

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Boyaa Interactive International Limited

博雅互動國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0434)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2018

FINANCIAL HIGHLIGHTS

	For the nine months ended 30 September		Year-on-Year Change*	For the year ended
	2018	2017		31 December
	RMB'000	RMB'000	%	2017
	(unaudited)	(unaudited)		RMB'000
				(audited)
Revenue	368,972	576,135	(36.0)	735,602
– Web-based games	129,959	170,971	(24.0)	220,730
– Mobile games	239,013	405,164	(41.0)	514,872
Gross profit	250,101	361,134	(30.7)	457,267
Profit attributable to owners of the Company	188,002	208,054	(9.6)	243,245
Non-IFRS adjusted net profit***	190,749	216,412	(11.9)	253,110
	For the three months ended 30 September		Year-on-Year Change*	
	2018	2017		
	RMB'000	RMB'000	%	
	(unaudited)	(unaudited)		
Revenue	84,737	164,430	(48.5)	
– Web-based games	33,740	54,326	(37.9)	
– Mobile games	50,997	110,104	(53.7)	
Gross profit	56,117	108,696	(48.4)	
Profit attributable to owners of the Company	34,224	66,685	(48.7)	
Non-IFRS adjusted net profit***	34,893	69,090	(49.5)	

REVENUE BY GAMES

	For the nine months ended 30 September		Year-on-Year Change* %
	2018 <i>RMB'000</i> (unaudited)	2017 <i>RMB'000</i> (unaudited)	
Texas Hold'em Series	279,906	403,642	(30.7)
Other Card and Board****	89,066	172,493	(48.4)
Total	368,972	576,135	(36.0)

	For the three months ended 30 September		Year-on-Year Change* %
	2018 <i>RMB'000</i> (unaudited)	2017 <i>RMB'000</i> (unaudited)	
Texas Hold'em Series	60,187	125,922	(52.2)
Other Card and Board****	24,550	38,508	(36.2)
Total	84,737	164,430	(48.5)

REVENUE BY LANGUAGE VERSIONS OF GAMES

	For the nine months ended 30 September		Year-on-Year Change* %
	2018 <i>RMB'000</i> (unaudited)	2017 <i>RMB'000</i> (unaudited)	
Simplified Chinese	130,202	300,683	(56.7)
Other languages	238,770	275,452	(13.3)
Total	368,972	576,135	(36.0)

	For the three months ended 30 September		Year-on-Year Change* %
	2018 <i>RMB'000</i> (unaudited)	2017 <i>RMB'000</i> (unaudited)	
Simplified Chinese	13,816	82,929	(83.3)
Other languages	70,921	81,501	(13.0)
Total	84,737	164,430	(48.5)

OPERATIONAL HIGHLIGHTS

	For the three months ended			Year-on-Year Change*	Quarter-on-Quarter Change**
	30 September	30 June	30 September		
	2018	2018	2017		
	(unaudited)	(unaudited)	(unaudited)	%	%
Paying Players <i>(in thousands)</i>	535	594	1,257	(57.4)	(9.9)
– Web-based games	17	21	32	(46.9)	(19.0)
– Mobile games	518	573	1,225	(57.7)	(9.6)
Daily Active Users (“DAUs”) <i>(in thousands)</i> ****	3,183	3,338	4,792	(33.6)	(4.6)
– Web-based games	201	203	368	(45.4)	(1.0)
– Mobile games	2,982	3,135	4,424	(32.6)	(4.9)
Monthly Active Users (“MAUs”) <i>(in thousands)</i> ****	10,990	12,462	19,943	(44.9)	(11.8)
– Web-based games	839	871	1,450	(42.1)	(3.7)
– Mobile games	10,151	11,591	18,493	(45.1)	(12.4)
Average Revenue Per Paying Users (“ARPPU”) of Texas Hold’em Series <i>(in RMB)</i>					
– Web-based games	664.4	733.3	573.3	15.9	(9.4)
– Mobile games	126.8	189.3	246.1	(48.5)	(33.0)
ARPPU for Other Card and Board <i>(in RMB)</i>					
– Web-based games	29.3	59.0	106.4	(72.5)	(50.3)
– Mobile games	18.0	22.5	11.3	59.3	(20.0)

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

** *Quarter-on-Quarter Change % represents a comparison between the quarter ended 30 September 2018 and the immediately preceding quarter.*

*** *Non-IFRS adjusted net profit was derived from the unaudited 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 players 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 quarterly results announcement are combined and referred to as “Other Card and Board” above.*

The board of directors (the “**Board**”) of Boyaa Interactive International Limited (the “**Company**” or “**we**” or “**our**” or “**us**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**” or “**we**” or “**our**” or “**us**”) for the three and nine months ended 30 September 2018 (the “**Reporting Period**”) (the “**Third Quarterly Results**”). The Third 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, the Company recorded a revenue of approximately RMB369.0 million for the nine months ended 30 September 2018, representing a decrease of approximately 36.0% compared to the same period in 2017. The decrease was primarily due to (1) the impact from the incident of Apple Inc. carrying out rectification and inspection of the applications launched on its system starting from the second quarter of 2017 (“**Apple Incident**”); (2) the effect of regulatory risk regarding the market rumor of the implementation of the “Administrative Measures of Online Chess and Card Games” by the Chinese government aiming to shut down Texas Hold’em poker games and prohibiting the operation of Texas Hold’em poker games starting from 1 June 2018. Although such policy has not yet been implemented, certain platforms have removed relevant products, which affected our revenue to a certain extent (“**Policy Risk Factor**”); and (3) revenue generated from web-based games decreased due to the industry trend of a gradual transfer of web-based games to mobile terminals. As a result of these factors, we recorded a revenue of approximately RMB84.7 million for the third quarter of 2018, representing a year-on-year decrease of approximately 48.5% compared to the third quarter of 2017. The revenue of the Company for the third quarter of 2018 decreased by approximately 31.9% compared to the second quarter of 2018, which is mainly due to the effect of the above Policy Risk Factor since the second quarter of 2018.

Although our revenue has been significantly impacted, due to the continuous and smooth implementation of the Company's cost control policy as well as factors such as the increase in investment income from the Company's equity investment in partnership enterprises, such factors offset the impact on profit brought by the decrease of revenue of the Company, resulted in a slight year-on-year decrease of approximately 11.9% in unaudited non-IFRS adjusted net profit for the nine months ended 30 September 2018 compared to the nine months ended 30 September 2017. In the third quarter of 2018, we recorded an unaudited non-IFRS adjusted net profit of approximately RMB34.9 million, representing a year-on-year decrease of approximately 49.5% compared to the third quarter of 2017 and representing a quarter-on-quarter decrease of approximately 52.0% compared to the second quarter of 2018. Apart from the effect of one-off non-business projects such as fair value changes in equity investment partnerships and asset management plans and dividends from equity investment partnerships, the non-IFRS adjusted net profit for the third quarter of 2018 represents a year-on-year decrease of approximately 35.8% compared to the third quarter of 2017 and a quarter-on-quarter decrease of approximately 36.2% compared to the second quarter of 2018.

In terms of the Company's operating performance, the number of our paying players and users recorded a slightly decline in the third quarter of 2018 compared to that of the second quarter of 2018. In particular, the number of paying players decreased by approximately 9.9% from approximately 0.6 million players in the second quarter of 2018 to approximately 0.5 million players in the third quarter of 2018. The number of DAUs decreased by approximately 4.6% from approximately 3.3 million players in the second quarter of 2018 to approximately 3.2 million players in the third quarter of 2018. The number of MAUs decreased by approximately 11.8% from approximately 12.5 million players in the second quarter of 2018 to approximately 11.0 million players in the third quarter of 2018, while ARPPU of Texas Hold'em web-based games in the third quarter of 2018 increased as compared to the corresponding period of 2017.

The Company will devote more efforts to strengthen the market research and enrich the games rules in the future so as to enhance users' game playing experience while continuing to refine our products and diversify our operation, thereby comprehensively improving the game quality and building our brand for online and offline competition games. By strengthening the current market share, the Company will further expand overseas market and other chess and card games business, aiming to offset the potential effect of Policy Risk Factor on the Company. The Company will strictly comply with various laws and regulations of the People's Republic of China ("PRC") and create games and competition products of high quality, thereby enabling the Company to be developed into a time-honoured brand in the chess and card game industry.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Our revenue for the three months ended 30 September 2018 amounted to approximately RMB84.7 million, representing a year-on-year decrease of approximately 48.5% from approximately RMB164.4 million recorded for the same period of 2017. The year-on-year decrease was primarily due to the impact of the Apple Incident from the second quarter of 2017, the effect of Policy Risk Factor from the second quarter of 2018 and revenue generated from web-based games decreased due to the industry trend of a gradual transfer of web-based games to mobile terminals. For the three months ended 30 September 2018, revenue generated from our mobile games and web-based games accounted for approximately 60.2% and 39.8% of our total revenue, respectively, as compared with approximately 67.0% and 33.0%, respectively, for the three months ended 30 September 2017.

Cost of revenue

Our cost of revenue for the three months ended 30 September 2018 amounted to approximately RMB28.6 million, representing a year-on-year decrease of approximately 48.6% from approximately RMB55.7 million recorded for the same period in 2017. The year-on-year decrease was primarily due to the reduction in commission charges by platforms and third party payment vendors.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit for the three months ended 30 September 2018 amounted to approximately RMB56.1 million, representing a year-on-year decrease of approximately 48.4% from approximately RMB108.7 million recorded for the same period in 2017.

Our gross profit margin were approximately 66.2% and 66.1%, respectively, for the three months ended 30 September 2018 and the same period in 2017.

Selling and marketing expenses

Our selling and marketing expenses for the three months ended 30 September 2018 amounted to approximately RMB5.7 million, representing a year-on-year decrease of approximately 34.6% from approximately RMB8.8 million recorded for the same period in 2017. The year-on-year decrease was mainly attributable to the decrease in advertising and promotional activities expenses.

Administrative expenses

Our administrative expenses for the three months ended 30 September 2018 amounted to approximately RMB28.9 million, representing a year-on-year decrease of approximately 39.7% from approximately RMB47.9 million recorded for the same period in 2017. The year-on-year decrease was mainly attributable to the control of internal cost and the decrease in employee benefit expenses.

Other gains – net

For the three months ended 30 September 2018, we recorded other net gains of approximately RMB11.8 million, compared to approximately RMB18.2 million recorded for the same period in 2017. The other net gains 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 net finance income for the three months ended 30 September 2018 was approximately RMB5.2 million, compared to approximately RMB6.7 million recorded for the same period of 2017. The year-on-year decrease 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 Huifu World Network Technology Co., Ltd. (深圳市匯富天下網絡科技有限公司), Shenzhen Easething Technology Co., Ltd. (深圳市易新科技有限公司), Shenzhen Jisiwei Intelligent Technology Co., Ltd. (深圳市極思維智能科技有限公司), 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 30 September 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 30 September 2018, compared to a share of loss of associates of approximately RMB0.8 million recorded for the same period in 2017.

Income tax expenses

Our income tax expenses for the three months ended 30 September 2018 was approximately RMB4.4 million, representing a decrease of 46.9% from approximately RMB9.4 million recorded for the same period in 2017. The effective tax rate were 11.4% and 12.4%, respectively, for the three months ended 30 September 2018 and the same period in 2017. The effective tax rate for the three months ended 30 September 2018 compared to the same period in 2017 was decreased year on year.

Profit attributable to owners of the Company

As a result of the foregoing, our profit attributable to owners of the Company for the three months ended 30 September 2018 amounted to approximately RMB34.2 million, representing a year-on-year decrease of approximately 48.7%, from the profit attributable to owners of the Company of approximately RMB66.7 million recorded for the same period in 2017.

Non-IFRS Measure – Adjusted net profit

To supplement our consolidated financial statements which are presented in accordance with 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 which 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 30 September 2018 of approximately RMB34.9 million was derived from our unaudited net profit of the same period excluding share-based compensation expenses of approximately RMB0.1 million, RMB0.2 million and RMB0.3 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 30 September 2017 of approximately RMB69.1 million was derived from our unaudited net profit for the same period excluding share-based compensation expenses of approximately RMB0.5 million, RMB0.7 million and RMB1.2 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively.

Cash and cash equivalents

As at 30 September 2018, we had cash and cash equivalents of approximately RMB689.8 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 approximately 90.2%), United States dollar (“USD”) (as to approximately 6.8%) and other currencies (as to approximately 3.0%). 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 30 September 2018, a total amount of approximately RMB654.8 million from the net proceeds from our initial public offering had been utilised for the following purposes:

- (a) approximately RMB283.8 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 30 September 2018, approximately RMB19.8 million raised from our initial public offering remains unused. The unutilised net proceeds have been deposited into short-term demand deposits in the bank account maintained by the Group.

Financial assets at fair value through other comprehensive income

We accounted for financial assets at fair values 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 30 September 2018, the fair value of our unlisted and listed investments classified as financial assets at fair values through other comprehensive income amounted to approximately RMB91.0 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 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 30 September 2018, 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 30 September 2018 was approximately RMB43.3 million (31 December 2017: approximately RMB114.2 million).

As disclosed in the third quarterly report of Zeus Entertainment for the nine months ended 30 September 2018, it generated a total net profit of approximately RMB103.8 million and recorded a net profit attributable to shareholders of the parent company of approximately RMB42.8 million, representing a year-on-year decrease of 62.9% and 82.5%, respectively. 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. 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 30 September 2018.

Financial assets at fair value through profit or loss

As at 30 September 2018, we also recorded financial assets at fair value through profit or loss amounted to approximately RMB1,096.7 million (31 December 2017: approximately RMB1,219.1 million), which consisted of non-quoted investments in asset management plan and equity investment partnerships included in non-current assets, and non-quoted investments in asset management plan and certain wealth management products included in current assets. As at 30 September 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 365 days, were determined based on the estimated rate of return of the relevant investments. For the nine months ended 30 September 2018, we recorded realised/unrealised fair value gains on financial assets at fair value through profit or loss of approximately RMB54.9 million (for the nine months ended 30 September 2017: approximately RMB24.1 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 selected wealth management products that are principal guaranteed and relatively low risk products in the past. 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 announcements of the Company dated 27 March 2018 and 4 September 2018, each of such investments made during the nine months ended 30 September 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 fixed-income financial instruments, such as inter-bank loans, government bonds, bond funds, bank acceptance bills, central bank bills and similar products, as well as other investment products with high liquidity in compliance with regulatory requirements, such as various bonds, debt financing investments, beneficial interest investments, etc., which were highly liquid with a relatively short term of maturity, enabling to ensure principal and minimize risk whilst enabling the Group to earn an attractive rate of return.

On 28 December 2016, the Group, through Shenzhen Dong Fang Bo Ya Technology Co., Ltd. ("**Boyaa Shenzhen**"), established a limited partnership namely Jiaxing Boyaa ChunLei Equity Investments Limited Partnership Enterprise ("**Jiaxing Boyaa**") with Shanghai Tailai Tianji Asset Management Co., Ltd ("**Tailai Tianji**"). During the nine months ended 30 September 2018, the Group contributed the remaining RMB100.0 million out of the total capital commitment of RMB300.0 million in cash. 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 30 September 2018 was approximately RMB296.7 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 30 September 2018.

Borrowings

For the nine months ended 30 September 2018, 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 nine months ended 30 September 2018, our capital expenditure amounted to approximately RMB4.3 million (for the nine months ended 30 September 2017: approximately RMB5.3 million). The capital expenditure mainly included purchasing of additional furniture and equipment and leasehold improvements of approximately RMB4.3 million (for the nine months ended 30 September 2017: approximately RMB5.3 million), which was funded by using the cash flows generated from our operations.

Contractual obligations

As at 30 September 2018, 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 RMB25.3 million (31 December 2017: approximately RMB8.2 million).

Save as disclosed above, the Group did not have other significant outstanding commitments as at 30 September 2018.

Pledge/charge of the Group's assets

As at 30 September 2018, the Group did not have any pledged or charged assets.

FINANCIAL INFORMATION
INTERIM CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2018

		30 September 2018	31 December 2017
	<i>Notes</i>	RMB'000 (unaudited)	RMB'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		38,743	40,014
Intangible assets		1,730	2,788
Interests in associates		16,600	14,958
Financial assets at fair value through other comprehensive income	3	90,986	–
Available-for-sale financial assets		–	128,280
Deferred income tax assets		16,560	1,055
Prepayments and other receivables		25,927	26,122
Financial assets at fair value through profit or loss	5	594,860	554,660
		785,406	767,877
Current assets			
Trade receivables	4	26,152	36,203
Prepayments and other receivables		25,556	59,497
Financial assets at fair value through profit or loss	5	501,877	664,424
Term deposits		541,396	119,879
Cash and cash equivalents		689,779	858,193
		1,784,760	1,738,196
Total assets		2,570,166	2,506,073
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		236	249
Share premium		552,656	642,365
Repurchased shares		–	(27,283)
Shares held for restricted share units scheme ("RSU Scheme")		(15)	(15)
Reserves		(67,821)	93,634
Retained earnings		1,804,620	1,515,211
		2,289,676	2,224,161
Non-controlling interests		–	–
Total equity		2,289,676	2,224,161

INTERIM CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 30 SEPTEMBER 2018

		30 September 2018	31 December 2017
	<i>Notes</i>	RMB'000 (unaudited)	RMB'000 (audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		11,087	2,899
Current liabilities			
Trade and other payables	7	85,969	97,218
Deferred revenue		–	18,176
Contract liabilities		13,668	–
Current income tax liabilities		169,766	163,619
		269,403	279,013
Total liabilities		280,490	281,912
Total equity and liabilities		2,570,166	2,506,073
Net current assets		1,515,357	1,459,183
Total assets less current liabilities		2,300,763	2,227,060

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2018

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Revenue	2	84,737	164,430	368,972	576,135
Cost of revenue	8	<u>(28,620)</u>	<u>(55,734)</u>	<u>(118,871)</u>	<u>(215,001)</u>
Gross profit		56,117	108,696	250,101	361,134
Selling and marketing expenses	8	(5,748)	(8,793)	(26,853)	(26,494)
Administrative expenses	8	(28,893)	(47,928)	(100,464)	(162,457)
Other gains – net	9	<u>11,777</u>	<u>18,175</u>	<u>74,655</u>	<u>29,607</u>
Operating profit		33,253	70,150	197,439	201,790
Finance income	10	<u>5,971</u>	<u>7,387</u>	<u>15,086</u>	<u>34,954</u>
Finance costs	10	<u>(791)</u>	<u>(669)</u>	<u>(880)</u>	<u>(989)</u>
Finance income – net	10	<u>5,180</u>	<u>6,718</u>	<u>14,206</u>	<u>33,965</u>
Share of profit/(loss) of associates		<u>193</u>	<u>(775)</u>	<u>1,641</u>	<u>(1,046)</u>
Profit before income tax		38,626	76,093	213,286	234,709
Income tax expenses	11	<u>(4,402)</u>	<u>(9,408)</u>	<u>(25,284)</u>	<u>(26,655)</u>
Profit for the period		<u>34,224</u>	<u>66,685</u>	<u>188,002</u>	<u>208,054</u>
Other comprehensive income/(loss)					
Items that may be reclassified to profit or loss:					
– Changes in fair value of available-for-sale financial assets, net of tax		–	(8,061)	–	(26,226)
– Currency translation differences		18,528	(15,344)	20,944	(21,398)
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		<u>(23,677)</u>	<u>–</u>	<u>(71,871)</u>	<u>–</u>
Other comprehensive loss for the period, net of tax		<u>(5,149)</u>	<u>(23,405)</u>	<u>(50,927)</u>	<u>(47,624)</u>
Total comprehensive income for the period		<u>29,075</u>	<u>43,280</u>	<u>137,075</u>	<u>160,430</u>

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

FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2018

		Three months ended 30 September		Nine months ended 30 September	
	Notes	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Profit attributable to:					
– Owners of the Company		34,224	66,685	188,002	208,054
– Non-controlling interests		–	–	–	–
		<u>34,224</u>	<u>66,685</u>	<u>188,002</u>	<u>208,054</u>
Total comprehensive income attributable to:					
– Owners of the Company		29,075	43,280	137,075	160,430
– Non-controlling interests		–	–	–	–
		<u>29,075</u>	<u>43,280</u>	<u>137,075</u>	<u>160,430</u>
Earnings per share <i>(expressed in RMB cents per share)</i>					
– Basic	12	<u>5.12</u>	<u>9.72</u>	<u>27.84</u>	<u>30.43</u>
– Diluted	12	<u>5.07</u>	<u>9.39</u>	<u>27.41</u>	<u>29.27</u>
Dividends	13	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

(unaudited)

	Attributable to owners of the Company								Total equity RMB'000
	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	
Balance at 1 January 2018	249	642,365	(27,283)	(15)	93,634	1,515,211	2,224,161	-	2,224,161
Adjustment on adoption of IFRS 9 (Note 1)	-	-	-	-	(101,407)	101,407	-	-	-
Adjusted balance at 1 January 2018	249	642,365	(27,283)	(15)	(7,773)	1,616,618	2,224,161	-	2,224,161
Comprehensive income									
Profit for the period	-	-	-	-	-	188,002	188,002	-	188,002
Other comprehensive income/(loss)									
- Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	(71,871)	-	(71,871)	-	(71,871)
- Currency translation differences	-	-	-	-	20,944	-	20,944	-	20,944
Total comprehensive income for the period	-	-	-	-	(50,927)	188,002	137,075	-	137,075
Employee share option and RSU schemes									
- Value of employee services	-	-	-	-	2,747	-	2,747	-	2,747
- Proceeds from shares issued	-	1,915	-	-	-	-	1,915	-	1,915
- Exercise and lapse of share options and RSUs	-	11,868	-	-	(11,868)	-	-	-	-
Buy-back of shares	-	-	(76,222)	-	-	-	(76,222)	-	(76,222)
Cancellation of shares	(13)	(103,492)	103,505	-	-	-	-	-	-
Total transactions with owners, recognised directly in equity	(13)	(89,709)	27,283	-	(9,121)	-	(71,560)	-	(71,560)
Balance at 30 September 2018	236	552,656	-	(15)	(67,821)	1,804,620	2,289,676	-	2,289,676

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

	(unaudited)							
	Attributable to owners of the Company							
	Share capital	Share premium	Shares held for RSU Scheme	Reserves	Retained earnings	Total	Non- controlling interests	Total equity
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<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	–	–	–	–	208,054	208,054	–	208,054
Other comprehensive loss								
– Changes in fair value of available-for-sale financial assets, net of tax	–	–	–	(26,226)	–	(26,226)	–	(26,226)
– Currency translation differences	–	–	–	(21,398)	–	(21,398)	–	(21,398)
Total comprehensive income for the period	–	–	–	(47,624)	208,054	160,430	–	160,430
Employee share option and RSU schemes								
– Value of employee services	–	–	–	8,358	–	8,358	–	8,358
– Proceeds from shares issued	–	4,489	–	–	–	4,489	–	4,489
– Vesting of shares under RSU scheme	–	(2)	2	–	–	–	–	–
Total transactions with owners, recognised directly in equity	–	4,487	2	8,358	–	12,847	–	12,847
Balance at 30 September 2017	<u>248</u>	<u>614,313</u>	<u>(15)</u>	<u>100,276</u>	<u>1,480,020</u>	<u>2,194,842</u>	<u>–</u>	<u>2,194,842</u>

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

	Nine months ended	
	30 September	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Cash flows from operating activities		
Cash generated from operations	160,615	227,686
Income tax paid	(22,947)	(13,297)
	<hr/>	<hr/>
Net cash generated from operating activities	137,668	214,389
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,282)	(5,345)
Purchase of financial assets at fair value through other comprehensive income	(25,353)	–
Purchase of financial assets at fair value through profit or loss	(1,905,163)	(1,420,520)
Placement of term deposits with original maturities over three months	(589,250)	–
Proceeds from maturity of term deposits with original maturities over three months	169,134	998
Proceeds from disposals of financial assets at fair value through profit or loss	2,053,305	685,758
Proceeds from disposals of property, plant and equipment	277	27
Dividends from financial assets at fair value through other comprehensive income	134	–
Dividends from available-for-sale financial assets	–	1,576
Return on financial assets at fair value through profit or loss	33,614	8,548
Interest received	13,242	29,990
	<hr/>	<hr/>
Net cash used in investing activities	(254,342)	(698,968)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Cash flows from financing activities		
Buy-back of shares	(76,222)	–
Proceeds from issuance of ordinary shares	1,915	4,489
	<hr/>	<hr/>
Net cash (used in)/generated from financing activities	(74,307)	4,489
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net decrease in cash and cash equivalents	(190,981)	(480,090)
Cash and cash equivalents at the beginning of the period	858,193	1,563,281
Exchange gains/(losses) on cash and cash equivalents	22,567	(17,715)
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	689,779	1,065,476
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

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, Uglan 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 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 30 September 2018, the interim consolidated statement of comprehensive income for the three and nine months then ended, the interim consolidated statement of changes in equity and the interim consolidated statement of cash flows for the nine 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 of directors of the Company (the “**Board**”) on 21 November 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 instruments 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 Group has trade receivables that are subject to IFRS 9's new expected credit loss model, and the Group was required to revise its impairment methodology under IFRS 9 for these receivables.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The adoption of new approach results in approximately RMB1,234,000 expected credit loss on trade receivables on the amounts reported in the financial information during the nine months ended 30 September 2018.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 90 days past due (credit terms).

The Group has also voluntarily changed the presentation of certain amounts in the interim consolidated balance sheet to reflect the terminology of IFRS 15:

- Contract liabilities in relation to development and operations of online games were previously included in deferred revenue (approximately RMB18,176,000 as at 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		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Development and operations of				
online games				
– Web-based games	33,740	54,326	129,959	170,971
– Mobile games	50,997	110,104	239,013	405,164
	84,737	164,430	368,972	576,135

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		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Simplified Chinese	13,816	82,929	130,202	300,683
Other languages	70,921	81,501	238,770	275,452
	84,737	164,430	368,972	576,135

The Group has a large number of game players, none of whom contributed 10% or more of the Group's revenue for the three and nine months ended 30 September 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:

	30 September 2018	31 December 2017
	RMB'000	RMB'000
	(unaudited)	(audited)
Mainland China	66,413	66,807
Other locations	16,587	17,075
	<u>83,000</u>	<u>83,882</u>

3. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	RMB'000
	(unaudited)
Opening Balance as at 1 January 2018	–
Transfer from available-for-sale financial assets upon adoption of IFRS 9	128,280
Acquisitions of unlisted equity investment	3,000
Acquisitions of listed equity investment	40,417
Transaction costs that are attributable to the acquisition	253
Fair value changes	(82,654)
Currency translation differences	1,690
	<u>90,986</u>
Closing Balance as at 30 September 2018	<u>90,986</u>

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

	30 September 2018
	RMB'000
	(unaudited)
Listed equity securities in PRC	43,275
Listed equity securities in the United States	7,888
Listed equity securities in Hong Kong	23,188
Unlisted equity investments	3,035
Preference shares of private companies	13,600
	<u>90,986</u>

4. TRADE RECEIVABLES

	30 September 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Trade receivables	27,386	36,203
Less: impairment provision	<u>(1,234)</u>	<u>–</u>
	<u>26,152</u>	<u>36,203</u>

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, before provision for impairment, at the respective balance sheet dates is as follows:

	30 September 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
0 – 60 days	18,015	27,369
61 – 90 days	1,637	2,952
91 – 180 days	4,166	2,155
Over 180 days	<u>3,568</u>	<u>3,727</u>
	<u>27,386</u>	<u>36,203</u>

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Included in non-current assets		
Non-quoted investments in:		
– asset management plans	93,336	160,000
– equity investment partnerships	<u>501,524</u>	<u>394,660</u>
	<u>594,860</u>	<u>554,660</u>
Included in current assets		
Non-quoted investments in:		
– asset management plan	42,853	–
– wealth management products	<u>459,024</u>	<u>664,424</u>
	<u>501,877</u>	<u>664,424</u>
	<u>1,096,737</u>	<u>1,219,084</u>

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	2017
	(unaudited)	(unaudited)
At 1 January	10,707,790	19,421,221
Exercised	(813,991)	(1,673,000)
Lapsed	(1,195,484)	(5,835,000)
	<u>8,698,315</u>	<u>11,913,221</u>
At 30 September	<u>8,698,315</u>	<u>11,913,221</u>

Share options exercised during the period resulted in 813,991 shares being issued, with exercise proceeds of approximately RMB1,915,000. The related weighted average share price at the time of exercise was HKD3.28 per share (30 September 2017: HKD3.97 per share).

Details of the exercise prices and the respective numbers of share options which remained outstanding as at 30 September 2018 and 2017 are as follows:

Expiry Date	Exercise price		Number of share options	
	Original currency	Equivalent to HKD	2018	2017
			(unaudited)	(unaudited)
31 January 2019	USD0.05	HKD0.388	11,888	76,232
1 March 2020	USD0.10	HKD0.775	2,749	14,749
30 June 2020	USD0.15	HKD1.163	66,249	72,240
6 September 2025	HKD3.108	HKD3.108	8,617,429	11,750,000
			<u>8,698,315</u>	<u>11,913,221</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 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 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 (unaudited)	2017 (unaudited)
At 1 January	20,480,853	37,170,304
Lapsed	(842,606)	(3,798,475)
Vested and transferred	(11,711,609)	(5,306,723)
At 30 September	<u>7,926,638</u>	<u>28,065,106</u>
Vested but not transferred as at 30 September	<u>6,724,469</u>	<u>23,866,179</u>

The related weighted average share price at the time when the RSUs were vested and transferred was HKD3.10 per share (30 September 2017: HKD3.85 per share).

7. TRADE AND OTHER PAYABLES

	30 September	31 December
	2018 RMB'000 (unaudited)	2017 RMB'000 (audited)
Trade payables	1,655	837
Other taxes payables	43,953	44,927
Accrued expenses	3,432	3,105
Accrued commissions charges by platforms	21,862	33,877
Accrued advertising expenses	1,496	2,155
Salary and staff welfare payables	4,650	6,858
Advance received from sales of prepaid game cards	7,320	4,097
Others	<u>1,601</u>	<u>1,362</u>
	<u>85,969</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:

	30 September 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
0 – 30 days	1,353	542
31 – 60 days	247	6
61 – 90 days	–	–
Over 90 days	55	289
	1,655	837

8. EXPENSES BY NATURE

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

	Three months ended 30 September 2018 RMB'000 (unaudited)		Nine months ended 30 September 2018 RMB'000 (unaudited)	
	2017 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Commission charges by platforms and third party payment vendors (included in cost of revenue)	46,181	25,543	183,152	104,746
Employee benefit expenses (excluding share-based compensation expenses)	42,535	22,274	135,247	83,280
Share-based compensation expenses	2,405	669	8,358	2,747
Servers rental expenses	4,339	2,682	13,804	8,849
Office rental expenses	2,796	2,072	7,560	6,417
Depreciation of property, plant and equipment	2,303	1,825	6,760	6,243
Travelling and entertainment expenses	570	897	4,886	2,907
Other professional service fees	1,314	1,165	4,869	4,330
Auditor's remuneration	464	550	1,538	1,650
Advertising expenses	5,844	2,390	16,678	16,147
Amortisation of intangible assets	419	352	1,263	1,058
Other expenses	3,285	2,842	19,837	7,814
	112,455	63,261	403,952	246,188

Research and development expenses during the three and nine months ended 30 September 2018 and 2017, are analysed as below:

	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Employee benefit expenses (excluding share-based compensation expenses)	16,652	25,972	49,831	84,572
Depreciation of property, plant and equipment	–	221	–	1,046
Office rental expenses	531	818	1,699	2,434
Other expenses	1,264	3,455	4,694	12,656
	18,447	30,466	56,224	100,708

No research and development expenses were capitalised for the three and nine months ended 30 September 2018 and 2017.

9. OTHER GAINS – NET

	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Realised/unrealised fair value gains on financial assets at fair value through profit or loss	7,485	18,442	54,902	24,076
Foreign exchange gains/(losses), net	140	(338)	(1,227)	222
Government subsidies and tax rebates	3,730	151	10,590	3,153
Dividends from available-for-sale financial assets	–	–	–	1,576
Dividends from financial assets at fair value through other comprehensive income	–	–	134	–
Dividends from financial assets at fair value through profit or loss	291	–	12,562	–
Gain/(loss) on disposal of property, plant and equipment	141	(72)	140	(87)
Others	(10)	(8)	(2,446)	667
	11,777	18,175	74,655	29,607

10. FINANCE INCOME – NET

	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Finance income				
Interest income	6,342	6,612	13,242	29,990
Interest income on non-current loans to employees	703	–	1,844	706
Foreign exchange (losses)/gains, net	(1,074)	775	–	4,258
	5,971	7,387	15,086	34,954
Finance costs				
Discounting effects of non-current loans to employees	(616)	(669)	(705)	(989)
Foreign exchange losses, net	(175)	–	(175)	–
	(791)	(669)	(880)	(989)
Finance income – net	5,180	6,718	14,206	33,965

11. INCOME TAX EXPENSES

The income tax expenses of the Group for the three and nine months ended 30 September 2018 and 2017 are analysed as follows:

	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current income tax – PRC				
– Provision for the period	2,146	–	8,596	8,276
– Over-provision in prior periods	–	(6,669)	(1,137)	(312)
	<u>2,146</u>	<u>(6,669)</u>	<u>7,459</u>	<u>7,964</u>
Current income tax – Hong Kong				
– Provision for the period	<u>3,838</u>	<u>14,641</u>	<u>14,358</u>	<u>16,859</u>
Deferred income tax	<u>(1,582)</u>	<u>1,436</u>	<u>3,467</u>	<u>1,832</u>
	<u>4,402</u>	<u>9,408</u>	<u>25,284</u>	<u>26,655</u>

(a) Cayman Island 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 at the rate of 8.25% on assessable profits up to HKD2,000,000 and 16.5% on any part of assessable profits over HKD2,000,000 for the period (2017: 16.5% on all assessable profits).

(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 and nine months ended 30 September 2018 and 2017, based on the existing legislation, interpretations and practices in respect thereof.

An indirect wholly owned subsidiary of the Company, Shenzhen Dong Fang Bo Ya Technology Co., Ltd. (“**Boyaa Shenzhen**”), had 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% until 1 November 2018. Based on the self-assessment by the Company’s management, it is highly probable that Boyaa Shenzhen will successfully renew the HNTE qualification for the next three years in 2018. Therefore, the actual income tax rate for Boyaa Shenzhen was 15% for the three and nine months ended 30 September 2018 (for the three and nine months ended 30 September 2017: 15%).

A direct wholly owned subsidiary of the Company, Boyaa On-line Game Development (Shenzhen) Co., Ltd. (“**Boyaa PRC**”), had successfully renewed its HNTE qualification in 2016 and as a result, Boyaa PRC enjoys a preferential tax rate of 15% until 14 November 2019. Therefore, the actual income tax rate for Boyaa PRC was 15% for the three and nine months ended 30 September 2018 (for the three and nine months ended 30 September 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 have claimed such Super Deduction in ascertaining its tax assessable profits for the three and nine months ended 30 September 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 authorities, the relevant withholding tax rate will be reduced from 10% to 5%.

As at 30 September 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 RMB1,154,086,000 (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:

	Nine months ended	
	30 September	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit before income tax	213,286	234,709
(Less)/add: Share of (profit)/loss of associates	(1,641)	1,046
	<u>211,645</u>	<u>235,755</u>
Tax calculated at a tax rate of 25%	52,911	58,939
Tax effects of:		
– Tax concession on assessable profits of Boyaa Shenzhen and Boyaa PRC	(10,562)	(11,683)
– Different tax rates available to different subsidiaries of the Group other than PRC	(6,773)	(6,898)
– Expenses not deductible for tax purposes	2,227	936
– Income not subject to tax	(7,293)	(6,956)
– Super Deduction	(4,089)	(7,371)
– Over-provision in prior periods	(1,137)	(312)
Income tax expenses	<u>25,284</u>	<u>26,655</u>

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		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit attributable to owners of the Company	34,224	66,685	188,002	208,054
Weighted average number of ordinary shares in issue (<i>thousand shares</i>)	668,589	685,804	675,369	683,822
Basic earnings per share (<i>expressed in RMB cents per share</i>)	5.12	9.72	27.84	30.43

(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 and nine months ended 30 September 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 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		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit used to determine diluted earnings per share	<u>34,224</u>	<u>66,685</u>	<u>188,002</u>	<u>208,054</u>
Weighted average number of ordinary shares in issue (<i>thousand shares</i>)	668,589	685,804	675,369	683,822
Adjustment for RSUs (<i>thousand shares</i>)	6,865	23,868	10,482	24,487
Adjustment for share options (<i>thousand shares</i>)	<u>42</u>	<u>488</u>	<u>73</u>	<u>2,469</u>
Weighted average number of ordinary shares for calculating diluted earnings per share (<i>thousand shares</i>)	<u>675,496</u>	<u>710,160</u>	<u>685,924</u>	<u>710,778</u>
Diluted earnings per share (<i>expressed in RMB cents per share</i>)	<u>5.07</u>	<u>9.39</u>	<u>27.41</u>	<u>29.27</u>

13. DIVIDENDS

The Board of the Company has resolved not to declare an interim dividend for the nine months ended 30 September 2018 (for the nine months ended 30 September 2017: nil).

14. COMMITMENTS

(a) Capital commitments

Capital commitments as at 30 September 2018 and 31 December 2017 are analysed as follows:

	30 September 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:

	30 September 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Not later than 1 year	8,202	7,176
Later than 1 year but not later than 5 years	<u>17,081</u>	<u>982</u>
	<u>25,283</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 May 2017. Mr. Zhang Wei, the chairman of the Board, as the legal representative of Boyaa Shenzhen, has become a co-defendant of the case.

Boyaa Shenzhen has received a criminal judgment from the Municipal of Intermediate People's Court, upon trial of first instance, Boyaa Shenzhen was found guilty of the alleged crime of offering bribes by entities (單位行賄罪) and is liable to a fine of RMB2,500,000 in May 2018. Its legal representative, Mr. Zhang Wei, is sentenced to a fixed-term imprisonment of one year with a suspended sentence of one year and six months (the "**Decision**"). Boyaa Shenzhen made an application to appeal to the Higher People's Court (the "**Appeal**").

Regarding the Appeal, the Board announces that, the Higher People's Court upheld the original verdict of the Municipal of Intermediate People's Court on 21 September 2018.

The Board announces that, with effect from 21 September 2018, Mr. Zhang Wei resigned as an executive director, chief executive officer of the Company and authorised representative of the Company ("**Authorised Representative**") under 3.05 of the Rules Governing the Listing of Securities on the Stock Exchange. Upon his resignation as an executive director, the chief executive officer of the Company and Authorised Representative, Mr. Zhang Wei would cease to be the chairman of the Board and the chairman of the nomination committee of the Company ("**Nomination Committee**").

The Board announces that, Mr. Dai Zhikang, an executive director of the Company, has been appointed as the chairman of the Board with effect from 21 September 2018, and Ms. Tao Ying has been appointed as an executive director of Company, the chairman of the Nomination Committee and Authorised Representative with effect from 21 September 2018. Ms. Tao Ying has also been appointed as the acting chief executive officer with effect from 21 September 2018 until the Board appoints a new chief executive officer of the Company.

In light of the business and management experience of Mr. Dai Zhikang and Ms. Tao Ying and also after considering the advice from the Company's PRC counsel with regards to the result of the Appeal, the Board is of the view that the decision of the Appeal and the change of directors and chief executive officer of the Company will not have any material adverse effect to the Group's business, operation and financial condition.

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

	For the nine months ended		Year-on-Year Change* %
	30 September 2018 <i>RMB'000</i> (unaudited)	2017 <i>RMB'000</i> (unaudited)	
Revenue	368,972	576,135	(36.0)
Cost of revenue	<u>(118,871)</u>	<u>(215,001)</u>	(44.7)
Gross profit	250,101	361,134	(30.7)
Selling and marketing expenses	(26,853)	(26,494)	1.4
Administrative expenses	(100,464)	(162,457)	(38.2)
Other gains – net	<u>74,655</u>	<u>29,607</u>	152.2
Operating profit	197,439	201,790	(2.2)
Finance income – net	14,206	33,965	(58.2)
Share of profit/(loss) of associates	<u>1,641</u>	<u>(1,046)</u>	(256.9)
Profit before income tax	213,286	234,709	(9.1)
Income tax expenses	<u>(25,284)</u>	<u>(26,655)</u>	(5.1)
Profit for the period	<u>188,002</u>	<u>208,054</u>	(9.6)
Non-IFRS adjustment (unaudited)			
Share-based compensation expenses included in cost of revenue	572	1,755	(67.4)
Share-based compensation expenses included in selling and marketing expenses	749	2,268	(67.0)
Share-based compensation expenses included in administrative expenses	<u>1,426</u>	<u>4,335</u>	(67.1)
Non-IFRS adjusted net profit (unaudited)	<u>190,749</u>	<u>216,412</u>	(11.9)

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

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

FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2018

	For the three months ended			Year-on-Year Change* %	Quarter-on-Quarter Change** %
	30 September 2018 <i>RMB'000</i> (unaudited)	30 June 2018 <i>RMB'000</i> (unaudited)	30 September 2017 <i>RMB'000</i> (unaudited)		
Revenue	84,737	124,365	164,430	(48.5)	(31.9)
Cost of revenue	<u>(28,620)</u>	<u>(35,771)</u>	<u>(55,734)</u>	(48.6)	(20.0)
Gross profit	56,117	88,594	108,696	(48.4)	(36.7)
Selling and marketing expenses	(5,748)	(8,431)	(8,793)	(34.6)	(31.8)
Administrative expenses	(28,893)	(33,160)	(47,928)	(39.7)	(12.9)
Other gains – net	<u>11,777</u>	<u>27,562</u>	<u>18,175</u>	(35.2)	(57.3)
Operating profit	33,253	74,565	70,150	(52.6)	(55.4)
Finance income – net	5,180	4,243	6,718	(22.9)	22.1
Share of profit/(loss) of associates	<u>193</u>	<u>1,242</u>	<u>(775)</u>	(124.9)	(84.5)
Profit before income tax	38,626	80,050	76,093	(49.2)	(51.7)
Income tax expenses	<u>(4,402)</u>	<u>(8,294)</u>	<u>(9,408)</u>	(53.2)	(46.9)
Profit for the period	<u>34,224</u>	<u>71,756</u>	<u>66,685</u>	(48.7)	(52.3)
Non-IFRS Adjustment (unaudited)					
Share-based compensation expense included in cost of revenue	144	184	511	(71.8)	(21.7)
Share-based compensation expense included in selling and marketing expenses	181	236	652	(72.2)	(23.3)
Share-based compensation expense included in administrative expenses	<u>344</u>	<u>450</u>	<u>1,242</u>	(72.3)	(23.6)
Non-IFRS adjusted net profit (unaudited)	<u>34,893</u>	<u>72,626</u>	<u>69,090</u>	(49.5)	(52.0)

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

** *Quarter-on-Quarter Change % represents a comparison between the quarter ended 30 September 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
Dai Zhikang
Chairman and Executive Director

Hong Kong, 21 November 2018

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