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

2018

Interim Report

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Wei *(Chairman and Chief Executive Officer)*
Mr. Dai Zhikang

Independent Non-executive Directors

Mr. Cheung Ngai Lam
Mr. Choi Hon Keung Simon
Mr. You Caizhen

AUDIT COMMITTEE

Mr. Cheung Ngai Lam *(Chairman)*
Mr. Choi Hon Keung Simon
Mr. You Caizhen

NOMINATION COMMITTEE

Mr. Zhang Wei *(Chairman)*
Mr. Choi Hon Keung Simon
Mr. You Caizhen

REMUNERATION COMMITTEE

Mr. Cheung Ngai Lam *(Chairman)*
Mr. Choi Hon Keung Simon
Mr. You Caizhen

COMPANY SECRETARY

Ms. Lai Siu Kuen

AUTHORISED REPRESENTATIVES

Mr. Zhang Wei
Ms. Lai Siu Kuen

AUDITOR

Pan-China (H.K.) CPA Limited
Certified Public Accountants
11/F, Hong Kong Trade Centre
161-167 Des Voeux Road Central
Hong Kong

COMPANY'S WEBSITE

www.boyaa.com.hk

STOCK CODE

0434

Corporate Information

HEADQUARTER IN THE PRC

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International E Town
TCL Industry Park
1001 Zhong Shan Yuan Road
Nanshan District, Shenzhen, PRC
Postal code: 518000

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

The offices of Maples Corporate Services Limited
P.O. Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Maples Fund Services (Cayman) Limited
P.O. Box 1093, Boundary Hall, Cricket Square
Grand Cayman KY1-1102
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

PRINCIPAL BANK

China Merchants Bank, Shenzhen Branch

Business Overview and Outlook

In terms of financial performance, the Company recorded a revenue of approximately RMB124.4 million for the second quarter of 2018, representing a year-on-year decrease of approximately 34.3% compared to the same period in 2017; we recorded a revenue of approximately RMB284.2 million for the first half of 2018, representing a year-on-year decrease of approximately 31.0% compared to the same period in 2017. The year-on-year decrease in the second quarter and the first half of 2018 is mainly attributable 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. The revenue of the Company for the second quarter of 2018 decreased by approximately 22.2% compared to the first quarter of 2018, which is mainly due to the above Policy Risk Factor.

Although our revenue has been impacted, due to the continuous and smooth implementation of the Company's cost control policy as well as factors such as the increase in fair value of the Company's equity investment partnerships and asset management plans, such factors offset the impact on unaudited non-IFRS adjusted net profit brought by the decrease of revenue of the Company. In the first half of 2018, we recorded an unaudited non-IFRS adjusted net profit of approximately RMB155.9 million, representing a year-on-year increase of approximately 5.8% compared to the same period in 2017. In the second quarter of 2018, we recorded an unaudited non-IFRS adjusted net profit of approximately RMB72.6 million, representing a year-on-year decrease of approximately 5.2% compared to the same period in 2017 and represents a quarter-on-quarter decrease of approximately 12.7%, mainly attributable to the decrease of revenue as a result of the Policy Risk Factor. Apart from the effect of the factors such as fair value changes in equity investment partnerships and assets management plans, the non-IFRS adjusted net profit for the second quarter of 2018 represents a quarter-on-quarter increase of approximately 3.5% compared to that of the first quarter of 2018.

In terms of performance with respect to operational data, the number of paying players and users recorded a certain decline in the second quarter of 2018 compared to that of the first quarter of 2018. Among which, the number of paying players decreased by approximately 24.7% from approximately 0.8 million players in the first quarter of 2018 to approximately 0.6 million players in the second quarter of 2018. The number of Daily Active Users ("**DAUs**") decreased by approximately 14.7% from approximately 3.9 million players in the first quarter of 2018 to 3.3 million players in the second quarter of 2018. The number of Monthly Active Users ("**MAUs**") decreased by approximately 23.1% from approximately 16.2 million players in the first quarter of 2018 to approximately 12.5 million players in the second quarter of 2018, while Average Revenue Per Paying User ("**ARPPU**") of Texas Hold'em web-based games and ARPPU of other card and board games increased.

In the second half of 2018, the Company will devote more efforts to strengthen the market research and enrich the games rules so as to enhance users' game playing experience while continuing to refine our products and diversify our operation, thereby 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, aiming to offset the potential effect of Policy Risk Factor. 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 card and board game industry.

Management Discussion and Analysis

FINANCIAL REVIEW

Second Quarter of 2018 Compared to Second Quarter of 2017

Revenue

Our revenue for the three months ended 30 June 2018 amounted to approximately RMB124.4 million, representing year-on-year decrease of approximately 34.3% from approximately RMB189.3 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 June 2018, revenue generated from our mobile games and web-based games accounted for approximately 64.5% and 35.5% of our total revenue, respectively, as compared with approximately 71.7% and 28.3%, respectively, for the three months ended 30 June 2017.

Cost of revenue

Our cost of revenue for the three months ended 30 June 2018 amounted to approximately RMB35.8 million, representing year-on-year decrease of approximately 45.1% from approximately RMB65.2 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 June 2018 amounted to approximately RMB88.6 million, representing year-on-year decrease of approximately 28.6% from approximately RMB124.2 million recorded for the same period in 2017.

Our gross profit margin were approximately 71.2% and 65.6%, respectively, for the three months ended 30 June 2018 and the same period in 2017.

Selling and marketing expenses

Our selling and marketing expenses for the three months ended 30 June 2018 amounted to approximately RMB8.4 million, representing year-on-year increase of approximately 58.5% from approximately RMB5.3 million recorded for the same period in 2017. The year-on-year increase was mainly attributable to the increase in advertising and promotional activities expenses.

Management Discussion and Analysis

Administrative expenses

Our administrative expenses for the three months ended 30 June 2018 amounted to approximately RMB33.2 million, representing year-on-year decrease of approximately 37.8% from approximately RMB53.3 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 June 2018, we recorded net other gains of approximately RMB27.6 million, compared to approximately RMB2.3 million recorded for the same period in 2017. The net other gains primarily consisted of fair value gains/(losses) 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, government subsidies and dividends from financial assets at fair value through other comprehensive income.

Finance income – net

Our net finance income for the three months ended 30 June 2018 was approximately RMB4.2 million, compared to approximately RMB14.7 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 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 June 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 RMB1.2 million for the three months ended 30 June 2018, compared to a share of profit of associates of approximately RMB0.2 million recorded for the same period in 2017.

Income tax expenses

Our income tax expenses for the three months ended 30 June 2018 were approximately RMB8.3 million, representing a decrease of approximately 5.1% from approximately RMB8.7 million recorded for the three months ended 30 June 2017. The effective tax rate were 10.4% and 10.6%, respectively, for the three months ended 30 June 2018 and the same period in 2017. The change in effective tax rate for the three months ended 30 June 2018 compared to the same period in 2017 remained relatively stable 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 June 2018 amounted to approximately RMB71.8 million, representing year-on-year decrease of approximately 2.9%, from the profit attributable to owners of the Company of approximately RMB73.9 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 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 June 2018 of approximately RMB72.6 million was derived from our unaudited profit of the same period excluding share-based compensation expenses of approximately RMB0.2 million, RMB0.2 million and RMB0.5 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 30 June 2017 of approximately RMB76.6 million derived from our unaudited profit for the same period excluding share-based compensation expenses of approximately RMB0.6 million, RMB0.7 million and RMB1.4 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively.

First Half of 2018 Compared to First Half of 2017

Revenue

Our revenue for the six months ended 30 June 2018 amounted to approximately RMB284.2 million, representing year-on-year decrease of approximately 31.0% from approximately RMB411.7 million recorded for the same period in 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, resulting in a year-on-year decline in revenue in the second quarter of 2018. For the six months ended 30 June 2018, revenue generated from our mobile games and web-based games accounted for approximately 66.1% and 33.9% of our total revenue, respectively, as compared with approximately 71.7% and 28.3%, respectively, for the six months ended 30 June 2017.

Management Discussion and Analysis

Cost of revenue

Our cost of revenue for the six months ended 30 June 2018 amounted to approximately RMB90.3 million, representing year-on-year decrease of approximately 43.3% from approximately RMB159.3 million recorded for the same period in 2017. The year-on-year decrease was mainly 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 six months ended 30 June 2018 amounted to approximately RMB194.0 million, representing year-on-year decrease of approximately 23.2% from approximately RMB252.4 million recorded for the same period in 2017.

Our gross profit margin were approximately 68.2% and 61.3%, respectively, for the six months ended 30 June 2018 and the same period in 2017.

Selling and marketing expenses

Our selling and marketing expenses for the six months ended 30 June 2018 amounted to approximately RMB21.1 million, representing year-on-year increase of approximately 19.2% from approximately RMB17.7 million recorded for the same period in 2017. The year-on-year increase was mainly attributable to increased advertising and promotional activities expenses.

Administrative expenses

Our administrative expenses for the six months ended 30 June 2018 amounted to approximately RMB71.6 million, representing year-on-year decrease of approximately 37.5% from approximately RMB114.5 million recorded for the same period in 2017. The year-on-year decrease was mainly due to the control of internal cost and the decrease in employee benefit expenses.

Other gains – net

For the six months ended 30 June 2018, we recorded net other gains of approximately RMB62.9 million, compared to approximately RMB11.4 million recorded for the same period in 2017. The net other gains primarily consisted of fair value gains/(losses) 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, government subsidies and dividends from financial assets at fair value through other comprehensive income.

Finance income – net

Our net finance income for the six months ended 30 June 2018 was approximately RMB9.0 million, compared to approximately RMB27.2 million recorded for the same period in 2017. The year-on-year change was primarily due to decrease in interest income as compared to the same period in 2017.

Share of results 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 June 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 RMB1.4 million for the six months ended 30 June 2018, compared to a share of loss of associates of approximately RMB0.3 million recorded for the same period in 2017.

Income tax expenses

Our income tax expenses for the six months ended 30 June 2018 were approximately RMB20.9 million, representing an increase of approximately 21.1% from approximately RMB17.2 million recorded for the same period in 2017. The effective tax rate were 12.0% and 10.9%, respectively, for the six months ended 30 June 2018 and the same period in 2017. The increase in effective tax rate for the six months ended 30 June 2018 compared to the same period in 2017 is primarily due to the decrease in domestic revenue that enjoyed a lower tax rate.

Profit attributable to owners of the Company

As a result of the foregoing, our profit attributable to owners of the Company for the six months ended 30 June 2018 amounted to approximately RMB153.8 million, representing year-on-year increase of approximately 8.8% from the profit attributable to owners of the Company of approximately RMB141.4 million recorded for the same period in 2017.

Non-IFRS adjusted net profit

Our unaudited non-IFRS adjusted net profit for the six months ended 30 June 2018 of approximately RMB155.9 million was derived from our unaudited profit for the same period excluding share-based compensation expenses of approximately RMB0.4 million, RMB0.6 million and RMB1.1 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 six months ended 30 June 2017 of approximately RMB147.3 million derived from our unaudited profit for the same period excluding share-based compensation expenses of approximately RMB1.2 million, RMB1.6 million and RMB3.1 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively.

Liquidity and capital resources

For the six months ended 30 June 2018, we financed our operations primarily through cash generated from our operating activities as well as the net proceeds we received from the global offering completed in November 2013. We intend to finance our expansion, investment and business operations by internal resources and through organic and sustainable growth. We will make investments in line with our capital and investment management policies and strategies.

Gearing ratio

As at 30 June 2018, the Group's gearing ratio (total liabilities divided by total assets) was approximately 10.9% (31 December 2017: approximately 11.2%).

Term deposits

As at 30 June 2018, we had term deposits of approximately RMB268.0 million (31 December 2017: approximately RMB119.9 million), which were mainly denominated in Renminbi and United States dollars ("**USD**"). The original maturities of the term deposits are over 3 months and less than 1 year. The effective interest rate for the term deposits of the Group for the six months ended 30 June 2018 was approximately 2.96%.

Cash and cash equivalents

As at 30 June 2018, we had cash and cash equivalents of approximately RMB557.9 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 59.5%), US dollars (as to approximately 23.1%) and other currencies (as to approximately 17.4%). 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 June 2018, a total amount of approximately RMB649.1 million from the net proceeds from our initial public offering had been utilised for the following purposes:

(a) approximately RMB278.1 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 June 2018, approximately RMB25.5 million raised from our initial public offering remained unused.

The unutilised net proceeds has 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 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 30 June 2018, the fair value of our unlisted and listed investments was classified as financial assets at fair value 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 Group Co., Ltd. ("**Zeus Entertainment**"). Zeus Entertainment is mainly engaged in research and development and publication of web-based and mobile games.

As at 30 June 2018, we held 6,678,260 shares in Zeus Entertainment. The fair value of the investment in Zeus Entertainment as at 30 June 2018 was approximately RMB61.8 million (31 December 2017: approximately RMB114.2 million). 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 30 June 2018.

Financial assets at fair value through profit or loss

As at 30 June 2018, we also recorded financial assets at fair value through profit or loss amounted to approximately RMB1,436.3 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 30 June 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 six months ended 30 June 2018, we recorded realised/unrealised fair value gains on financial assets at fair value through profit or loss of approximately RMB47.4 million (for the six months ended 30 June 2017: approximately RMB5.6 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 six months ended 30 June 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.

Management Discussion and Analysis

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 six months ended 30 June 2018, the Group through Boyaa Shenzhen contributed the remaining RMB100.0 million out of the total capital commitment of RMB300.0 million in cash to Tailai Tianjin. 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 June 2018 was approximately RMB297.4 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 and the subscription of wealth management products as disclosed in the announcement of the Company dated 27 March 2018, 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 June 2018.

Borrowings

For the six months ended 30 June 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 six months ended 30 June 2018, our capital expenditure amounted to approximately RMB5.5 million (for the six months ended 30 June 2017: approximately RMB4.1 million). The capital expenditure mainly includes purchasing of additional furniture and equipment and leasehold improvements of approximately RMB5.5 million (for the six months ended 30 June 2017: approximately RMB4.1 million), which was funded by using our cash flows generated from our operations.

Contractual obligations

As at 30 June 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 RMB27.8 million (31 December 2017: approximately RMB8.2 million).

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

Contingent liabilities and guarantees

As at 30 June 2018, the Group did not have any significant unrecorded contingent liabilities and guarantees.

Significant investments and future plans for major investments

As at 30 June 2018, the Group's investment in Jiaxing Boyaa amounted to RMB300.0 million. Jiaxing Boyaa mainly carried out equity investments.

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

Pledge/charge of the Group's assets

As at 30 June 2018, none of the Group's assets was pledged or charged.

Employees and staff costs

As at 30 June 2018, we had a total of 420 full time employees, who are mainly based in mainland China. In particular, 362 employees are responsible for our game development and operation functions, 13 for game support and 45 for administration and senior management functions.

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

For the six months ended 30 June 2018, the total staff costs of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to approximately RMB63.1 million, representing approximately 34.6% of the total expenses of the Group. Pursuant to the post-IPO share option scheme adopted by the Company in October 2013 (the "**Post-IPO Share Option Scheme**") and the pre-IPO share option scheme adopted by the Company in January 2011 and amended in September 2013 (the "**Pre-IPO Share Option Scheme**") as well as the RSU Scheme adopted by the Company in September 2013 (the "**RSU Scheme**"), there were a total of 9,122,260 share options and 8,570,992 shares underlying the RSUs outstanding and/or granted to a total of 254 directors, senior management members and employees of the Group as at 30 June 2018. There were also 52,687,836 shares underlying the RSUs allowed to be granted under the RSU Scheme which were held by The Core Admin Boyaa RSU Limited as nominee for the benefit of eligible participants pursuant to the RSU Scheme. Further details of the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the RSU Scheme will be set out in the section headed "Share Option Schemes and Restricted Share Unit Scheme" in the "Other Information" section in this interim report.

Other Information

CONTRACTUAL ARRANGEMENTS

Reasons for Contractual Arrangements

Reference is made to the section headed "History, Reorganization and Corporate Structure – Contractual Arrangements" in the prospectus of the Company dated 31 October 2013 (the "**Prospectus**") and the section headed "Connected Transactions – Contractual Arrangements" in the Directors' Report of the Company's 2017 Annual Report.

The Group is primarily engaged in the development and operation of online card and board games business and is considered to be engaged in the provision of value-added telecommunications services as a result of the operations of the websites of the Group. The Group conducts online games business through a PRC operating entity, Boyaa Shenzhen. According to the Administrative Rules for Foreign Investments in Telecommunications Enterprises (外商投資電信企業管理規定) issued by the State Council on 11 December 2001 and amended on 10 September 2008, foreign investors are prohibited to hold more than 50% of the equity interest in an entity conducting online games business and are restricted to conduct value-added telecommunications services, including internet content provision services. Internet content provisions services are classified as value-added telecommunications businesses, and a commercial operator of such services must obtain an ICP license from the appropriate telecommunications authorities in order to carry on any commercial internet content provision operations in China. Boyaa Shenzhen has obtained the requisite ICP license for the operations of the Group. Therefore, in order for the Group to be able to carry on its online games business in China in compliance with the applicable PRC laws and regulations, the Group entered into a series of contractual arrangements (the "**Contractual Arrangements**") with Boyaa Shenzhen through an indirect wholly-owned subsidiary, Boyaa On-line Game Development (Shenzhen) Co., Ltd. ("**Boyaa PRC**"), pursuant to which the Group will be able to assert management control over the operations of, and enjoy all economic benefits of, Boyaa Shenzhen. In addition, the Group will be able to consolidate Boyaa Shenzhen's financial results in the results of the Company under IFRS as if it was a wholly-owned subsidiary of the Company. There are no new Contractual Arrangements entered into, renewed or reproduced between the Group and Boyaa Shenzhen during the six months ended 30 June 2018. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the six months ended 30 June 2018. During the six months ended 30 June 2018, none of the agreements underlying the Contractual Arrangements has been unwound as none of the restrictions that led to the adoption of the Contractual Arrangements has been removed.

Other Information

In addition, foreign investor wishing to acquire any equity interest in a value-added telecommunications business in the PRC must demonstrate (i) a good track record and (ii) experience in providing value-added telecommunications services overseas (the "**Qualification Requirement**"). As advised by the Company's PRC legal advisers, as of 30 June 2018, there were no applicable PRC laws, regulations or rules that provide clear guidance or interpretation on the Qualification Requirement, and there was no update to the Qualification Requirement. Therefore, in order for the Company to be able to carry on its business in China, the Group has taken steps to build up its track record of overseas telecommunications business operations in an attempt to comply with the Qualification Requirement, so as to be qualified to acquire the entire equity interest of Boyaa Shenzhen when the restrictions on the percentage of foreign ownership in telecommunications services and on foreign ownership in online culture products and business are lifted. Moreover, the Group has completed equity investments in Shenzhen Coalaa Network Technology Co., Ltd. (深圳市卡拉網絡科技有限公司), Shenzhen Fengxunsheng Technology Co., Ltd. (深圳市豐訊盛科技有限公司), Shenzhen Guanhai Technology Co., Ltd. (深圳市觀海科技有限公司) and Function Technology Co., Ltd. (collectively referred to as "**Coalaa**"), through a series of agreements and at a total consideration of RMB5.0 million. Coalaa is an online card and board game developer and operator, with Texas Poker (Professional Version), which is offered as both a web-based game and a mobile game and in 9 language versions, including Arabian and Indonesian. The Group envisages that through such acquisition, the Group can further complement its game portfolio and it will be able to further expand its market share in overseas market.

Boyaa Shenzhen is significant to the Group as it holds certain licenses and permits that are essential to the operation of the business of the Group, including ICP License and Internet Culture Business License. In addition, Boyaa Shenzhen also holds certain intellectual property rights, including software copyrights, trademarks, patents and domain names. The revenue and the total asset value of Boyaa Shenzhen subject to the Contractual Arrangements amounted to approximately RMB124.2 million for the six months ended 30 June 2018 and approximately RMB1,429.9 million as at 30 June 2018, respectively.

Risks associated with the Contractual Arrangements and the actions taken by the Company to mitigate the risks

Risks associated with the Contractual Arrangements	**Mitigation actions taken by the Company**
i. If the PRC government finds that the agreements that establish the structure for operating the Group's online game businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, the Group could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of the Group's interest in its variable interest entity ("**VIE**"), i.e. Boyaa Shenzhen.	Pursuant to each of the agreements underlying the Contractual Arrangements, at any time after the date of such agreements, in the event of any promulgation or change of any law, regulation or rule of China or any interpretation or applicable change on such laws, regulations or rules leading to any provision in any of the agreements underlying the Contractual Arrangements is held to be or becomes illegal, invalid or unenforceable in any respect under the law of the applicable jurisdiction: (a) so far as it is illegal, invalid and unenforceable, it shall be given no effect and shall be deemed not to be included in the relevant agreement and shall not affect or impair the legality, validity or enforceability in that jurisdiction of the other provisions of the agreement, or of that or any provisions of the relevant agreement in any other jurisdictions; and

(b) the parties shall use all reasonable endeavors to replace it with a valid and enforceable substitute provision or provisions but differing from the replaced provision as little as possible and the effect of which is as close to the intended effect of the illegal, invalid or unenforceable provision.

In addition, pursuant to the agreements underlying the Contractual Arrangements, the parties agreed and will ensure that they will unwind the Contractual Arrangements as soon as the law allows the business to be operated without them.

ii. The Group relies on the Contractual Arrangements to control and obtain the economic benefits from Boyaa Shenzhen which may not be as effective in providing operational control as direct ownership.

Each of Mr. Zhang Wei (the Chairman of the Board, Chief Executive Officer and executive director) and Mr. Dai Zhikang (the executive director), being the registered shareholders of Boyaa Shenzhen, has executed a power of attorney pursuant to the terms of the Business Operating Agreement. Pursuant to the power of attorney, each of the shareholders of Boyaa Shenzhen agrees to authorise any individual(s) appointed by Boyaa PRC to exercise all of their rights and powers as shareholders of Boyaa Shenzhen. These include the rights to (i) attend shareholders' meetings, (ii) exercise voting rights in shareholders' meetings to appoint directors, supervisors and senior management, (iii) decide on any acquisition or disposal of the equity interest of Mr. Zhang Wei and Mr. Dai Zhikang in Boyaa Shenzhen or the winding-up or dissolution of Boyaa Shenzhen, (iv) file documents with relevant governmental authorities or regulatory bodies, (v) to instruct directors and senior management of Boyaa Shenzhen to act in accordance with all instructions of Boyaa PRC or its designated person, and (vi) exercise such other shareholders' rights as stipulated under applicable PRC laws, rules and regulations and the articles of Boyaa Shenzhen.

iii. The shareholders of Boyaa Shenzhen may have conflicts of interest with the Group, which may materially and adversely affect the Group's business.

Pursuant to the Exclusive Option Agreement, the Company has the option to (i) purchase or to designate a third party to purchase the equity interests of the existing shareholders of Boyaa Shenzhen when and to the extent permitted by law and (ii) acquire, to the extent permitted by PRC laws and regulations, all or part of the assets of Boyaa Shenzhen at the net book value of such assets or such minimum purchase price permitted under PRC laws and regulations. Each of Boyaa Shenzhen's shareholders has executed a power of attorney to authorise any individual(s) appointed by Boyaa PRC to exercise all of their rights and powers as shareholders of Boyaa Shenzhen.

In addition, to ensure that Mr. Zhang Wei, Mr. Dai Zhikang and Boyaa Shenzhen will comply with the Contractual Arrangements, the Company has further introduced the following measures:

i. the three independent non-executive directors will review the effective implementation of the procedures and controls and compliance of the Contractual Arrangements;

ii. each of Mr. Zhang Wei and Mr. Dai Zhikang shall abstain from voting on any resolutions of Boyaa Shenzhen in which he may have conflicts of interest, and all resolutions shall be passed unanimously or by the affirmative vote of a simple majority of the board of Boyaa Shenzhen (as the case may be), and if any resolution could not be passed by the board of Boyaa Shenzhen unanimously or by a simple majority of votes (as the case may be), such resolution would be considered as disapproved; and

iii. the Group has implemented corporate governance measures to manage any conflicts of interest between the Group and the directors.

iv. The Group may lose the ability to use and enjoy assets held by the VIE that are important to the operation of its business if the VIE declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

Pursuant to the Business Operating Agreement, in the event that Boyaa PRC or its designee decided to voluntary wind-up or dissolve Boyaa Shenzhen, each of Mr. Zhang Wei and Mr. Dai Zhikang undertakes that he will ensure and procure the execution of all related documents and completion of all relevant procedures required for completing the liquidation and winding-up process and that Boyaa PRC shall be transferred, at nil consideration, all remaining assets of Boyaa Shenzhen upon liquidation.

In addition, under the Business Operating Agreement and the Equity Pledge Agreement, Mr. Zhang Wei and Mr. Dai Zhikang warrant to Boyaa PRC that appropriate arrangements have been made to protect Boyaa PRC's interests in the event of his death, bankruptcy or divorce to avoid any practical difficulties in enforcing the agreements underlying the Contractual Arrangements.

v. The Contractual Arrangements between Boyaa PRC and Boyaa Shenzhen may subject the Group to increase income tax due to the different income tax rates applicable to Boyaa PRC and Boyaa Shenzhen, which may adversely affect the Group's results of operations.

Boyaa Shenzhen had successfully renewed its "High and New Technology Enterprise" ("**HNTE**") qualification under the PRC Corporate Income Tax Law in 2015, valid through 1 November 2018, and as a result, Boyaa Shenzhen enjoys a preferential tax rate of 15% from 2 November 2015 to 1 November 2018. Therefore, the actual income tax rate for Boyaa Shenzhen was 15% for the six months ended 30 June 2018 (2017: 15%). See Note 23 to the consolidated financial statements of this interim report.

Boyaa PRC had successfully renewed its HNTE qualification under the PRC Corporate Income Tax Law in 2016, valid through 14 November 2019, and as a result, Boyaa PRC enjoys a preferential tax rate of 15% from 15 November 2016 to 14 November 2019. Therefore, the actual income tax rate for Boyaa PRC was 15% for the six months ended 30 June 2018 (2017: 15%). Also see Note 23 to the consolidated financial statements of this interim report.

As a result, as both Boyaa Shenzhen and Boyaa PRC enjoy the reduced income tax rate of 15%, the transfer of the before-tax profits by Boyaa Shenzhen to Boyaa PRC during the Reporting Period or any future period will not result in increased income tax expenses for the Group on a consolidated basis and hence will not materially and adversely affect the Group's results of operations, particularly, its net profit and net profit margin.

vi.	The Contractual Arrangements between Boyaa PRC and Boyaa Shenzhen may be subject to scrutiny by the PRC tax authorities and any finding that the Group or Boyaa Shenzhen owe additional taxes could substantially reduce the Group's consolidated net income and the value of the investment of investors.	The Group will work closely with its tax advisers to ensure that all tax filings are made promptly and any questions raised by PRC tax authorities are addressed in a timely and satisfactory manner.
vii.	Based on the consultation draft of the new PRC Foreign Investment Law published by the Ministry of Commerce in January 2015 and assuming that the draft of the new PRC Foreign Investment Law is enacted as proposed, substantial uncertainties exist in connection with the legality and validity of the Contractual Arrangements to hold interests in PRC businesses that are subject to foreign ownership restrictions and the Company may have to incur compliance costs in the future.	As of the date of this interim report, the consultation draft of the new PRC Foreign Investment Law has not yet been passed by the State Council and therefore does not constitute any law or regulation. Accordingly, the Company, as advised by its PRC legal advisers, is of the view that such consultation draft currently will not have any impact on the Company and the Contractual Arrangements. In any event, the Company will closely monitor the progress of the consultation and the promulgation of the new PRC Foreign Investment Law and will consult its PRC legal advisers promptly should there be any new legal development leading to any change to the Contractual Arrangements.

For details of the risks associated with the Contractual Arrangements, please refer to the section headed "Risk Factors – Risks relating to our corporate structure" in the Prospectus.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2018, the interests and short positions of the directors or the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") were as follows:

(a) Interests of Directors and Chief Executive of the Company

Name of Director/ Chief Executive	Name of company	Capacity/Nature of interest	Number of underlying shares[1]	Approximate percentage of shareholding[5]
Mr. Zhang Wei[2]	The Company	Founder of a discretionary trust	246,237,474 (L)	33.67%
Mr. Dai Zhikang[3]	The Company	Founder of a discretionary trust	36,500,000 (L)	4.99%
Mr. You Caizhen[4]	The Company	Beneficial owner	100,000 (L)	0.01%

Notes:

(1) The letter "L" denotes the person's long position in such shares.

(2) Chunlei Investment Limited ("**Chunlei Investment**"), a company wholly-owned by a trust named the Chunlei Trust (the "**Zhang Family Trust**"), directly holds the entire issued share capital of each of Boyaa Global Limited and Emily Technology Limited. The Zhang Family Trust is a discretionary trust established by Mr. Zhang Wei (as the settlor) and the discretionary beneficiaries of which include Mr. Zhang Wei and his children. Accordingly, Mr. Zhang Wei is deemed to be interested in the 176,572,474 shares and 69,665,000 shares held by each of Boyaa Global Limited and Emily Technology Limited, respectively.

(3) Visioncode Holdings Limited, a company wholly-owned by a trust named the Visioncode Trust (the "**Dai Family Trust**"), directly holds the entire issued share capital of Comsenz Holdings Limited. The Dai Family Trust is a discretionary trust established by Mr. Dai Zhikang (as the settlor) and the discretionary beneficiaries of which include Mr. Dai Zhikang and his children. Accordingly, Mr. Dai Zhikang is deemed to be interested in the 36,500,000 shares held by Comsenz Holdings Limited.

(4) Mr. You Caizhen is interested in 100,000 shares.

(5) As at 30 June 2018, the Company had 731,229,301 issued shares.

(b) Interests in associated corporations of the Company

Name of subsidiary	Name of shareholder	Registered capital	Approximate percentage of interest
Boyaa Shenzhen	Mr. Zhang Wei	RMB9,800,000	98%
Boyaa Shenzhen	Mr. Dai Zhikang	RMB200,000	2%

Save as disclosed above, as at 30 June 2018, none of the directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2018, the following persons (other than the directors or the chief executive of the Company) have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Name of company	Nature of interest	Number of Shares or securities held(1)	Approximate percentage of interest(4)
Cantrust (Far East) Limited(2)(5)	The Company	Trustee of a trust	282,737,474 (L)	38.67%
Rustem Limited(2)(5)	The Company	Nominee for another person	282,737,474 (L)	38.67%
Chunlei Investment(2)(5)	The Company	Interest in a controlled corporation	246,237,474 (L)	33.67%
Boyaa Global Limited(2)(5)	The Company	Beneficial owner	176,572,474 (L)	24.15%
Emily Technology Limited(2)(5)	The Company	Beneficial owner	69,665,000 (L)	9.53%
The Core Trust Company Limited(3)(5)	The Company	Trustee of a trust	63,711,849 (L)	8.71%
The Core Admin Boyaa RSU Limited(3)(5)	The Company	Nominee for another person	61,258,828 (L)	8.38%
TCT (BVI) Limited (3)(5)	The Company	Other	63,711,849 (L)	8.71%

Notes:

(1) The letter "L" denotes the person's long position in such shares.

(2) Cantrust (Far East) Limited, the trustee of the Zhang Family Trust, holds the entire issued share capital of Chunlei Investment through Rustem Limited (as nominee for Cantrust (Far East) Limited). Chunlei Investment in turn holds the entire issued share capital of each of Boyaa Global Limited and Emily Technology Limited. The Zhang Family Trust is a discretionary trust established by Mr. Zhang Wei (as the settlor) and the discretionary beneficiaries of which include Mr. Zhang Wei and his children. Accordingly, each of Mr. Zhang Wei, Cantrust (Far East) Limited and Chunlei Investment are deemed to be interested in the shares held by each of Boyaa Global Limited and Emily Technology Limited, respectively.

(3) The Core Trust Company Limited, being the RSU Trustee, indirectly holds the entire issued share capital of The Core Admin Boyaa RSU Limited as the RSU nominee, which holds 61,258,828 shares underlying the RSUs (as defined below) granted and to be granted under the RSU Scheme (as defined below) for the benefit of eligible participants pursuant to the RSU Scheme (as defined below) through its wholly-owned subsidiary TCT (BVI) Limited.

(4) As at 30 June 2018, the Company had 731,229,301 issued shares.

(5) Pursuant to Section 336 of the SFO, the shareholders are required to file a disclosure of interests form when certain criteria are fulfilled. When a shareholding in the Company changes, it is not necessary for the shareholder to notify the Company and the Stock Exchange unless several criteria have been fulfilled, therefore a shareholder's latest shareholding in the Company may be different from the shareholding filed with the Stock Exchange.

Save as disclosed above, as at 30 June 2018, no persons (other than the directors or the chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

Other Information

SHARE OPTION SCHEMES AND RESTRICTED SHARE UNIT SCHEME

Post-IPO Share Option Scheme

On 23 October 2013, the Post-IPO Share Option Scheme of the Company was approved and adopted by the shareholders of the Company. The purpose of the Post-IPO Share Option Scheme is to incentivize and reward the employees (whether full time or part-time) or directors of members of the Group or associated companies of the Company (the "**Eligible Persons**") for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company. Pursuant to the Post-IPO Share Option Scheme, the board of directors of the Company (the "**Board**") (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Post-IPO Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of shares of the Company as the Board may determine to an Eligible Person.

The Post-IPO Share Option Scheme shall be valid and effective for a period of ten years from 12 November 2013, being the date on which the trading of shares of the Company on the Stock Exchange commenced (the "**Listing Date**"). Accordingly, as at 30 June 2018, the remaining life of the Post-IPO Share Option Scheme is approximately five years and four months.

Further details of the principal terms of the Post-IPO Share Option Scheme are set out in the Prospectus and the Company's 2017 Annual Report. During the six months ended 30 June 2018, no option has been granted or agreed to be granted nor has any option been cancelled under the Post-IPO Share Option Scheme. Details of the movements in options during the six months ended 30 June 2018 under the Post-IPO Share Option Scheme are set out in the section headed "Details of the options granted and outstanding under the Post-IPO Share Option Scheme and the Pre-IPO Share Option Scheme and the RSUs granted and outstanding under the RSU Scheme" below.

Pre-IPO Share Option Scheme

On 7 January 2011, the Pre-IPO Share Option Scheme of the Company was approved and adopted by the Board, which was subsequently amended on 17 September 2013. The purpose of the Pre-IPO Share Option Scheme is to enable our Company to grant pre-IPO options to employees, officers and directors of or consultant to any member of the Group (the "**Eligible Participants**") as recognition and acknowledgement of the contributions that such Eligible Participants have made or may make to the Group or any affiliates.

No further options can be granted under the Pre-IPO Share Option Scheme after the Listing Date. However, all options granted under the Pre-IPO Share Option Scheme are exercisable over an eight-year period from the date of vesting. Therefore, given that the last batch of options under the Pre-IPO Share Option Scheme were granted on 1 November 2012 and the options so granted shall vest over a period of four years after the date of grant, as at 30 June 2018, such remaining life is six years and four months.

Further details of the principal terms of the Pre-IPO Option Scheme are set out in the Prospectus and the Company's 2017 Annual Report. During the six months ended 30 June 2018, no option has been cancelled. Details of the movements in options during the six months ended 30 June 2018 under the Pre-IPO Share Option Scheme are set out in the section headed "Details of the options granted and outstanding under the Post-IPO Share Option Scheme and the Pre-IPO Share Option Scheme and the RSUs granted and outstanding under the RSU Scheme" below.

Other Information

Restricted Share Unit Scheme

On 17 September 2013, the RSU Scheme of the Company was approved and adopted by the Board. The purpose of the RSU Scheme is 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.

Persons eligible to receive the RSUs under the RSU Scheme are existing employees, directors (whether executive or non-executive, but excluding independent non-executive directors) or officers of the Company or any of its subsidiaries ("**RSU Eligible Persons**"). The Board selects the RSU Eligible Persons to receive RSUs under the RSU Scheme at its discretion. There is no maximum entitlement for each RSU Eligible Person under the rules of the RSU Scheme although no RSU Eligible Person has been granted RSUs exceeding 1.5% of the issued share capital of 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, being 4 March 2013 (unless it is terminated earlier in accordance with its terms) (the "**RSU Scheme Period**"). As at 30 June 2018, the remaining life of the RSU Scheme is approximately two years and eight months.

The maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) shall be such number of shares held or to be held by the RSU Trustee (as defined below) for the purpose of the RSU Scheme from time to time.

The Board may not grant any RSUs to any RSU Eligible Person in any of the following circumstances:

(i) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of the RSUs or in respect of the RSU Scheme, unless the Board determines otherwise;

(ii) where granting the RSUs would result in a breach by the Company, its subsidiaries or any of their directors of any applicable securities laws, rules or regulations; or

(iii) where such grant of RSUs would result in breach of the limit set out in the rules of the RSU Scheme. Under such rules, the maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules) shall be such number of shares held by the trustee for the purpose of the RSU Scheme from time to time.

The Board can determine the vesting criteria, conditions and the time schedule when the RSUs will vest and such criteria, conditions and time schedule shall be stated in the letter granting such RSUs. Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, the Board will send a vesting notice ("**Vesting Notice**") to each of the relevant participant in the RSU Scheme (the "**RSU Participants**"). The Vesting Notice will confirm the extent to which the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, and the number of shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those shares) involved. The RSUs that have been granted are subject to vesting as described in the section headed "Details of the options granted and outstanding under the Post-IPO Share Option Scheme and the Pre-IPO Share Option Scheme and the RSUs granted and outstanding under the RSU Scheme – (c) Consideration paid for the grant of RSUs and the vesting period of the RSUs granted under the RSU Scheme" below and once the RSUs vest and the corresponding shares transferred to the RSU Participants, the RSU Participants are not restricted from dealing in the shares under the rules of the RSU Scheme.

Other Information

The Company has appointed The Core Trust Company Limited as the trustee (the "**RSU Trustee**") to assist with the administration and vesting of RSUs granted pursuant to the RSU Scheme. The Company may (i) allot and issue shares to the RSU Trustee to be held by the RSU Trustee and which will be used to satisfy the RSUs upon exercise and/or (ii) direct and procure the RSU Trustee to receive existing shares from any shareholder or purchase existing shares (either on-market or off-market) to satisfy the RSUs upon exercise. The shares underlying the RSU Scheme are held by a nominee company, The Core Admin Boyaa RSU Limited (the "**RSU Nominee**"). Dividends that are attributable to the underlying shares of the RSU Scheme will be paid to the RSU Nominee as the registered shareholder of such shares. The dividends attributable to the underlying shares of RSUs already granted will be held by the RSU Nominee for the benefit of the RSU Participants which will be distributed to them in accordance with the corresponding number of underlying shares that each RSU Participant is entitled based on RSUs already granted to such RSU Participant at the time of distribution of the dividends. The remaining dividends represent dividends attributable to shares in the reserve pool of underlying shares where RSUs have not yet been granted (the "**RSU Pool**"). The dividends in respect of shares in the RSU Pool will first be used to settle any outstanding fees and expenses of the RSU Scheme payable by the Company to the trustee of the RSU Scheme and the remaining portion of such dividends will be transferred to the shareholders immediately prior to the adoption of the RSU Scheme, namely Boyaa Global Limited, Emily Technology Limited, Comsenz Holdings Limited and Sequoia Capital and its affiliates, in the proportion of their then respective shareholding interests in the Company. Similarly, any bonus shares distributed will be treated in the same manner as dividends save that the bonus shares will not be used to pay any outstanding fees and expenses of the RSU Scheme.

The Company has put in place the following mechanism for the exercise of the voting rights attached to the shares held by the RSU Nominee at the Company's general meetings:

(i) In respect of each general meeting of the Company, the Company will send a voting instruction form to each of the RSU Participants to solicit votes from such RSU Participants. The voting instruction form will be very similar to the proxy form for the relevant general meeting and will set out a general description of the resolutions proposed at the general meeting and will allow the RSU Participants to select whether to vote for or against each of the resolutions. A copy of the relevant corporate communication concerning matters to be proposed at such general meeting (such as shareholders' circular and annual report) will also be made available to each of the RSU Participants so that the RSU Participants will have all relevant information for considering the relevant resolutions as if they were shareholders of the Company. Each RSU Participant shall be entitled to one vote for each of the shares underlying the RSUs granted to him or her, whether vested or unvested. The RSU Participants will be required to return the signed and completed voting instruction form with the administrator of the RSU Scheme (the "**Administrator**") (currently being Mr. Zhang Wei) by the deadline stated in the voting instruction form, which deadline shall be no less than 7 days before the time for holding the relevant general meeting and the RSU Participants will be given at least 7 days to consider how they would like to cast their votes. In so far as the duly signed and completed voting instructions from the RSU Participants have been received by the Administrator prior to the proposed deadline, the Administrator will calculate the total of votes for and against each proposed resolution and will instruct the RSU Nominee accordingly, and the RSU Nominee shall vote only in accordance with the instructions of the Administrator which reflect the instructions of the RSU Participants.

(ii) For those RSU Participants who fail to return a duly signed and completed voting instructions form to the Administrator prior to the proposed deadline as set out in the voting instruction form, the Administrator will not give any instruction to the RSU Nominee so that no votes will be cast for such shares underlying the RSUs granted and the RSU Nominee shall abstain from voting with respect to such shares underlying the RSUs granted.

(iii) For the shares in the RSU Pool in respect of which no RSUs have been granted, the Administrator will not give any instruction to the RSU Nominee so that no votes will be cast for those shares and the RSU Nominee shall also abstain from voting with respect to such shares.

Further details of the principal terms of the RSU Scheme are set out in the Prospectus and the Company's 2017 Annual Report. During the six months ended 30 June 2018, no RSU has been granted or agreed to be granted under the RSU Scheme, nor has any RSU been cancelled. Details of the movements in the RSUs under the RSU Scheme are set out in the section headed "Details of the options granted and outstanding under the Post-IPO Share Option Scheme and the Pre-IPO Share Option Scheme and the RSUs granted and outstanding under the RSU Scheme" below.

Details of the options granted and outstanding under the Post-IPO Share Option Scheme and the Pre-IPO Share Option Scheme and the RSUs granted and outstanding under the RSU Scheme

Name of option holder/ grantees of RSU	Position held with the Group	Nature	Number of shares represented by options or RSUs at 1 January 2018	Date of grant	Granted during the period	Exercise price	Exercised during the period	Weighted average closing price of shares immediately before the dates on which the options were exercised	Lapsed during the period	Number of shares represented by options or RSUs at 30 June 2018
254 employees and previous employees of the Group		Options	56,888	1 February 2011	–	USD0.05	45,000	3.23	–	**11,888**
			14,749	2 March 2012	–	USD0.10	12,000	2.92	–	**2,749**
			72,240	1 July 2012	–	USD0.15	–	–	–	**72,240**
			10,563,913	7 September 2015	–	HKD3.108	751,000	3.30	777,530	**9,035,383**
		RSUs	8,838,407	1 February 2011	–	–	7,664,295	–	14,626	**1,159,486**
			78,155	2 March 2012	–	–	27,219	–	9,400	**41,536**
			98,908	1 July 2012	–	–	8,587	–	–	**90,321**
			10,498,243	4 March 2013	–	–	3,227,016	–	378,766	**6,892,461**
			967,140	12 March 2015	–	–	463,281	–	116,671	**387,188**
		Total	31,188,643		–		12,198,398		1,296,993	**17,693,252**

(a) Consideration paid for the grant of options, the vesting period and the exercise period of the options granted under the Post-IPO Share Option Scheme

Each holder of the options granted under the Post-IPO Share Option Scheme as referred to in the table above is required to pay an amount of HKD1.00 for the grant of each of the option under the Post-IPO Share Option Scheme.

Subject to the satisfactory performance of the option holders, the options granted to each of the option holders shall be vested in accordance with the vesting schedule as follows:

(i) as to 25% of the options granted on the date ending 12 months after the date of grant;

(ii) as to 25% of the options granted on the date ending 24 months after the date of grant; and

(iii) as to the remaining 50% of the options granted, on a monthly basis starting from the 25th month after the date of grant in 24 monthly equal lots.

Each option granted under the Post-IPO Share Option Scheme has a ten-year exercise period commencing from the date of grant.

(b) Consideration paid for the grant of options, the vesting period and the exercise period of the options granted under the Pre-IPO Share Option Scheme

The holders of the options granted under the Pre-IPO Share Option Scheme as referred to in the table above are not required to pay for the grant of any option under the Pre-IPO Share Option Scheme.

Subject to the satisfactory performance of the option holders, the options granted to each of the option holders shall be vested in accordance with vesting schedule as follows:

(i) as to 25% of the aggregate number of shares underlying the option on the date ending 12 months after the date of grant of such option;

(ii) as to 12.5% of the aggregate number of shares underlying the option on the date ending 18 months after the date of grant of such option;

(iii) as to 12.5% of the aggregate number of shares underlying the option on the date ending 24 months after the date of grant of such option; and

(iv) as to the remaining 50% of the aggregate number of shares underlying the option, on a monthly basis starting from the 25th month after the date of grant of such option in 24 monthly equal lots.

Each option granted under the Pre-IPO Share Option Scheme has an eight-year exercise period.

(c) ***Consideration paid for the grant of RSUs and the vesting period of the RSUs granted under the RSU Scheme***

The grantees of the RSUs granted under the RSU Scheme as referred to in the table above are not required to pay for the grant of any RSU under the RSU Scheme.

RSUs that were granted before 4 March 2013 were granted to replace certain options granted under the Pre-IPO Share Option Scheme and have the same vesting period as the options granted under the Pre-IPO Share Option Scheme. See the preceding sub-paragraph "(b) Consideration paid for the grant of options, the vesting period and the exercise period of the options granted under the Pre-IPO Share Option Scheme" above.

For the RSUs granted on 4 March 2013, they shall (unless the Company shall otherwise determine and so notify such grantees in writing) vest as follows:

(i) 25% of the RSUs on the date ending 12 months after 30 September 2013;

(ii) 12.5% of the RSUs on the date ending 18 months after 30 September 2013;

(iii) 12.5% of the RSUs ending 24 months after 30 September 2013; and

(iv) as to the remaining 50% of the RSUs, on a monthly basis starting from the 25th month after 30 September 2013 in 24 monthly equal lots.

For the RSUs granted on 12 March 2015, they shall vest as follows:

(i) as to 25% of the RSUs on the date ending 12 months after the date of grant of the RSUs;

(ii) as to 25% of the RSUs on the date ending 24 months after the date of grant of the RSUs;

(iii) as to 12.5% of the RSUs on the date ending 30 months after the date of grant of the RSUs;

(iv) as to 12.5% of the RSUs on the date ending 36 months after the date of grant of the RSUs; and

(v) as to the remaining 25% of the RSUs, on a monthly basis starting from the 37th month after the date of grant in 12 monthly equal lots,

and shall be subject to the Company and the relevant grantee meeting or satisfying the annual and half-yearly performance target or review immediately preceding such vesting.

Other Information

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2018, the Company repurchased 27,644,000 shares of the Company on the Stock Exchange at an aggregate consideration of HKD91,783,760.00 pursuant to the share repurchase mandate approved by the shareholders of the Company at the annual general meeting held on 29 May 2017 and 6 June 2018. Details of the repurchases are summarised as follows:

Date of repurchase	Price per share Highest	Lowest	Number of Ordinary Shares of USD0.00005 Each	Total consideration
	HKD	HKD		HKD
4 January 2018	3.24	3.23	350,000	1,133,190.00
8 January 2018	3.23	3.22	34,000	109,780.00
26 March 2018	3.03	2.96	198,000	596,440.00
3 April 2018	3.13	3.00	1,371,000	4,217,320.00
4 April 2018	3.18	3.06	1,437,000	4,489,760.00
6 April 2018	3.20	3.09	1,934,000	6,137,220.00
9 April 2018	3.27	3.15	1,424,000	4,617,710.00
10 April 2018	3.31	3.23	954,000	3,140,850.00
11 April 2018	3.37	3.30	895,000	3,003,030.00
12 April 2018	3.42	3.38	2,100,000	7,144,000.00
13 April 2018	3.47	3.39	605,000	2,087,750.00
16 April 2018	3.49	3.37	1,889,000	6,566,110.00
17 April 2018	3.52	3.47	3,102,000	10,856,660.00
18 April 2018	3.48	3.33	2,599,000	8,863,390.00
19 April 2018	3.55	3.40	5,364,000	18,711,780.00
20 April 2018	3.20	3.13	2,658,000	8,409,030.00
21 June 2018	2.41	2.41	50,000	120,500.00
22 June 2018	2.39	2.35	70,000	166,510.00
25 June 2018	2.38	2.37	142,000	337,760.00
26 June 2018	2.31	2.29	94,000	216,570.00
27 June 2018	2.31	2.30	200,000	461,100.00
28 June 2018	2.28	2.25	57,000	129,590.00
29 June 2018	2.29	2.28	117,000	267,710.00
Total:			27,644,000	91,783,760.00

Other Information

All the repurchased shares of the Company have been cancelled on 19 March 2018, 17 May 2018 and 17 August 2018 and the issued share capital of the Company has been reduced by the nominal value of the repurchased shares. The premium paid on repurchase was charged against the share premium of the Company. The repurchases were effected by the Board with a view to benefiting the shareholders of the Company as a whole by enhancing the earnings per share of the Company.

Except as disclosed above, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the six months ended 30 June 2018.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For the six months ended 30 June 2018, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Listing Rules, except for a deviation from the code provision A.2.1 which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the six months ended 30 June 2018.

Other Information

AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited consolidated financial statements and the interim report of the Group for the six months ended 30 June 2018. There is no disagreement between the Board and the Audit Committee regarding accounting treatment adopted by the Company.

CHANGE IN BOARD COMPOSITION AND CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE LISTING RULES

There is no other change in the composition of the Board or change in the directors' biographical details which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2017 annual report of the Company.

IMPORTANT EVENTS AFFECTING THE GROUP AFTER THE REPORTING PERIOD

There was no other important event affecting the Group which has taken place since 30 June 2018 and up to the date of this report.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

On 12 November 2013, the Company's shares were listed on the Main Board of the Stock Exchange. A total of 177,014,000 ordinary shares with nominal value of US$0.00005 each of the Company were issued at HK$5.35 per share for a total of approximately HK$947.0 million. The net proceeds raised by the Company from the abovementioned global offering are approximately HK$837.9 million.

As of 31 December 2017, unutilised proceeds from the abovementioned issuances amounted to HK$68.3 million. During the Reporting Period, a total of HK$38.1 million had been utilised for expanding our marketing, promotion activities and equity investments, for business expansion and for research and development activities, etc. As of 30 June 2018, the unutilised net proceeds, being HK$30.2 million, has been deposited into short-term demand deposits in a bank account maintained by the Group and are intended to be applied on marketing in the next one year.The proceeds were applied and are to be applied according to the intentions disclosed by the Company in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Report on Review of Interim Condensed Consolidated Financial Information

TO THE BOARD OF DIRECTORS OF BOYAA INTERACTIVE INTERNATIONAL LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial information set out on pages 32 to 70, which comprises the interim consolidated balance sheet of Boyaa Interactive International Limited (the "**Company**") and its subsidiaries (together, the "**Group**") as at 30 June 2018 and the related interim consolidated statement of comprehensive income for the three and six months then ended, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PAN-CHINA (H.K.) CPA LIMITED
Certified Public Accountants

Tsang Chiu Keung
Practising Certificate Number P04968

Hong Kong, 23 August 2018

Interim Consolidated Balance Sheet

As at 30 June 2018

	Notes	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	7	**41,195**	40,014
Intangible assets	7	**2,082**	2,788
Interests in associates	8	**16,406**	14,958
Financial assets at fair value through other comprehensive income	9	**91,017**	–
Available-for-sale financial assets		**–**	128,280
Deferred income tax assets	10	**13,711**	1,055
Prepayments and other receivables	12	**23,797**	26,122
Financial assets at fair value through profit or loss	13	**592,679**	554,660
		780,887	767,877
Current assets			
Trade receivables	11	**35,197**	36,203
Prepayments and other receivables	12	**53,687**	59,497
Financial assets at fair value through profit or loss	13	**843,661**	664,424
Term deposits		**268,041**	119,879
Cash and cash equivalents	14	**557,912**	858,193
		1,758,498	1,738,196
Total assets		**2,539,385**	2,506,073
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	15	**237**	249
Share premium	15	**544,226**	642,365
Repurchased shares	15	**(1,433)**	(27,283)
Shares held for restricted share units Scheme ("**RSU Scheme**")	15	**(15)**	(15)
Reserves	16	**(51,473)**	93,634
Retained earnings		**1,770,396**	1,515,211
		2,261,938	2,224,161
Non-controlling interests		**–**	–
Total equity		**2,261,938**	2,224,161

Interim Consolidated Balance Sheet

As at 30 June 2018

	Notes	**30 June 2018 RMB'000 (unaudited)**	31 December 2017 RMB'000 (audited)
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	10	**12,610**	2,899
Current liabilities			
Trade and other payables	18	**91,665**	97,218
Deferred revenue		**–**	18,176
Contract liabilities	19	**12,246**	–
Current income tax liabilities		**160,926**	163,619
		264,837	279,013
Total liabilities		**277,447**	281,912
Total equity and liabilities		**2,539,385**	2,506,073
Net current assets		**1,493,661**	1,459,183
Total assets less current liabilities		**2,274,548**	2,227,060

Interim Consolidated Statement of Comprehensive Income

For the Three and Six Months Ended 30 June 2018

	Notes	Three months ended 30 June 2018 RMB'000 (unaudited)	Three months ended 30 June 2017 RMB'000 (unaudited)	Six months ended 30 June 2018 RMB'000 (unaudited)	Six months ended 30 June 2017 RMB'000 (unaudited)
Revenue	6	**124,365**	189,335	**284,235**	411,705
Cost of revenue	20	**(35,771)**	(65,167)	**(90,251)**	(159,267)
Gross profit		**88,594**	124,168	**193,984**	252,438
Selling and marketing expenses	20	**(8,431)**	(5,320)	**(21,105)**	(17,701)
Administrative expenses	20	**(33,160)**	(53,333)	**(71,571)**	(114,529)
Other gains – net	21	**27,562**	2,280	**62,878**	11,432
Operating profit		**74,565**	67,795	**164,186**	131,640
Finance income	22	**4,243**	14,681	**9,115**	27,567
Finance costs	22	**–**	–	**(89)**	(320)
Finance income – net	22	**4,243**	14,681	**9,026**	27,247
Share of profit/(loss) of associates	8	**1,242**	194	**1,448**	(271)
Profit before income tax		**80,050**	82,670	**174,660**	158,616
Income tax expenses	23	**(8,294)**	(8,742)	**(20,882)**	(17,247)
Profit for the period		**71,756**	73,928	**153,778**	141,369
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		**–**	(10,096)	**–**	(18,165)
– Currency translation differences		**21,632**	(3,435)	**2,416**	(6,054)
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		**(47,353)**	–	**(48,194)**	–
Other comprehensive loss for the period, net of tax		**(25,721)**	(13,531)	**(45,778)**	(24,219)
Total comprehensive income for the period		**46,035**	60,397	**108,000**	117,150

Interim Consolidated Statement of Comprehensive Income

For the Three and Six Months Ended 30 June 2018

	Notes	Three months ended 30 June		Six months ended 30 June	
		2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	**2018 RMB'000 (unaudited)**	2017 RMB'000 (unaudited)
Profit attributable to:					
– Owners of the Company		**71,756**	73,928	**153,778**	141,369
– Non-controlling interests		**–**	–	**–**	–
		71,756	73,928	**153,778**	141,369
Total comprehensive income attributable to:					
– Owners of the Company		**46,035**	60,397	**108,000**	117,150
– Non-controlling interests		**–**	–	**–**	–
		46,035	60,397	**108,000**	117,150
Earnings per share *(expressed in RMB cents per share)*					
– Basic	24	**10.68**	10.80	**22.66**	20.71
– Diluted	24	**10.55**	10.39	**22.26**	19.89
Dividends	25	**–**	–	**–**	–

Interim Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2018

		(unaudited)								
		Attributable to owners of the Company								
	Notes	Share capital RMB'000	Share premium RMB'000	Repurchased shares RMB'000	Shares held for RSU Scheme RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018		249	642,365	(27,283)	(15)	93,634	1,515,211	2,224,161	–	2,224,161
Adjustment on adoption of IFRS 9	3	–	–	–	–	(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		–	–	–	–	–	153,778	153,778	–	153,778
Other comprehensive income/(loss)										
– Changes in fair value of financial assets at fair value through other comprehensive income, net of tax		–	–	–	–	(48,194)	–	(48,194)	–	(48,194)
– Currency translation differences		–	–	–	–	2,416	–	2,416	–	2,416
Total comprehensive income for the period		–	–	–	–	(45,778)	153,778	108,000	–	108,000
Employee share option and RSU schemes										
– Value of employee services	16	–	–	–	–	2,078	–	2,078	–	2,078
– Proceeds from shares issued	15	–	1,909	–	–	–	–	1,909	–	1,909
Buy-back of shares	15	–	–	(74,210)	–	–	–	(74,210)	–	(74,210)
Cancellation of shares	15	(12)	(100,048)	100,060	–	–	–	–	–	–
Total transactions with owners, recognised directly in equity		(12)	(98,139)	25,850	–	2,078	–	(70,223)	–	(70,223)
Balance at 30 June 2018		237	544,226	(1,433)	(15)	(51,473)	1,770,396	2,261,938	–	2,261,938

Interim Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2018

		(unaudited)							
		Attributable to owners of the Company							
	Notes	Share capital RMB'000	Share premium RMB'000	Shares held for RSU Scheme RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non–controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017		248	609,826	(17)	139,542	1,271,966	2,021,565	–	2,021,565
Comprehensive income									
Profit for the period		–	–	–	–	141,369	141,369	–	141,369
Other comprehensive income									
– Changes in fair value of available-for-sale financial assets, net of tax		–	–	–	(18,165)	–	(18,165)	–	(18,165)
– Currency translation differences		–	–	–	(6,054)	–	(6,054)	–	(6,054)
Total comprehensive income for the period		–	–	–	(24,219)	141,369	117,150	–	117,150
Employee share option and RSU schemes									
– Value of employee services	16	–	–	–	5,953	–	5,953	–	5,953
– Proceeds from shares issued		–	4,050	–	–	–	4,050	–	4,050
Total transactions with owners, recognised directly in equity		–	4,050	–	5,953	–	10,003	–	10,003
Balance at 30 June 2017		248	613,876	(17)	121,276	1,413,335	2,148,718	–	2,148,718

Interim Consolidated Statement of Cash Flows

For the Six Months Ended 30 June 2018

	Notes	Six months ended 30 June **2018** **RMB'000** **(unaudited)**	 2017 RMB'000 (unaudited)
Cash flows from operating activities			
Cash generated from operations		**110,754**	165,124
Income tax paid		**(19,943)**	(13,842)
Net cash generated from operating activities		**90,811**	151,282
Cash flows from investing activities			
Purchase of property, plant and equipment		**(5,505)**	(4,123)
Purchase of financial assets at fair value through profit or loss		**(1,479,700)**	(710,698)
Placement of term deposits with original maturities over three months		**(213,171)**	–
Proceeds from maturity of term deposits with original maturities over three months		**65,342**	444
Proceeds from disposal of financial assets at fair value through profit or loss		**1,288,100**	189,146
Proceeds from disposals of property, plant and equipment		**21**	–
Dividends from financial assets at fair value through other comprehensive income	21	**134**	–
Dividends from available-for-sale financial assets	21	**–**	1,576
Return on financial assets at fair value through profit or loss		**19,667**	2,574
Interest received		**2,683**	23,378
Net cash used in from investing activities		**(322,429)**	(497,703)
Cash flows from financing activities			
Buy-back of shares		**(74,210)**	–
Proceeds from issuance of ordinary shares	17	**1,909**	4,050
Net cash (used in)/generated from financing activities		**(72,301)**	4,050
Net decrease in cash and cash equivalents		**(303,919)**	(342,371)
Cash and cash equivalents at the beginning of the period		**858,193**	1,563,281
Exchange gains on cash and cash equivalents		**3,638**	3,478
Cash and cash equivalents at the end of the period		**557,912**	1,224,388

Notes to the Interim Condensed Consolidated Financial Information

1. GENERAL INFORMATION

Boyaa Interactive International Limited (the "**Company**") was incorporated in the Cayman Islands. The address of its registered office is P.O. Box 309, 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 ("**Stock Exchange**") 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 June 2018, the interim consolidated statements of comprehensive income for the three and six months then ended, the interim consolidated statement of changes in equity and the interim consolidated statement of cash flows for the six 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 (the "**Board**") on 23 August 2018.

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

2. BASIS OF PREPARATION

The Interim Condensed Consolidated Financial Information is prepared in accordance with applicable disclosure provisions of the Rules Governing the Listings of Securities on The Stock Exchange of Hong Kong Limited and International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. This Interim 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 dated 23 March 2018 (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.

3. SIGNIFICANT ACCOUNTING POLICIES

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 following table summarises the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Carrying amount as at 1 January 2018 under IAS 39 RMB'000 (unaudited)	Carrying amount as at 1 January 2018 under IFRS 9 RMB'000 (unaudited)
Trade receivables	Loans and receivables	Amortised cost	**36,203**	**36,203**
Other receivables	Loans and receivables	Amortised cost	**67,777**	**67,777**
Listed equity securities	Available-for-sale financial assets	Financial assets at fair value through other comprehensive income	**114,198**	**114,198**
Unlisted equity investments	Available-for-sale financial assets	Financial assets at fair value through other comprehensive income	**1,000**	**1,000**
Preference shares of private companies	Available-for-sale financial assets	Financial assets at fair value through other comprehensive income	**13,082**	**13,082**
Asset management plans	Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss	**160,000**	**160,000**
Equity investment partnerships	Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss	**394,660**	**394,660**
Wealth management products	Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss	**664,424**	**664,424**
Term deposits	Loans and receivables	Amortised cost	**119,879**	**119,879**
Cash and cash equivalents	Loans and receivables	Amortised cost	**858,193**	**858,193**

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 following tables summarise the impact of transition to IFRS 9 on retained earnings and other reserves at 1 January 2018:

	RMB'000
Retained earnings	
Balance at 1 January 2018 (audited)	**1,515,211**
Adjustment on adoption of IFRS 9	**101,407**
Adjusted balance at 1 January 2018 (unaudited)	**1,616,618**

	RMB'000
Other reserve (Note 16)	
Balance at 1 January 2018 (audited)	**(17,577)**
Adjustment on adoption of IFRS 9	**(101,407)**
Adjusted balance at 1 January 2018 (unaudited)	**(118,984)**

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 RMB861,000 expected credit loss on trade receivables on the amounts reported in the financial information during the six months ended 30 June 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).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

4. ESTIMATES

The preparation of the Interim Condensed Consolidated Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The implementation of IFRS 9 resulted in a change to the assessment of the critical accounting estimates and judgements related to impairment assessment of financial instruments.

In determining expected credit loss, management is required to exercise judgement in defining what is considered to be a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. A provision matrix is determined based on the Group's historical observed default rate with similar credit risk characteristics and is adjusted for forward-looking estimates.

4. ESTIMATES *(Continued)*

The exercise of judgement in making estimations requires the use of assumptions which are highly subjective and very sensitive to the risk factors, in particular to changes in economic and credit conditions in relevant geographical areas. Many of the factors have a high degree of interdependency and there is no single factor to which trade receivables impairment allowances as a whole are sensitive. The adjustment from the expected credit loss determined by using the provision matrix, which is used to calculate an unbiased expected loss, provides an indication of the overall sensitivity of expected credit loss to different economic assumptions.

The implementation of IFRS15 resulted in a change to the revenue recognition. The identification of performance obligations in the contract, the determination of transaction price, the allocation of transaction price to the performance obligations in the contract and the recognition of revenue when the entity satisfies a performance obligation involve judgements.

There were no other changes in the Group's accounting policies and the key sources of estimation uncertainty applied in the 2017 Financial Statements.

5. FINANCIAL RISK MANAGEMENT

5.1 *Financial risk factor*

The Group is subject to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2017 Financial Statements.

There have been no significant changes in risk management policies since the year end of 2017.

5.2 *Foreign exchange risk*

The Group operates internationally and it is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB and United States dollars ("**USD**"). The Group currently does not hedge transactions undertaken in foreign currencies but manages its exposure through constant monitoring to limit as much as possible the amount of its foreign currencies exposures. Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The finance department is responsible for monitoring and managing the net position in each foreign currency.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.2 *Foreign exchange risk (Continued)*

For the PRC subsidiaries whose functional currencies are RMB, if USD had strengthened/weakened by 5% against RMB with all other variables held constant, the post-tax profit for the six months ended 30 June 2018 of the Group would have been approximately RMB1,505,000 higher/lower (for the six months ended 30 June 2017: approximately RMB1,527,000), mainly as a result of net foreign exchange gains/losses on translation of net monetary assets denominated in USD. For the group companies outside of the PRC whose functional currencies are USD or HKD, if RMB had strengthened/weakened by 5% against USD and HKD with all other variables held constant, the post-tax profit for the six months ended 30 June 2018 would have been approximately RMB19,792,000 higher/lower (for the six months ended 30 June 2017: approximately RMB18,612,000), mainly as a result of net foreign exchange gains/losses on translation of net monetary assets denominated in RMB.

5.3 *Liquidity risk*

Compared to the year end of 2017, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

5.4 *Fair value estimation*

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.4 *Fair value estimation (Continued)*

The following table presents the Group's financial assets that are measured at fair value at 30 June 2018 and 31 December 2017:

	Level 1 RMB'000	**Level 2** RMB'000	**Level 3** RMB'000	**Total** RMB'000
Unaudited				
At 30 June 2018				
Assets				
Financial assets at fair value through profit or loss	**–**	**–**	**1,436,340**	**1,436,340**
Financial assets at fair value through other comprehensive income	**74,743**	**–**	**16,274**	**91,017**
	74,743	**–**	**1,452,614**	**1,527,357**
Audited				
At 31 December 2017				
Assets				
Financial assets at fair value through profit or loss	–	–	1,219,084	1,219,084
Available-for-sale financial assets	114,198	–	14,082	128,280
	114,198	–	1,233,166	1,347,364

The directors work closely with the finance department of the Group to establish the appropriate valuation techniques and inputs to the valuation model by enquiring the investees' management and reviewing latest management reports and relevant contracts to verify and analyse major inputs and assumptions used in each valuation of investments.

Fair value of financial assets that are measured at fair value in Level 1 are determined by quoted prices in active markets.

Fair value of financial assets that are measured at fair value in Level 3 have been estimated by using various valuation techniques, including reference to the Group's share of their respective net asset values, estimated rate of return of the investments and subsequent realisation, etc. The fair value was based on inputs that are not observable market data, but change of these inputs to reasonably possible alternatives would not have material effect on the Group's results and financial position.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.4 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments for the six months ended 30 June 2018:

	Financial assets at fair value through profit or loss RMB'000 (unaudited)	Financial assets at fair value through other comprehensive income RMB'000 (unaudited)	Available-for-sale financial assets RMB'000 (unaudited)	Total RMB'000 (unaudited)
Opening balance as at 1 January 2018	1,219,084	–	14,082	1,233,166
Transfer from available-for-sale financial assets upon adoption of IFRS 9	–	14,082	(14,082)	–
Additions	1,479,700	3,000	–	1,482,700
Disposals	(1,291,105)	–	–	(1,291,105)
Unrealised fair value gains recognised in profit or loss	27,750	–	–	27,750
Unrealised fair value gains recognised in other comprehensive income	–	(932)	–	(932)
Currency translation differences	911	124	–	1,035
Closing balance as at 30 June 2018	1,436,340	16,274	–	1,452,614
Total unrealised fair value gains for the period recognised in profit or loss under "other gains – net"	27,750	–	–	27,750

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.4 *Fair value estimation (Continued)*

The following table presents the changes in level 3 instruments for the six months ended 30 June 2017:

	Financial assets at fair value through profit or loss RMB'000 (unaudited)	Available-for-sale financial assets RMB'000 (unaudited)	Total RMB'000 (unaudited)
Opening balance as at 1 January 2017	325,285	14,686	339,971
Additions	710,697	–	710,697
Disposals	(185,758)	–	(185,758)
Unrealised fair value gains recognised in profit or loss	2,246	–	2,246
Exchange differences	(925)	(244)	(1,169)
Closing balance as at 30 June 2017	851,545	14,442	865,987
Total unrealised fair value gains for the period recognised in profit or loss under "other gains – net"	2,246	–	2,246

6. REVENUE AND SEGMENT INFORMATION

	Three months ended 30 June		Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	**2018 RMB'000 (unaudited)**	2017 RMB'000 (unaudited)
Development and operations of online games				
– Web-based games	**44,169**	53,610	**96,219**	116,645
– Mobile games	**80,196**	135,725	**188,016**	295,060
	124,365	189,335	**284,235**	411,705

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.

Notes to the Interim Condensed Consolidated Financial Information

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

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 30 June		Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	**2018 RMB'000 (unaudited)**	2017 RMB'000 (unaudited)
Simplified Chinese	**38,338**	94,413	**116,386**	217,754
Other languages	**86,027**	94,922	**167,849**	193,951
	124,365	189,335	**284,235**	411,705

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 six months ended 30 June 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 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Mainland China	**67,152**	66,807
Other locations	**16,328**	17,075
	83,480	83,882

7. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment RMB'000 (unaudited)	**Intangible assets RMB'000 (unaudited)**
Opening balance as at 1 January 2018	**40,014**	**2,788**
Additions	**5,505**	**–**
Disposals	**(22)**	**–**
Depreciation and amortisation	**(4,418)**	**(706)**
Currency translation differences	**116**	**–**
Closing balance as at 30 June 2018	**41,195**	**2,082**

8. INTERESTS IN ASSOCIATES

	RMB'000 (unaudited)
At 1 January 2018	14,958
Share of profit	1,448
At 30 June 2018	16,406

The directors of the Company consider that all associates as at 30 June 2018 and 31 December 2017 were insignificant to the Group and thus the individual summarised financial information of these associates are not disclosed.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	RMB'000 (unaudited)
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
Additions of listed equity investment	15,318
Net losses from changes in fair value	(56,188)
Currency translation differences	607
At 30 June 2018	91,017

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

	30 June 2018 RMB'000 (unaudited)
Listed equity securities in PRC	61,841
Listed equity securities in the United States	12,902
Unlisted equity investments	3,068
Preference shares of private companies	13,206
	91,017

10. DEFERRED INCOME TAX

The movement in deferred income tax assets during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

	Deferred income tax assets RMB'000 (unaudited)
At 1 January 2018	**1,055**
Charged to profit or loss (Note 23)	**(457)**
Tax credited relating to components of other comprehensive income	**13,113**
At 30 June 2018	**13,711**

The movement in deferred income tax liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

	Deferred income tax liabilities RMB'000 (unaudited)
At 1 January 2018	**2,899**
Charged to profit or loss (Note 23)	**4,592**
Tax charged relating to components of other comprehensive income	**5,119**
At 30 June 2018	**12,610**

11. TRADE RECEIVABLES

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Trade receivables	**36,058**	36,203
Less: impairment provision	**(861)**	–
	35,197	36,203

Trade receivables were arising from the development and operation of online game business. 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 end of respective reporting period is as follows:

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
0 – 60 days	**22,401**	27,369
61 – 90 days	**5,799**	2,952
91 – 180 days	**4,964**	2,155
Over 180 days	**2,894**	3,727
	36,058	36,203

12. PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Included in non-current assets		
Prepayments for purchase of property, plant and equipment	**6,123**	6,489
Loans to employees (Note (a))	**13,774**	16,133
Advances to employees	**3,900**	3,500
	23,797	26,122
Included in current assets		
Loans to employees (Note (a))	**1,981**	2,748
Advances to employees	**3,037**	5,671
Deposits	**1,503**	1,214
Prepayment for advertising costs	**1,750**	7,530
Prepaid commission charges	**1,335**	2,887
Prepayments for servers rental expenses	**711**	660
Interest receivables	**2,617**	2,240
Loan to an associate (Note 26)	**2,000**	2,000
Undeducted input VAT	**794**	276
Prepayments to Securities Broker	**29,513**	22,921
Others	**8,446**	11,350
	53,687	59,497
	77,484	85,619

(a) Loans to employees represented housing or auto loans to certain employees. These loans are unsecured and interest-free. Approximately RMB15,755,000 are required to be repaid in 1 to 10 years as at 30 June 2018 (31 December 2017: approximately RMB18,881,000). The initial fair values of the non-current loans to employees were based on cash flows discounted using interest rates based on the prevailing borrowing rates (ranging from 4.75% to 6.15%) promulgated by the People's Bank of China. The differences of approximately RMB89,000 (six month ended 30 June 2017: approximately RMB320,000) between the initial fair values and the principals of these loans were recorded in "finance costs" (Note 22).

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Included in non-current assets		
Non-quoted investments in:		
– asset management plans	**100,572**	160,000
– equity investment partnerships	**492,107**	394,660
	592,679	554,660
Included in current assets		
Non-quoted investments in:		
– asset management plan	**42,346**	–
– wealth management products	**801,315**	664,424
	843,661	664,424
	1,436,340	1,219,084

14. CASH AND CASH EQUIVALENTS

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Cash at bank and in hand	**174,941**	207,754
Short-term bank deposits	**382,971**	650,439
	557,912	858,193

The short-term bank deposits are denominated in RMB and have a term ranging from 1 month to 3 months. The effective interest rate of these deposits for the six months ended 30 June 2018 was 3.33% (for the year ended 31 December 2017: 3.97%).

Notes to the Interim Condensed Consolidated Financial Information

15. SHARE CAPITAL, SHARE PREMIUM, REPURCHASED SHARES AND SHARES HELD FOR RSU SCHEME

As at 30 June 2018, the total authorised share capital of the Company comprises 2,000,000,000 ordinary shares (31 December 2017: 2,000,000,000 ordinary shares) with par value of USD0.00005 per share (31 December 2017: USD0.00005 per share).

As at 30 June 2018, the total number of issued ordinary shares of the Company were 731,229,301 shares (31 December 2017: 767,821,301 shares) which included 61,258,828 shares (31 December 2017: 72,764,226 shares) held under the RSU Scheme (Note 17(b)), and 730,000 repurchased shares (31 December 2017:10,492,000 shares) repurchased for subsequent cancellation. They have been fully paid up, except for 6,000 ordinary shares which were allotted to The Core Admin Boyaa Option Limited on 23 April 2018.

		(unaudited)					
	Notes	Number of ordinary shares '000	Nominal value of ordinary shares USD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Repurchased shares RMB'000	Shares held for RSU Scheme RMB'000
At 1 January 2018		767,821	38	249	642,365	(27,283)	(15)
Employee share option and RSU schemes							
– proceeds from shares issued	17(a)	814	–	–	1,909	–	–
Buy-back of shares	(a)	–	–	–	–	(74,210)	–
Cancellation of shares	(a)	(37,406)	(1)	(12)	(100,048)	100,060	–
At 30 June 2018		731,229	37	237	544,226	(1,433)	(15)

(a) The Group repurchased 27,644,000 of its own shares (31 December 2017: 10,492,000 shares) from the market during the six months ended 30 June 2018. The total amount paid to acquire the shares was approximately RMB74,210,000 and has been deducted from the shareholders' equity. These repurchased shares were subsequently cancelled in March, May and August 2018. The related weighted average price at the time of buy-back was HKD3.35 per share.

16. RESERVES

	(unaudited)					
	Capital reserve RMB'000	Currency translation differences RMB'000	Statutory surplus reserve fund RMB'000	Share-based compensation reserve RMB'000	Other reserve RMB'000	Total RMB'000
Balance at 1 January 2018	**2,000**	**(4,300)**	**21,000**	**92,511**	**(17,577)**	**93,634**
Adjustment on adoption of IFRS 9	**–**	**–**	**–**	**–**	**(101,407)**	**(101,407)**
Adjusted balance at 1 January 2018	**2,000**	**(4,300)**	**21,000**	**92,511**	**(118,984)**	**(7,773)**
Employee share option and RSU schemes – value of employee services (Note 20)	**–**	**–**	**–**	**2,078**	**–**	**2,078**
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	**–**	**–**	**–**	**–**	**(48,194)**	**(48,194)**
Currency translation differences	**–**	**2,416**	**–**	**–**	**–**	**2,416**
Balance at 30 June 2018	**2,000**	**(1,884)**	**21,000**	**94,589**	**(167,178)**	**(51,473)**
Balance at 1 January 2017	2,000	14,782	21,000	109,054	(7,294)	139,542
Employee share option and RSU schemes – value of employee services (Note 20)	–	–	–	5,953	–	5,953
Changes in fair value of available-for-sale financial assets, net of tax	–	–	–	–	(18,165)	(18,165)
Currency translation differences	–	(6,054)	–	–	–	(6,054)
Balance at 30 June 2017	2,000	8,728	21,000	115,007	(25,459)	121,276

17. 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	**(808,000)**	(1,508,000)
Lapsed	**(777,530)**	(4,605,000)
At 30 June	**9,122,260**	13,308,221

Share options exercised during the period resulted in 808,000 shares being issued, with exercise proceeds of approximately RMB1,909,000. The related weighted average share price at the time of exercise was HKD3.29 per share (30 June 2017: HKD4.03 per share).

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

	Exercise price		**Number of share options**	
Expiry Date	**Original currency**	**Equivalent to HKD**	**2018 (unaudited)**	2017 (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	**72,240**	72,240
6 September 2025	HKD3.108	HKD3.108	**9,035,383**	13,145,000
			9,122,260	13,308,221

17. SHARE-BASED PAYMENTS *(Continued)*

(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 (the "**RSU Trustee**") 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	**(519,463)**	(2,778,425)
Vested and transferred	**(11,390,398)**	(3,591,480)
At 30 June	**8,570,992**	30,800,399
Vested but not transferred as at 30 June	**6,761,134**	24,052,150

The related weighted average share price at the time when the RSUs were vested and transferred was HKD3.14 per share (30 June 2017: HKD4.11 per share).

(c) Expected retention rate grantees

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of vesting periods of the share options (the "**Expected Retention Rate**") in order to determine the amount of share-based compensation expenses charged to the statement of comprehensive income. As at 30 June 2018, the Expected Retention Rate was assessed to be 80% (31 December 2017: 80%).

(d) Shares held for RSU Scheme

Pursuant to a resolution passed by the Board of the Company on 17 September 2013, the Company set up a RSU Scheme. On 11 October 2013, the Company entered into a trust deed with the RSU Trustee and the RSU Nominee, pursuant to which the RSU Trustee acts as the administrator of the RSU Scheme and the RSU Nominee holds the shares underlying the RSU Scheme.

18. TRADE AND OTHER PAYABLES

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Trade payables	**1,668**	837
Other taxes payable	**44,167**	44,927
Accrued expenses	**3,387**	3,105
Accrued commissions charges by platforms	**22,312**	33,877
Accrued advertising expenses	**2,075**	2,155
Salary and staff welfare payables	**12,962**	6,858
Advance received from sales of prepaid game cards	**4,511**	4,097
Others	**583**	1,362
	91,665	97,218

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 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
0 – 30 days	**532**	542
31 – 60 days	**312**	6
61 – 90 days	**133**	–
Over 90 days	**691**	289
	1,668	837

19. CONTRACT LIABILITIES

Contract liabilities represented service fees prepaid by the game players for the Group's online games in the forms of prepaid game cards, game tokens and virtual items, for which the related services had not been rendered as at 30 June 2018. 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).

20. EXPENSES BY NATURE

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

	Three months ended 30 June		Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	**2018 RMB'000 (unaudited)**	2017 RMB'000 (unaudited)
Commission charges by platforms and third party payment vendors (included in cost of revenue)	**32,620**	53,065	**79,203**	136,971
Employee benefit expenses (excluding share-based compensation expenses)	**24,363**	42,506	**61,006**	92,712
Share-based compensation expenses	**870**	2,683	**2,078**	5,953
Servers rental expenses	**2,979**	4,727	**6,167**	9,465
Office rental expenses	**2,117**	2,398	**4,345**	4,764
Depreciation of property, plant and equipment	**2,258**	2,091	**4,418**	4,457
Travelling and entertainment expenses	**1,392**	2,246	**2,010**	4,316
Other professional service fees	**1,847**	1,063	**3,165**	3,555
Auditor's remuneration	**550**	774	**1,100**	1,074
Advertising expenses	**5,202**	1,977	**13,757**	10,834
Amortisation of intangible assets	**350**	421	**706**	844
Other expenses	**2,814**	9,869	**4,972**	16,552
	77,362	123,820	**182,927**	291,497

Research and development expenses during the three and six months ended 30 June 2018 and 2017 were analysed as below:

	Three months ended 30 June		Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	**2018 RMB'000 (unaudited)**	2017 RMB'000 (unaudited)
Employee benefit expenses (excluding share-based compensation expenses)	**14,932**	31,172	**33,179**	58,600
Depreciation of property, plant and equipment	**–**	446	**–**	825
Office rental expenses	**561**	766	**1,168**	1,616
Other expenses	**2,724**	3,185	**3,430**	9,201
	18,217	35,569	**37,777**	70,242

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

21. OTHER GAINS – NET

	Three months ended 30 June		Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	**2018 RMB'000 (unaudited)**	2017 RMB'000 (unaudited)
Realised/unrealised fair value gains/(losses) on financial assets at fair value through profit or loss	**14,775**	(194)	**47,417**	5,634
Foreign exchange (losses)/gains, net	**(1,578)**	151	**(1,367)**	560
Government subsidies and tax rebates (Note (a))	**4,433**	73	**6,860**	3,002
Dividends from available-for-sale financial assets	**–**	1,576	**–**	1,576
Dividends from financial assets at fair value through other comprehensive income	**134**	–	**134**	–
Dividends from financial assets at fair value through profit or loss	**12,271**	–	**12,271**	–
Loss on disposal of property, plant and equipment	**–**	(1)	**(1)**	(15)
Others	**(2,473)**	675	**(2,436)**	675
	27,562	2,280	**62,878**	11,432

(a) Government subsidies represented various industry-specific subsidies granted by the government authorities to subsidise the research and development costs incurred by the Group during the course of its business.

22. FINANCE INCOME – NET

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Finance income				
Interest income	**4,217**	11,543	**6,900**	23,378
Interest income on non-current loans to employees	**935**	508	**1,141**	706
Foreign exchange (losses)/gains, net	**(909)**	2,630	**1,074**	3,483
	4,243	14,681	**9,115**	27,567
Finance costs				
Discounting effects of non-current loans to employees	**–**	–	**(89)**	(320)
Finance income – net	**4,243**	14,681	**9,026**	27,247

23. INCOME TAX EXPENSES

The income tax expenses of the Group for the three and six months ended 30 June 2018 and 2017 is analysed as follows:

	Three months ended 30 June		Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	**2018 RMB'000 (unaudited)**	2017 RMB'000 (unaudited)
Current income tax – PRC				
– Provision for the period	**1,038**	14,851	**6,450**	14,923
– Over-provision in prior periods	**(1,137)**	(290)	**(1,137)**	(290)
	(99)	14,561	**5,313**	14,633
Current income tax – Hong Kong				
– Provision for the period	**6,077**	–	**10,520**	2,218
– Over-provision in prior periods	**–**	(6,469)	**–**	–
	6,077	(6,469)	**10,520**	2,218
Deferred income tax	**2,316**	650	**5,049**	396
	8,294	8,742	**20,882**	17,247

23. INCOME TAX EXPENSES *(Continued)*

(a) Cayman Islands Income Tax

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

(b) Hong Kong Profits Tax

Hong Kong profits tax has been provided 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 six months ended 30 June 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 under the PRC Corporate Income Tax Law in 2015 and as a result, Boyaa Shenzhen enjoys a preferential tax rate of 15% from 1 January 2015 to 31 December 2017. Based on the assessment of the Company's management, 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 and six months ended 30 June 2018 (for the three and six months ended 30 June 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% from 1 January 2016 to 31 December 2018. Therefore, the actual income tax rate for Boyaa PRC was 15% for the three and six months ended 30 June 2018 (for the three and six months ended 30 June 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 and six months ended 30 June 2018 and 2017.

23. INCOME TAX EXPENSES *(Continued)*

(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 June 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 RMB1,144,423,000 (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:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit before income tax	**174,660**	158,616
(Less)/add: Share of (profit)/loss of associates	**(1,448)**	271
	173,212	158,887
Tax calculated at a tax rate of 25%	**43,303**	39,722
Tax effects of:		
– Tax concession on assessable profits of Boyaa Shenzhen and Boyaa PRC	**(9,562)**	(13,744)
– Different tax rates available to different subsidiaries of the Group	**(4,998)**	(2,526)
– Expenses not deductible for tax purposes	**934**	341
– Income not subject to tax	**(4,912)**	(1,109)
– Super Deduction	**(2,746)**	(5,147)
– Over-provision in prior periods	**(1,137)**	(290)
Income tax expenses	**20,882**	17,247

24. 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 30 June		**Six months ended 30 June**	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Profit attributable to owners of the Company	**71,756**	73,928	**153,778**	141,369
Weighted average number of ordinary shares in issue *(thousand shares)*	**672,162**	684,267	**678,573**	682,742
Basic earnings per share *(expressed in RMB cents per share)*	**10.68**	10.80	**22.66**	20.71

(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 six months ended 30 June 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.

24. EARNINGS PER SHARE *(Continued)*

(b) Diluted (Continued)

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Profit used to determine diluted earnings per share	**71,756**	73,928	**153,778**	141,369
Weighted average number of ordinary shares in issue *(thousand shares)*	**672,162**	684,267	**678,573**	682,742
Adjustment for RSUs *(thousand shares)*	**7,968**	24,597	**12,289**	24,560
Adjustment for share options *(thousand shares)*	**72**	2,618	**87**	3,591
Weighted average number of ordinary shares for calculating diluted earnings per share *(thousand shares)*	**680,202**	711,482	**690,949**	710,893
Diluted earnings per share *(expressed in RMB cents per share)*	**10.55**	10.39	**22.26**	19.89

25. DIVIDENDS

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

26. SIGNIFICANT RELATED PARTY TRANSACTIONS

Save as disclosed in other notes, the following significant transactions were carried out between the Group and its related parties for the three and six months ended 30 June 2018 and 2017. In the opinion of the Directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Transactions with related parties:

	Three months ended 30 June		**Six months ended 30 June**	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	**2018 RMB'000 (unaudited)**	2017 RMB'000 (unaudited)
Commission expenses paid/payable to an associate: Chengdu Boyu Interactive Technology Co., Ltd. ("**Chengdu Boyu**")	**63**	219	**189**	1,003
Repayment of loan/other receivables from an associate: Shenzhen Jisiwei Intelligent Technology Co., Ltd.	**–**	–	**–**	2,000
Repayment of other receivables from related company: Shenzhen Chun Lei Dong Fang Technology Co., Ltd	**–**	–	**–**	300

26. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(a) *Transactions with related parties:* ***(Continued)***

Compensation of key management personnel (including Directors):

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Wages, salaries, fees, allowances, bonus and benefits in kind	**605**	756	**1,242**	1,514
Pension costs – defined contributions plans	**9**	16	**17**	31
Share-based compensation expenses	**25**	198	**63**	440
	639	970	**1,322**	1,985

(b) *Balances with related parties:*

	30 June	31 December
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(audited)
Loan to an associate included in "Other receivables": Shenzhen Easething Technology Co., Ltd	**2,000**	2,000

The above loan is unsecured, interest-free and repayable on demand.

Amount due to associate included in "Other payables": Chengdu Boyu	**340**	448

27. COMMITMENTS

(a) Capital commitments

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

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Contracted obligation:		
Investment in a limited partnership	**–**	100,000

(b) Operating lease commitments

The Group leases servers and office buildings under non-cancellable operating lease agreements. The lease terms are between 1 to 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 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Not later than 1 year	**8,923**	7,176
Later than 1 year but not later than 5 years	**18,871**	982
	27,794	8,158

28. MATERIAL EVENT/LITIGATION

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

It has come to the attention of the Board that 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 was liable to a fine of RMB2,500,000 in May 2018. Its legal representative, Mr. Zhang Wei ("**Mr. Zhang**"), is sentenced to a fixed-term imprisonment of one year with a suspended sentence of one year and six months (the "**Decision**"). Based on the opinion of the Company's PRC Counsel (the "**PRC Counsel**"), there is insufficient legal basis to support the Decision, and therefore Boyaa Shenzhen made an application to appeal to the Higher People's Court (the "**Appeal**"). The Decision will not be effective and both Boyaa Shenzhen and Mr. Zhang will not be found guilty or hold any criminal record until the final judgement is handed down by the Higher People's Court.

Based on the opinion of the PRC Counsel, the Board is of the view that the Decision will not result in any material adverse impact on the business, operation and financial conditions of the Group. The Board will continue to monitor the development and the results of the Appeal and assess its impact on the operation of the Company. The Company will keep its shareholders and potential investors informed of any material development in connection with the Decision as and when appropriate. The Company will make further announcement(s) as and when appropriate pursuant to the requirements under the Listing Rules.

Reconciliation from Unaudited Net Profit to Unaudited Non-IFRS Adjusted Net Profit

For the Six Months Ended 30 June 2018

	For the six months ended 30 June		
	2018 **RMB'000** **(unaudited)**	2017 RMB'000 (unaudited)	Year-on-Year Change* %
Revenue	**284,235**	411,705	(31.0)
Cost of revenue	**(90,251)**	(159,267)	(43.3)
Gross profit	**193,984**	252,438	(23.2)
Selling and marketing expenses	**(21,105)**	(17,701)	19.2
Administrative expenses	**(71,571)**	(114,529)	(37.5)
Other gains – net	**62,878**	11,432	450.0
Operating profit	**164,186**	131,640	24.7
Finance income – net	**9,026**	27,247	(66.9)
Share of profit/(loss) of associates	**1,448**	(271)	(634.3)
Profit before income tax	**174,660**	158,616	10.1
Income tax expenses	**(20,882)**	(17,247)	21.1
Profit for the period	**153,778**	141,369	8.8
Non-IFRS adjustment (unaudited)			
Share-based compensation expenses included in cost of revenue	**428**	1,244	(65.6)
Share-based compensation expenses included in selling and marketing expenses	**568**	1,616	(64.9)
Share-based compensation expenses included in administrative expenses	**1,082**	3,093	(65.0)
Non-IFRS adjusted net profit (unaudited)	**155,856**	147,322	5.8

* 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 June 2018

	For the three months ended				
	30 June 2018 RMB'000 (unaudited)	31 March 2018 RMB'000 (unaudited)	30 June 2017 RMB'000 (unaudited)	Year-on-Year Change* %	Quarter-on-Quarter Change** %
Revenue	**124,365**	159,870	189,335	(34.3)	(22.2)
Cost of revenue	**(35,771)**	(54,480)	(65,167)	(45.1)	(34.3)
Gross profit	**88,594**	105,390	124,168	(28.6)	(15.9)
Selling and marketing expenses	**(8,431)**	(12,674)	(5,320)	58.5	(33.5)
Administrative expenses	**(33,160)**	(38,411)	(53,333)	(37.8)	(13.7)
Other gains – net	**27,562**	35,316	2,280	1,108.9	(22.0)
Operating profit	**74,565**	89,621	67,795	10.0	(16.8)
Finance income – net	**4,243**	4,783	14,681	(71.1)	(11.3)
Share of profit of associates	**1,242**	206	194	540.2	502.9
Profit before income tax	**80,050**	94,610	82,670	(3.2)	(15.4)
Income tax expenses	**(8,294)**	(12,588)	(8,742)	(5.1)	(34.1)
Profit for the period	**71,756**	82,022	73,928	(2.9)	(12.5)
Non-IFRS adjustment (unaudited)					
Share-based compensation expenses included in cost of revenue	**184**	244	573	(67.9)	(24.6)
Share-based compensation expenses included in selling and marketing expenses	**236**	332	728	(67.6)	(28.9)
Share-based compensation expenses included in administrative expenses	**450**	632	1,382	(67.4)	(28.8)
Non-IFRS adjusted net profit (unaudited)	**72,626**	83,230	76,611	(5.2)	(12.7)

* 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 June 2018 and the immediately preceding quarter.