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Boyaa Interactive International Limited

博雅互動國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0434)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2018**

FINANCIAL HIGHLIGHTS

	For the three months ended 31 March		Year-on-Year Change*	For the year ended 31 December 2017
	2018	2017	Change*	2017
	RMB'000	RMB'000	%	RMB'000
	(unaudited)	(unaudited)		(audited)
Revenue	159,870	222,370	(28.1)	735,602
– Web-based games	52,050	63,035	(17.4)	220,730
– Mobile games	107,820	159,335	(32.3)	514,872
Gross profit	105,390	128,270	(17.8)	457,267
Profit attributable to owners of the Company	82,022	67,441	21.6	243,245
Non-IFRS adjusted net profit (unaudited)***	83,230	70,711	17.7	253,110

REVENUE BY GAMES

	For the three months ended 31 March		Year-on-Year Change* %
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	
Texas Hold'em Series	128,585	146,220	(12.1)
Other Card and Board*****	31,285	76,150	(58.9)
Total	159,870	222,370	(28.1)

REVENUE BY LANGUAGE VERSIONS OF GAMES

	For the three months ended 31 March		Year-on-Year Change* %
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	
Simplified Chinese	78,048	123,341	(36.7)
Other languages	81,822	99,029	(17.4)
Total	159,870	222,370	(28.1)

OPERATIONAL HIGHLIGHTS

	For the three months ended			Year-on- Year Change* %	Quarter-on- Quarter Change** %
	31 March 2018 (unaudited)	31 December 2017 (unaudited)	31 March 2017 (unaudited)		
Paying Players (in thousands)	789	816	2,349	(66.4)	(3.3)
• Web-based games	26	30	44	(40.9)	(13.3)
• Mobile games	763	786	2,305	(66.9)	(2.9)
Daily Active Users (“DAUs”) (in thousands)****	3,913	4,201	6,700	(41.6)	(6.9)
• Web-based games	251	302	477	(47.4)	(16.9)
• Mobile games	3,662	3,899	6,223	(41.2)	(6.1)
Monthly Active Users (“MAUs”) (in thousands)****	16,205	17,436	31,151	(48.0)	(7.1)
• Web-based games	1,026	1,198	2,003	(48.8)	(14.4)
• Mobile games	15,179	16,238	29,148	(47.9)	(6.5)

	For the three months ended			Year-on-Year Change* %	Quarter-on-Quarter Change** %
	31 March 2018 (unaudited)	31 December 2017 (unaudited)	31 March 2017 (unaudited)		
Average Revenue Per Paying User ("ARPPU") for Texas Hold'em Series (in RMB)					
• Web-based games	692.0	569.0	486.7	42.2	21.6
• Mobile games	255.6	268.7	173.8	47.1	(4.9)
ARPPU for Other Card and Board (in RMB)					
• Web-based games	56.3	86.0	85.3	(34.0)	(34.5)
• Mobile games	15.6	16.0	11.8	32.2	(2.5)
* <i>Year-on-Year Change % represents a comparison between the current reporting period and the corresponding period last year.</i>					
** <i>Quarter-on-Quarter Change % represents a comparison between the quarter ended 31 March 2018 and the immediately preceding quarter.</i>					
*** <i>Non-IFRS adjusted net profit was derived from the net profit for the period excluding share-based compensation expenses.</i>					
**** <i>The numbers of DAUs and MAUs shown above are calculated based on the number of active players in the last calendar month of the relevant reporting period.</i>					
***** <i>The categories of "Fight the landlord" and "Others" set out in the summary in the previous quarterly results announcement is combined and referred to as "Other Card and Board" above.</i>					

The board of directors (the "**Board**") of Boyaa Interactive International Limited (the "**Company**" or "**we**" or "**our**" or "**us**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "**Group**" or "**we**" or "**our**" or "**us**") for the three months ended 31 March 2018 (the "**Reporting Period**") (the "**First Quarterly Results**"). The First Quarterly Results have been reviewed by Pan-China (H.K.) CPA Limited, the auditor of the Company, in accordance with International Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the International Auditing and Assurance Standards Board, and by the audit committee of the Company. This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

BUSINESS OVERVIEW AND OUTLOOK

In terms of financial performance, we recorded a revenue of approximately RMB159.9 million for the first quarter of 2018, representing a year-on-year decrease of approximately 28.1% and a quarter-on-quarter increase of approximately 0.3% compared to that of 2017. The decrease in the first quarter of 2018 was mainly attributable to the industry trend in which 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 in revenue from mobile-based games as a result of the impact caused by the inspection and rectification conducted by the application store of Apple Inc. on the application launched on its system (“**Apple Incident**”) in the second half of 2017. In the first quarter of 2018, we recorded an unaudited non-IFRS adjusted net profit of approximately RMB83.2 million, representing a year-on-year increase of approximately 17.7% compared to that of 2017 and a quarter-on-quarter increase of approximately 126.8% compared to that of the fourth quarter of 2017. Without taking into account the one-off non-operational item (i.e. the impairment of equity interests in Dalian Zeus Entertainment Group Co. Ltd. (大連天神娛樂股份有限公司) (“**Zeus Entertainment**”), a company established in the People’s Republic of China (“**PRC**”), the issued shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 002354) in the fourth quarter of 2017), the unaudited non-IFRS adjusted net profit recorded a quarter-on-quarter increase of approximately 4.2%.

In terms of performance with respect to operational data, due to the decline in the sustainable competitiveness of certain products, the number of paying players and users recorded a slight decline in the first quarter of 2018 compared to the fourth quarter of 2017. Among which, the number of paying players decreased by 3.3% from approximately 0.816 million players in the fourth quarter of 2017 to approximately 0.789 million players in the first quarter of 2018. The number of DAUs decreased by 6.9% from approximately 4.2 million players in the fourth quarter of 2017 to 3.9 million players in the first quarter of 2018. The number of MAUs decreased by 7.1% from approximately 17.4 million players in the fourth quarter of 2017 to approximately 16.2 million players in the first quarter of 2018, while ARPPU of Texas Hold’em mobile games and ARPPU of Other Card and Board mobile games increased.

In terms of games products, the Company focused on strengthening the stability and players’ satisfaction for our existing products during this quarter. The number of our online games product portfolio was 79, with 17 language versions available as of 31 March 2018. In 2018, we will continue to make further market research, 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 to promote our brand influence, making a stable progress in building up a time-honoured brand in the card and board game industry.

In addition, in relation to the market rumor regarding the implementation of the “Administrative Measures of Online Chess and Card Games” (棋牌類網絡遊戲管理辦法) by the Chinese government aiming to shut down Texas Hold’em poker games and prohibiting the operation of Texas Hold’em poker games on 1 June 2018, the relevant government department has yet to issue such policy as of the date of this announcement and the Company is not aware of any latest development of such market rumor. The Company will continue to monitor the development of the policy and notice of the government, and will make timely disclosure upon the issue of such policy and our operation will comply strictly with the relevant regulations and policies. Meanwhile, the Company will continue to make extra efforts to strengthen and develop its other card and board games businesses and its overseas businesses, so as to mitigate the potential impact on the Company’s results due to any possible adverse policy change.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Our revenue for the three months ended 31 March 2018 amounted to approximately RMB159.9 million, representing year-on-year decrease of 28.1% from approximately RMB222.4 million recorded for the same period of 2017. The year-on-year decrease was primarily due to the revenue affected by the Apple Incident from the end of the second quarter of 2017, the Company actively resolved afterwards. The impact of this incident on the Company was under control from the fourth quarter of 2017. The revenue of the first quarter of 2018 began to stabilise, but it still showed a decline compared to the quarter with a relatively higher revenue in the same period of 2017. For the three months ended 31 March 2018, revenue generated from our mobile games and web-based games accounted for approximately 67.4% and 32.6% of our total revenue, respectively, as compared with 71.7% and 28.3% respectively, for the three months ended 31 March 2017.

Cost of revenue

Our cost of revenue for the three months ended 31 March 2018 amounted to approximately RMB54.5 million, representing year-on-year decrease of 42.1% from approximately RMB94.1 million recorded for the same period in 2017. The year-on-year decrease was mainly due to the decrease of commission charges.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit for the three months ended 31 March 2018 amounted to approximately RMB105.4 million, representing year-on-year decrease of 17.8% from approximately RMB128.3 million recorded for the same period in 2017.

Our gross profit margin were approximately 65.9% and 57.7%, respectively, for the three months ended 31 March 2018 and the same period in 2017.

Selling and marketing expenses

Our selling and marketing expenses for the three months ended 31 March 2018 amounted to approximately RMB12.7 million, representing year-on-year increase of 2.4% from approximately RMB12.4 million recorded for the same period in 2017. The selling and marketing expenses for the three months ended 31 March 2018 remained relatively stable compared with the selling and marketing expenses for the same period in 2017.

Administrative expenses

Our administrative expenses for the three months ended 31 March 2018 amounted to approximately RMB38.4 million, representing year-on-year decrease of 37.2% from approximately RMB61.2 million recorded for the same period in 2017. The year-on-year decrease was mainly due to decrease in employee benefit expenses included in administrative expenses.

Other gains – net

For the three months ended 31 March 2018, we recorded other gains (net) of approximately RMB35.3 million, compared to approximately RMB9.2 million recorded for the same period in 2017. The other gains (net) primarily consisted of fair value changes on financial assets at fair value through profit or loss relating to the non-quoted investments in asset management plans, equity investment partnerships and certain wealth management products we purchased.

Finance income – net

Our finance income (net) for the three months ended 31 March 2018 was approximately RMB4.8 million, compared to approximately RMB12.6 million recorded for the same period of 2017. The year-on-year change was primarily due to decrease in interest income as compared to the same period of 2017.

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 March 2018 (31 December 2017: six), all of which were online game or internet technology companies. We recorded a share of profit of associates of approximately RMB0.2 million for the three months ended 31 March 2018, compared to a share of loss of associates of approximately RMB0.5 million recorded for the same period in 2017.

Income tax expenses

Our income tax expenses for the three months ended 31 March 2018 was approximately RMB12.6 million, representing an increase of 48.0% from approximately RMB8.5 million recorded for the same period in 2017. The effective tax rate were 13.3% and 11.2%, respectively, for the three months ended 31 March 2018 and the same period in 2017. The increase in income tax expenses for the three months ended 31 March 2018 compared to the corresponding period in 2017 is primarily due to the increase in profit chargeable to income tax and deferred income tax recognised on fair value changes of financial assets.

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 March 2018 amounted to approximately RMB82.0 million, representing year-on-year increase of 21.6%, from the profit attributable to owners of the Company of approximately RMB67.4 million recorded for the same period in 2017.

Non-IFRS adjusted net profit

To supplement our consolidated financial statements which are presented in accordance with the International Financial Reporting Standards (“**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 the Group operates in may calculate such non-IFRS item differently from the Group. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact our net profit for the Reporting Period and should not be considered in isolation or as a substitute for analysis of the Group’s results as reported under IFRS.

Our unaudited non-IFRS adjusted net profit for the three months ended 31 March 2018 of approximately RMB83.2 million was derived from our unaudited profit of the same period excluding share-based compensation expenses of approximately RMB0.2 million, RMB0.3 million and RMB0.6 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively, as compared to our unaudited non-IFRS adjusted net profit for the three months ended 31 March 2017 of approximately RMB70.7 million derived from our unaudited profit for the three months ended 31 March 2017 excluding share-based compensation expenses of approximately RMB0.7 million, RMB0.9 million and RMB1.7 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively.

Cash and cash equivalents

As at 31 March 2018, we had cash and cash equivalents of approximately RMB544.0 million (31 December 2017: approximately RMB858.2 million), which primarily consisted of cash at bank and in hand and short-term bank deposits, which were mainly denominated in Renminbi (as to 34.3%), United States dollars (“USD”) (as to 29.2%) and other currencies (as to 36.5%). We currently do not hedge transactions undertaken in foreign currencies. Due to our persistent efforts in managing our exposure to foreign currencies through constant monitoring to limit as much as possible the amount of foreign currencies held by us, fluctuations in currency exchange rates do not have any material adverse impact on our financial results.

Up to 31 March 2018, a total amount of RMB637.3 million from the net proceeds from our initial public offering had been utilised for expanding our marketing and promotion activities, business expansion, research and development activities and for equity investments. The unutilised net proceeds has been deposited into short-term demand deposits in bank accounts maintained by the Group.

Financial assets at fair value through other comprehensive income

We accounted for financial assets at fair value through other comprehensive income (transferred from available-for-sale financial assets upon adoption of IFRS 9 on 1 January 2018) at their respective fair values. As at 31 March 2018, the fair value of our unlisted and listed investments classified as financial assets at fair value through other comprehensive income amounted to approximately RMB129.9 million (31 December 2017: Nil). These financial assets at fair value through other comprehensive income consisted of both listed and unlisted equity securities, which are mainly represented by our equity investment in Zeus Entertainment. Zeus Entertainment is mainly engaged in research and development and publication of web-based and mobile games.

As at 31 March 2018, we held 6,678,260 shares in Zeus Entertainment, which represented approximately 0.71 % of the share capital of Zeus Entertainment. The fair value of the investment in Zeus Entertainment as at 31 March 2018 was approximately RMB114.2 million (31 December 2017: approximately RMB114.2 million).

As disclosed in the first quarterly report of Zeus Entertainment for the three months ended 31 March 2018, it generated a total revenue of approximately RMB741.9 million, representing a year-on-year increase of 16.0%, and recorded a net profit attributable to shareholders of the parent company of approximately RMB177.9 million, representing a year-on-year decrease of 24.6%. Although we expect that the stock market in the PRC will continue to be volatile in the rest of 2018 and such investment environment may affect the value of our investment in Zeus Entertainment, 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 none of the other unlisted and listed investments classified as financial assets at fair value through other comprehensive income in our investment portfolio is a significant investment as none of such investments has a carrying amount that accounts for more than 5% of our total assets as at 31 March 2018.

Financial assets at fair value through profit or loss

As at 31 March 2018, we also recorded financial assets at fair value through profit or loss amounted to approximately RMB1,604.8 million (31 December 2017: approximately RMB1,219.1 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 asset management plans and in wealth management products included in current assets. As at 31 March 2018, the fair values of the investments in asset management plans were determined mainly with reference to the subsequent realisation and estimated rate of return 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 immediate to 360 days, were determined based on the estimated rate of return of investments. For the three months ended 31 March 2018, we recorded realised/unrealised fair value gains on financial assets at fair value through profit or loss of approximately RMB32.6 million (for the three months ended 31 March 2017: approximately RMB5.8 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. Save as the subscription of wealth management products as disclosed in the announcement of the Company dated 27 March 2018, each of such investments made during the three months ended 31 March 2018 does not constitute a notifiable transaction or a connected transaction of the Company under the Listing Rules. As agreed with the financial institutions, the underlying investment portfolio of the wealth management products of the Company were primarily represented by inter-bank loan market instruments and exchange traded fixed-income financial instruments, such as inter-bank loans, government bonds, central bank bills and similar products, which were highly liquid with a relatively short term of maturity, and which were considered to akin to placing deposits with banks whilst enabling the Group to earn an attractive rate of return.

During the three months ended 31 March 2018, the Group, through Shenzhen Dong Fang Bo Ya Technology Co., Ltd. (“**Boyaa Shenzhen**”), contributed RMB300.0 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 March 2018 was approximately RMB297.9 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 March 2018.

Borrowings

For the three months ended 31 March 2018, we did not have any short-term bank borrowings and we had no outstanding, utilised or unutilised banking facilities.

Capital expenditures

For the three months ended 31 March 2018, our capital expenditure amounted to approximately RMB2.0 million (for the three months ended 31 March 2017: approximately RMB2.3 million), mainly including payment for purchasing furniture and equipment and leasehold improvements of RMB2.0 million (for the three months ended 31 March 2017: approximately RMB2.3 million).

FINANCIAL INFORMATION

INTERIM CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2018

		31 March	31 December
		2018	2017
	<i>Notes</i>	RMB'000	RMB'000
		(unaudited)	(audited)
ASSETS			
Non-current assets			
Property, plant and equipment		39,124	40,014
Intangible assets		2,432	2,788
Interests in associates		15,164	14,958
Financial assets at fair value through other comprehensive income	3	129,922	–
Available-for-sale financial assets		–	128,280
Deferred income tax assets		1,669	1,055
Prepayments and other receivables		27,068	26,122
Financial assets at fair value through profit or loss	5	590,942	554,660
		806,321	767,877
Current assets			
Trade receivables	4	40,760	36,203
Prepayments and other receivables		43,582	59,497
Financial assets at fair value through profit or loss	5	1,013,823	664,424
Term deposits		126,266	119,879
Cash and cash equivalents		543,989	858,193
		1,768,420	1,738,196
Total assets		2,574,741	2,506,073

INTERIM CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 31 MARCH 2018

	31 March	31 December
	2018	2017
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	245	249
Share premium	615,122	642,365
Repurchased shares	(478)	(27,283)
Shares held for restricted share units (“RSU”) Scheme	(15)	(15)
Reserves	(26,622)	93,634
Retained earnings	<u>1,698,640</u>	<u>1,515,211</u>
	2,286,892	2,224,161
Non-controlling interests	<u>–</u>	<u>–</u>
Total equity	<u>2,286,892</u>	<u>2,224,161</u>
Liabilities		
Non-current liabilities		
Deferred income tax liabilities	<u>6,098</u>	<u>2,899</u>
Current liabilities		
Trade and other payables	7 97,280	97,218
Deferred revenue	22,628	18,176
Current income tax liabilities	<u>161,843</u>	<u>163,619</u>
	281,751	279,013
Total liabilities	<u>287,849</u>	<u>281,912</u>
Total equity and liabilities	<u>2,574,741</u>	<u>2,506,073</u>

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2018

		Three months ended	
		31 March	
	<i>Notes</i>	2018	2017
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	2	159,870	222,370
Cost of revenue	8	(54,480)	(94,100)
Gross profit		105,390	128,270
Selling and marketing expenses	8	(12,674)	(12,381)
Administrative expenses	8	(38,411)	(61,196)
Other gains – net	9	35,316	9,152
Operating profit		89,621	63,845
Finance income	10	4,872	12,886
Finance costs	10	(89)	(320)
Finance income – net	10	4,783	12,566
Share of profit/(loss) of associates		206	(465)
Profit before income tax		94,610	75,946
Income tax expenses	11	(12,588)	(8,505)
Profit for the period		82,022	67,441
Other comprehensive loss			
Items that may be reclassified to profit or loss:			
– Changes in fair value of available-for-sale financial assets, net of tax		–	(8,069)
– Currency translation differences		(19,216)	(2,619)
Items that will not be reclassified subsequently to profit or loss:			
– Changes in fair value of financial assets at fair value through other comprehensive income, net of tax		(841)	–
Other comprehensive loss for the period, net of tax		(20,057)	(10,688)
Total comprehensive income for the period		61,965	56,753

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(CONTINUED)**

FOR THE THREE MONTHS ENDED 31 MARCH 2018

		Three months ended	
		31 March	
	<i>Notes</i>	2018	2017
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Profit attributable to:			
– Owners of the Company		82,022	67,441
– Non-controlling interests		<u>–</u>	<u>–</u>
		<u>82,022</u>	<u>67,441</u>
Total comprehensive income attributable to:			
– Owners of the Company		61,965	56,753
– Non-controlling interests		<u>–</u>	<u>–</u>
		<u>61,965</u>	<u>56,753</u>
Earnings per share			
(expressed in RMB cents per share)			
– Basic	<i>12</i>	<u>11.97</u>	<u>9.90</u>
– Diluted	<i>12</i>	<u>11.69</u>	<u>9.50</u>

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2018

	(unaudited)								
	Attributable to owners of the Company								
	Share capital	Share premium	Repurchased shares	Shares held		Retained earnings	Total	Non-controlling interests	Total equity
				for RSU Scheme	Reserves				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2018	249	642,365	(27,283)	(15)	93,634	1,515,211	2,224,161	-	2,224,161
Comprehensive income									
Profit for the period	-	-	-	-	-	82,022	82,022	-	82,022
Other comprehensive loss									
- Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	(841)	-	(841)	-	(841)
- Currency translation differences	-	-	-	-	(19,216)	-	(19,216)	-	(19,216)
Total comprehensive income for the period	-	-	-	-	(20,057)	82,022	61,965	-	61,965
Adjustment on adoption of IFRS 9 (Note 1)	-	-	-	-	(101,407)	101,407	-	-	-
Employee share option and RSU Scheme									
- Value of employee services	-	-	-	-	1,208	-	1,208	-	1,208
- Proceeds from shares issued	-	1,042	-	-	-	-	1,042	-	1,042
Buy-back of shares	-	-	(1,484)	-	-	-	(1,484)	-	(1,484)
Cancellation of shares	(4)	(28,285)	28,289	-	-	-	-	-	-
Total transactions with owners, recognised directly in equity	(4)	(27,243)	26,805	-	(100,199)	101,407	766	-	766
Balance at 31 March 2018	245	615,122	(478)	(15)	(26,622)	1,698,640	2,286,892	-	2,286,892

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE THREE MONTHS ENDED 31 MARCH 2018

	(unaudited)							
	Attributable to owners of the Company							
	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Shares hold for RSU Scheme <i>RMB'000</i>	Reserves <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
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 period	–	–	–	–	67,441	67,441	–	67,441
Other comprehensive loss								
– Changes in fair value of available-for-sale financial assets, net of tax	–	–	–	(8,069)	–	(8,069)	–	(8,069)
– Currency translation differences	–	–	–	(2,619)	–	(2,619)	–	(2,619)
Total comprehensive income for the period	–	–	–	(10,688)	67,441	56,753	–	56,753
Employee share option and RSU Scheme								
– Value of employee services	–	–	–	3,270	–	3,270	–	3,270
– Proceeds from shares issued	–	2,386	–	–	–	2,386	–	2,386
Total transactions with owners, recognised directly in equity	–	2,386	–	3,270	–	5,656	–	5,656
Balance at 31 March 2017	<u>248</u>	<u>612,212</u>	<u>(17)</u>	<u>132,124</u>	<u>1,339,407</u>	<u>2,083,974</u>	<u>–</u>	<u>2,083,974</u>

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2018

	Three months ended	
	31 March	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cash flows from operating activities		
Cash generated from operations	85,992	76,884
Income tax paid	(6,430)	(3,268)
	<hr/>	<hr/>
Net cash generated from operating activities	79,562	73,616
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,994)	(2,345)
Purchase of financial assets at fair value through profit or loss	(1,069,000)	(180,000)
Placement of term deposits with original maturities over three months	(72,729)	(60)
Proceeds from maturity of term deposits with original maturities over three months	65,342	–
Proceeds from disposals of financial assets at fair value through profit or loss	700,000	–
Proceeds from disposals of property, plant and equipment	21	12
Interest received	2,683	12,033
	<hr/>	<hr/>
Net cash used in investing activities	(375,677)	(170,360)
Cash flows from financing activities		
Buy-back of shares	(1,484)	–
Proceeds from issuance of ordinary shares	1,042	2,386
	<hr/>	<hr/>
Net cash (used in)/generated from financing activities	(442)	2,386
Net decrease in cash and cash equivalents	(296,557)	(94,358)
Cash and cash equivalents at the beginning of the period	858,193	1,563,281
Exchange losses on cash and cash equivalents	(17,647)	(606)
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	543,989	1,468,317
	<hr/>	<hr/>

NOTES:

1. General information, basis of preparation and significant accounting policies

Boyaa Interactive International Limited (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 Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in the development and operations of online card and board game business in the People’s Republic of China (the “**PRC**”), Hong Kong and other countries and regions.

The interim consolidated balance sheet as at 31 March 2018, the interim consolidated statement of comprehensive income, the interim consolidated statement of changes in equity and the interim consolidated statement of cash flows for the three months then ended, and a summary of significant accounting policies and other explanatory notes (collectively defined as the “**Interim Condensed Consolidated Financial Information**”) of the Group have been approved by the Board on 23 May 2018.

This Interim Condensed Consolidated Financial Information is presented in Renminbi (“**RMB**”), unless otherwise stated.

The Interim Condensed Consolidated Financial Information is prepared in accordance with International Accounting Standards (“**IAS**”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board. This Interim Condensed Consolidated Financial Information should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2017 as set out in the 2017 annual report of the Company (the “**2017 Financial Statements**”).

Except as described below, the accounting policies applied are consistent with those used in the 2017 Financial Statements, which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and other comprehensive income, which were carried at fair value.

Taxes on income in the interim periods are accrued using the tax rates that would be applicable to expected total annual earnings.

In the current interim period, the Group has applied, for the first time, the following amendments to IFRS that are mandatorily effective for the financial year ending 31 December 2018.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions

The Group applied IFRS 9 using transition adjustment method – i.e. by recognising the effect of initially applying IFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Therefore, impairment losses of approximately RMB101,407,000 arising from the prolonged decline in fair value of certain equity investments classified as fair value through other comprehensive income have been transferred from the retained earnings to other reserves at 1 January 2018. In addition, available-for-sale financial assets were reclassified to financial assets at fair value through other comprehensive income upon adoption of IFRS 9 on 1 January 2018.

The application of the IFRS 15 and IFRS 2 (Amendments) in the current interim period has had no material impact on the results and financial position of the Group.

The following new standards have been issued and are relevant to the Group, but are not effective for the financial year beginning on 1 January 2018 and have not been early adopted:

		Effective for the financial year beginning on or after
IFRS 16	Leases	1 January 2019

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.

2. Revenue and segment information

	Three months ended 31 March	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Development and operations of online games		
– Web-based games	52,050	63,035
– Mobile games	107,820	159,335
	<u>159,870</u>	<u>222,370</u>

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:

	Three months ended 31 March	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Simplified Chinese	78,048	123,341
Other languages	81,822	99,029
	<u>159,870</u>	<u>222,370</u>

The Group has a large number of game players, none of whom contributed 10% or more of the Group's revenue for the three months ended 31 March 2018 and 2017.

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

	31 March	31 December
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Mainland China	67,852	66,807
Other locations	15,936	17,075
	<u>83,788</u>	<u>83,882</u>

3. Financial assets at fair value through other comprehensive income

	<i>RMB'000</i> (unaudited)
Balance as at 1 January 2018	–
Transfer from available-for-sale financial assets upon adoption of IFRS 9	128,280
Additions of unlisted equity investment	3,000
Fair value changes	(989)
Currency translation differences	(369)
	<hr/>
Balance as at 31 March 2018	129,922

Financial assets at fair value through other comprehensive income include the following:

	31 March 2018 <i>RMB'000</i> (unaudited)
Listed equity securities in PRC	114,198
Unlisted equity investments	3,011
Preference shares of private companies	12,713
	<hr/>
	129,922

4. Trade receivables

	31 March 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Trade receivables	40,760	36,203
Less: impairment provision	—	—
	40,760	36,203

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 respective balance sheet dates is as follows:

	31 March 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
0 – 60 days	28,342	27,369
61 – 90 days	6,863	2,952
91 – 180 days	2,762	2,155
Over 180 days	2,793	3,727
	40,760	36,203

5. Financial assets at fair value through profit or loss

	31 March 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Included in non-current assets		
Non-quoted investments in:		
– asset management plans	102,815	160,000
– equity investment partnerships	488,127	394,660
	590,942	554,660
Included in current assets		
Non-quoted investments in:		
– asset management plan	40,320	—
– wealth management products	973,503	664,424
	1,013,823	664,424
	1,604,765	1,219,084

6. 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	
	2018 (unaudited)	2017 (unaudited)
At 1 January	10,707,790	19,421,221
Exercised	(419,000)	(885,000)
Lapsed	(356,257)	(2,055,000)
At 31 March	<u>9,932,533</u>	<u>16,481,221</u>

Share options exercised during the period resulted in 419,000 shares being issued, with exercise proceeds of approximately RMB1,042,000. The related weighted average share price at the time of exercise was HKD3.28 per share (31 March 2017: HKD4.17 per share).

Details of the exercise prices and the respective numbers of share options which remained outstanding as at 31 March 2018 and 2017 are as follows:

Expiry Date	Exercise price		Number of share options	
	Original currency	Equivalent to HKD	2018 (unaudited)	2017 (unaudited)
31 January 2019	USD0.05	HKD0.388	51,888	88,232
1 March 2020	USD0.10	HKD0.775	14,749	20,749
30 June 2020	USD0.15	HKD1.163	72,240	72,240
6 September 2025	HKD3.108	HKD3.108	9,793,656	16,300,000
			<u>9,932,533</u>	<u>16,481,221</u>

(b) RSUs

Pursuant to a resolution passed by the Board of the Company in 2013, the Company set up a RSU Scheme with the objective to incentivize 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 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	
	2018	2017
	(unaudited)	(unaudited)
At 1 January	20,480,853	37,170,304
Lapsed	(131,209)	(1,024,893)
Vested and transferred	(1,078,369)	(2,237,000)
	<hr/>	<hr/>
At 31 March	19,271,275	33,908,411
	<hr/>	<hr/>
Vested but not transferred as at 31 March	16,588,377	24,877,299
	<hr/>	<hr/>

7. Trade and other payables

	31 March 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Trade payables	1,012	837
Other taxes payables	44,932	44,927
Accrued expenses	2,806	3,105
Accrued commissions charges by platforms	27,129	33,877
Accrued advertising expenses	2,081	2,155
Salary and staff welfare payables	14,087	6,858
Advance received from sales of prepaid game cards	4,110	4,097
Others	1,123	1,362
	<u>97,280</u>	<u>97,218</u>

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:

	31 March 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
0 – 30 days	482	542
31 – 60 days	126	6
61 – 90 days	126	–
Over 90 days	278	289
	<u>1,012</u>	<u>837</u>

8. Expenses by nature

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

	Three months ended 31 March	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Commission charges by platforms and third party payment vendors (included in cost of revenue)	46,583	83,906
Employee benefit expenses (excluding share-based compensation expenses)	36,643	50,206
Share-based compensation expenses	1,208	3,270
Servers rental expenses	3,188	4,738
Office rental expenses	2,228	2,366
Depreciation of property, plant and equipment	2,160	2,366
Travelling and entertainment expenses	618	2,070
Other professional service fees	1,318	2,492
Auditor's remuneration	550	300
Advertising expenses	8,555	8,857
Amortisation of intangible assets	356	423
Other expenses	2,158	6,683
	<u>105,565</u>	<u>167,677</u>

Research and development expenses during the three months ended 31 March 2018 and 2017, are analysed as below:

	Three months ended 31 March	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Employee benefit expenses (excluding share-based compensation expenses)	18,247	27,428
Depreciation of property, plant and equipment	–	379
Office rental expenses	607	850
Other expenses	706	6,016
	<u>19,560</u>	<u>34,673</u>

No research and development expenses were capitalised for the three months ended 31 March 2018 and 2017.

9. Other gains – net

	Three months ended 31 March	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Realised/unrealised fair value gains on financial assets at fair value through profit or loss	32,642	5,828
Foreign exchange gains, net	211	409
Government subsidies and tax rebates	2,427	2,929
Loss on disposal of property, plant and equipment	(1)	(14)
Others	37	–
	35,316	9,152

10. Finance income – net

	Three months ended 31 March	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Finance income		
Interest income	2,683	11,835
Interest income on non-current loans to employees	206	198
Foreign exchange gains, net	1,983	853
	4,872	12,886
Finance costs		
Discounting effects of non-current loans to employees	(89)	(320)
Finance income – net	4,783	12,566

11. Income tax expenses

The income tax expenses of the Group for the three months ended 31 March 2018 and 2017 is analysed as follows:

	Three months ended 31 March	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current income tax – PRC		
– Provision for the year	5,412	72
Current income tax – Hong Kong		
– Provision for the year	4,443	8,687
Deferred income tax	2,733	(254)
	<u>12,588</u>	<u>8,505</u>

(a) Cayman Island income

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 three months ended 31 March 2018 and 2017.

(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 three months ended 31 March 2018 and 2017, based on the existing legislation, interpretations and practices in respect thereof.

Shenzhen Dong Fang Bo Ya Technology Co., Ltd. (“**Boyaa Shenzhen**”) has successfully renewed its “High and New Technology Enterprise” (“**HNTE**”) qualification in 2015 and as a result, Boyaa Shenzhen enjoys a preferential tax rate of 15% from 1 January 2015 to 31 December 2017. Besides based on management’s self-assessment, it is highly probable that Boyaa Shenzhen will successfully renew the HNTE qualification for the next 3 years ending 31 December 2020 in 2018. Therefore, the actual income tax rate for Boyaa Shenzhen was 15% for the three months ended 31 March 2018 (for the three months ended 31 March 2017: 15%).

Boyaa On-line Game Development (Shenzhen) Co., Ltd. (“**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 three months ended 31 March 2018 (for the three months ended 31 March 2017: 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 period as tax deductible expenses in determining its tax assessable profits for that period (“**Super Deduction**”). Boyaa Shenzhen and Boyaa PRC has claimed such Super Deduction in ascertaining its tax assessable profits for the three months ended 31 March 2018 and 2017.

(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 March 2018, 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 RMB1,113,927,000 (31 December 2017: approximately RMB956,225,000). 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:

	Three months ended 31 March	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit before income tax	94,610	75,946
(Less)/add: Share of (profit)/loss of associates	(206)	465
	94,404	76,411
Tax calculated at a tax rate of 25%	23,601	19,103
Tax effects of:		
– Tax concession on assessable profits of Boyaa Shenzhen and Boyaa PRC	(6,421)	(1,956)
– Different tax rates available to different subsidiaries of the Group other than PRC	(2,139)	(3,699)
– Expenses not deductible for tax purposes	804	392
– Income not subject to tax	(1,836)	(2,798)
– Super Deduction	(1,421)	(2,537)
Income tax expenses	12,588	8,505

12. Earnings per share

(a) **Basic**

Basic earnings per 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 period, excluding ordinary shares held for the RSU Scheme and repurchased shares.

	Three months ended 31 March	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit attributable to owners of the Company	82,022	67,441
Weighted average number of ordinary shares in issue (thousand shares)	685,056	681,226
Basic earnings per share (expressed in RMB cents per share)	11.97	9.90

(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 three months ended 31 March 2018 and 2017, the Group had two categories of dilutive potential ordinary shares, namely share options and RSUs. 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.

	Three months ended 31 March	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit used to determine diluted earnings per share	<u>82,022</u>	<u>67,441</u>
Weighted average number of ordinary shares in issue (thousand shares)	685,056	681,226
Adjustment for RSUs (thousand shares)	16,569	23,894
Adjustment for share options (thousand shares)	<u>269</u>	<u>4,631</u>
Weighted average number of ordinary shares for calculating diluted earnings per share (thousand shares)	<u>701,894</u>	<u>709,751</u>
Diluted earnings per share (expressed in RMB cents per share)	<u>11.69</u>	<u>9.50</u>

13. Dividends

The Board of the Company has resolved not to declare an interim dividend for the three months ended 31 March 2018 (for the three months ended 31 March 2017: nil).

14. Commitments

(a) Capital commitments

Capital commitments as at 31 March 2018 and 31 December 2017 are analysed as follows:

	31 March 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Contracted obligation:		
Investment in a limited partnership	<u>–</u>	<u>100,000</u>

(b) Operating lease commitments

The Group leases servers and office buildings under non-cancellable operating lease agreements. The lease terms are between 1 to 4 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:

	31 March 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Not later than 1 year	9,420	7,176
Later than 1 year but not later than 5 years	<u>20,569</u>	<u>982</u>
	<u>29,989</u>	<u>8,158</u>

15. 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 minimal. 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 UNAUDITED NET PROFIT TO UNAUDITED NON-IFRS ADJUSTED NET PROFIT

FOR THE THREE MONTHS ENDED 31 MARCH 2018

	For the three months ended			Year-on-Year Change*	Quarter-on-Quarter Change**
	31 March 2018	31 December 2017	31 March 2017		
	RMB'000	RMB'000	RMB'000	%	%
	(unaudited)	(unaudited)	(unaudited)		
Revenue	159,870	159,467	222,370	(28.1)	0.3
Cost of revenue	(54,480)	(63,334)	(94,100)	(42.1)	(14.0)
Gross profit	105,390	96,133	128,270	(17.8)	9.6
Selling and marketing expenses	(12,674)	(7,628)	(12,381)	2.4	66.2
Administrative expenses	(38,411)	(86,078)	(61,196)	(37.2)	(55.4)
Other gains – net	35,316	26,258	9,152	285.9	34.5
Operating profit	89,621	28,685	63,845	40.4	212.4
Finance income – net	4,783	4,781	12,566	(61.9)	0.0
Share of profit/(loss) of associates	206	1,538	(465)	(144.3)	(86.6)
Profit before income tax	94,610	35,004	75,946	24.6	170.3
Income tax (expenses)/credit	(12,588)	187	(8,505)	48.0	(6,831.6)
Profit for the period	82,022	35,191	67,441	21.6	133.1
Non-IFRS Adjustment (unaudited)					
Share-based compensation expense included in cost of revenue	244	309	671	(63.6)	(21.0)
Share-based compensation expense included in selling and marketing expenses	332	413	888	(62.6)	(19.6)
Share-based compensation expense included in administrative expenses	632	785	1,711	(63.1)	(19.5)
Non-IFRS adjusted net profit (unaudited)	83,230	36,698	70,711	17.7	126.8

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

** *Quarter-on-Quarter Change % represents a comparison between the quarter ended 31 March 2018 and the immediately preceding quarter.*

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

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

Hong Kong, 23 May 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.