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Huan Yue Interactive Holdings Limited

歡悅互娛控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 505)

CHANGES IN ACCOUNTING ESTIMATES

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 and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The board of directors (the “**Board**”) of Huan Yue Interactive Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) hereby announces that, in order to ensure that the accounting depreciable lives of fixed assets are in better alignment with their actual usage conditions, the Company resolved to change the accounting depreciable lives of certain fixed assets (including certain copper processing main equipments, auxiliary equipments and testing equipments (“**the copper processing equipments**”), from 15 years to 10 years in accordance with the actual conditions. The above changes have been implemented with effect from 1 April 2018.

1. OVERVIEW OF CHANGES IN ACCOUNTING ESTIMATES

Since the implementation of massive investment on equipment advancement from 2012, the Company has proactively devoted to increase its copper processing business capacity, i.e. from an annual output of 55,431 tons of 2012 to 129,633 tons of 2017.

To increase capacity and assure product quality, the Company has purchased state-of-the-art equipment and machinery, which comprise many electronic components and have a high degree of automation. In addition, the cycle to upgrade the copper processing equipments has shortened due to key technical parameters is changing in a faster pace in the copper processing industry. Therefore, it is expected that the actual useful lives of the above fixed assets will be different from the original estimated depreciable lives. After conducting a review on the useful lives of the fixed assets of the Company, in order to more accurately reflect the useful lives of the fixed assets of the Company and to ensure that the fixed assets and their related depreciation expenses more appropriately reflect the

Company's actual usage conditions, the Company resolved to change the accounting estimates of the depreciable lives of certain copper processing equipments. The accounting depreciable lives of the copper processing equipments have been changed from 15 years to 10 years.

2. PARTICULARS OF CHANGES IN ACCOUNTING ESTIMATES

The Company changed the depreciable lives of certain fixed assets, particulars of which are as follow:

	<u>Depreciable lives before the changes</u>	<u>Depreciable lives after the changes</u>
Copper processing equipments	15 years	10 years

3. EXPECTED FINANCIAL IMPACT OF CHANGES IN ACCOUNTING ESTIMATES ON THE COMPANY

The above changes have been implemented with effect from 1 April 2018. The changes in depreciable lives of certain fixed assets are considered as changes in accounting estimates and are to be accounted for prospectively without retrospective adjustment. Therefore, such changes will not have any impact on the Group's financial statements for previous years. Based on the existing information, in accordance with the calculations under International Financial Reporting Standards, the above changes in accounting estimates are expected to increase the depreciation expenses of the Group for the year ending 31 December 2018 by approximately RMB18 million, which are also expected to affect the net profit of the Group for the year ending 31 December 2018. The Company's auditor, KPMG, will perform audit for the consolidated financial statements of the Group for year 2018 which include these changes in accounting estimates when it performs financial audit for year 2018.

The expected impact on the depreciation and profit arising from the above changes in accounting estimates is only a preliminary assessment by the Company based on the information currently available, which has not been audited by the Company's auditor.

4. BOARD'S OPINION

The Board is of the view that the changes in accounting estimates are able to more accurately reflect the useful lives and actual usage conditions of the fixed assets of the Company. Meanwhile, it is in compliance with relevant regulations of International Financial Reporting Standards and in the interests of the Company and its shareholders as a whole.

In the meantime, investors are advised to exercise caution in dealing in the securities of the Company.

By Order of the Board
Huan Yue Interactive Holdings Limited
Hu Minglie
Chief Executive Officer and Executive Director

Hong Kong, 15 June 2018

As at the date of this announcement, the executive directors of the Company are Mr. HU Changyuan, Mr. HU Minglie, Mr. CHEN Jianhua, Mr. REN Hao and Mr. ZHU Wenjun, the non-executive director of the Company is Mr. DAI Jianchun and the independent non-executive directors of the Company are Mr. CHAI Chaoming, Dr. LOU Dong and Ms. LU Hong.