November 2017	3.16	3.11	155,000	486,100.00
29 November 2017	3.14	3.12	150,000	469,600.00
30 November 2017	3.12	3.09	240,000	744,600.00
1 December 2017	3.13	3.11	108,000	336,540.00
4 December 2017	3.06	3.03	250,000	761,560.00
5 December 2017	3.03	2.96	1,000,000	3,003,340.00
6 December 2017	3.02	2.99	1,020,000	3,065,300.00
7 December 2017	3.02	2.98	3,000,000	9,027,000.00
8 December 2017	3.01	2.99	67,000	200,370.00
12 December 2017	3.21	3.15	984,000	3,137,840.00
13 December 2017	3.25	3.19	395,000	1,268,770.00
18 December 2017	3.25	3.25	500,000	1,625,000.00
19 December 2017	3.24	3.23	542,000	1,755,590.00
20 December 2017	3.24	3.18	1,400,000	4,519,250.00
21 December 2017	3.24	3.22	105,000	339,660.00
27 December 2017	3.25	3.25	12,000	39,000.00
Total:			10,492,000	32,586,860.00

All the repurchased shares of the Company have been cancelled on 19 March 2018 and the issued share capital of the Company has been reduced by the nominal value of the repurchased shares. The premium paid on repurchase was charged against the share premium of the Company. The repurchases were effected by the Board with a view to benefiting the shareholders of the Company as a whole by enhancing the earnings per share of the Company.

Except as disclosed above, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the year ended 31 December 2017.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2017, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Listing Rules, except for a deviation from the code provision A.2.1 which requires that the roles of chairman and chief executive should be separated and should not be performed by the same individual.

Mr. Zhang Wei is the chairman and chief executive officer of the Company. With extensive experience in the Internet industry, Mr. Zhang Wei is responsible for the overall strategic planning and general management of the Group and is instrumental to the Company's growth and business expansion since its establishment in 2004. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises two executive directors (including Mr. Zhang Wei), and three independent non-executive directors, and therefore has a strong independence element in its composition.

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the Code and maintaining a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code during the year ended 31 December 2017.

AUDIT COMMITTEE

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

The Audit Committee has reviewed and discussed the audited annual results of the Company for the year ended 31 December 2017.

IMPORTANT EVENTS AFFECTING THE GROUP AFTER THE REPORTING PERIOD

There was no other important event affecting the Group which has taken place since 31 December 2017 and up to the date of this announcement.

SCOPE OF WORK OF PAN-CHINA (H.K.) CPA LIMITED

The figures in respect of the announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Group's auditor, Pan-China (H.K.) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements. The work performed by Pan-China (H.K.) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Pan-China (H.K.) CPA Limited on the results announcement.

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

The annual results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and of the Company (http://www.boyaa.com.hk). The annual report will be despatched to the shareholders of the Company and will be available on the websites of the Stock Exchange and of the Company in due course.

By order of the Board of
Boyaa Interactive International Limited
Zhang Wei
Chairman and Executive Director

Hong Kong, 23 March 2018

As at the date of this announcement, the executive directors are Mr. Zhang Wei and Mr. Dai Zhikang; the independent non-executive directors are Mr. Cheung Ngai Lam, Mr. Choi Hon Keung Simon and Mr. You Caizhen.