年報 2018
Annual Report

boyaa

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

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Wei
(Chairman and Chief Executive Officer)
(resigned on 21 September 2018)
Mr. Dai Zhikang *(Chairman)*
(appointed as Chairman on 21 September 2018)
Ms. Tao Ying
(Acting Chief Executive Officer)
(appointed on 21 September 2018)

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) (resigned on 21 September 2018)*
Ms. Tao Ying *(Chairman) (appointed on 21 September 2018)*
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 *(resigned on 21 September 2018)*
Ms. Tao Ying *(appointed on 21 September 2018)*
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
Central
Hong Kong

COMPANY'S WEBSITE

www.boyaa.com.hk

STOCK CODE

0434

Corporate Information

HEADQUARTERS IN THE PRC

8/F, Block E1
International E Town
TCL Industry Park
1001 Zhong Shan Yuan Road
Nanshan District, Shenzhen, PRC
Postal code: 518000

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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

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
PO Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

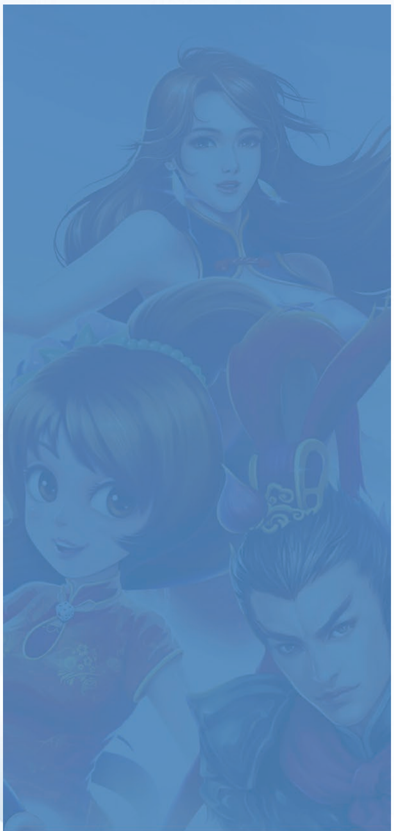
PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 7
Nan Fung Tower
88 Connaught Road Central
Hong Kong

PRINCIPAL BANK

China Merchants Bank, Shenzhen Branch

Chairman's Statement



Concentrating on card and board games

Focusing on users' experience

Forging a century-old brand name

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Boyaa Interactive International Limited (the "**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018.

In 2018, we continued to move forward amidst challenges. Our revenue in 2018 recorded a decrease as compared to 2017, which was mainly attributable to the following factors: 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 (the "**Apple Incident**"); 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 a policy has not yet been implemented, certain platforms have removed relevant products, which affected our revenue to a certain extent ("**Policy Risk Factor**"); and revenue generated from web-based games decreased due to the industry trend of a gradual shift from web-based games to mobile terminals. However, due to the continuous and smooth implementation of the Company's cost control policy, part of the impact caused by these factors had been offset. For the year ended 31 December 2018, we recorded a decrease in unaudited non-IFRS adjusted net profit by approximately 19.1% as compared to the same period in 2017. In 2018, the net profit margin was approximately 45.2%, representing a year-on-year increase of 10.8%.

We provided a total of 79 online gaming product portfolio with 17 language versions as at 31 December 2018. During 2018, we still continued to focus on product development and innovation, product enrichment and user experience optimisation in a steady manner in order to constantly refine our products and diversify our operation and eventually enhance the quality of our gaming products, while further increasing efforts to expand overseas markets and develop other chess and card games business.

Chairman's Statement

As the Company has a strong cash flow position, the Board has recommended the payment of a one-off special dividend to express our gratitude to our Shareholders of approximately HKD0.276 per share (equivalent to approximately RMB0.237 per share), approximately HKD200 million (equivalent to approximately RMB171 million) in total, subject to the approval of the shareholders of the Company (the "**Shareholders**") at the forthcoming annual general meeting to be held on 6 June 2019.

In 2019, we intend to place emphasis on developing the following:

- continue to further explore the domestic and overseas operational model of card and board games;
- continue to further explore overseas market for card and board games;
- keep focusing on the development and innovation of mobile-based products and devote more efforts to expand other card and board gaming business to continually enrich the contents and rules of the games;
- constantly improve our basic infrastructure and gaming features, and focus on enhancing the experience and service quality we provide to our users; and
- continue to research and develop new gaming competition to enhance and consolidate the loyalty of our players and develop Boyaa into a century-old brand.

With a positive attitude towards challenges, we will continue to strictly comply with various laws and regulations implemented by the PRC and strive to achieve our goal of becoming the global leading brand in online card and board games by upholding the player-oriented philosophy and leveraging our dedication to and steady growth of the card and board games business.

We are full of confidence and anticipation for the future and the Board, the management and all staff of the Group share a common goal. With our steadfast belief and strong team-spirit, we will continue to step forward with our unremitting efforts, striving for the best interests for every stakeholder!

I would like to take this opportunity to express my sincere gratitude to the Board, the management and all staff of the Group for their dedication in the past year to furthering the development of the Group, and to the shareholders of the Company and business partners for their concerns for, and confidence in, the Group!

Dai Zhikang
Chairman

Hong Kong, 29 March 2019

Financial Summary

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**453,234**	735,602	745,194	813,480	945,319
Gross profit	**304,970**	457,267	471,708	427,944	567,852
Profit before income tax	**207,217**	269,713	238,761	420,110	335,000
Profit for the year	**201,532**	243,245	211,271	356,637	279,587
Total comprehensive income for the year	**122,786**	213,880	192,653	351,769	336,290
Profit attributable to owners of the Company	**201,532**	243,245	211,271	357,799	280,065
Total comprehensive income attributable to owners of the Company	**122,786**	213,880	192,653	352,931	336,768

CONSOLIDATED BALANCE SHEET

	As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets	**769,575**	767,877	596,046	617,447	187,037
Current assets	**1,757,638**	1,738,196	1,688,908	1,462,353	1,526,644
Total assets	**2,527,213**	2,506,073	2,284,954	2,079,800	1,713,681
Equity and liabilities					
Total equity	**2,265,034**	2,224,161	2,021,565	1,806,304	1,481,626
Non-current liabilities	**18,811**	2,899	15,195	41,628	14,234
Current liabilities	**243,368**	279,013	248,194	231,868	217,821
Total liabilities	**262,179**	281,912	263,389	273,496	232,055
Total equity and liabilities	**2,527,213**	2,506,073	2,284,954	2,079,800	1,713,681
Net current assets	**1,514,270**	1,459,183	1,440,714	1,230,485	1,308,823
Total assets less current liabilities	**2,283,845**	2,227,060	2,036,760	1,847,932	1,495,860

Management Discussion and Analysis

BUSINESS OVERVIEW AND OUTLOOK

Review of 2018

In terms of financial performance, in 2018, we recorded a revenue of approximately RMB453.2 million, representing a year-on-year decrease of approximately 38.4% compared to the same period in 2017, which was mainly attributable to (1) the impact from the Apple Incident starting from the second quarter of 2017; (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 a policy has not yet been implemented, certain platforms have removed relevant products, which affected our revenue to a certain extent; and (3) revenue generated from web-based games decreased due to the industry trend of a gradual shift from web-based games to mobile terminals. However, due to the continuous and smooth implementation of the Company's cost control policy, part of the impact caused by these factors had been offset. For the year ended 31 December 2018, we recorded an unaudited non-IFRS adjusted net profit of approximately RMB204.8 million, representing a year-on-year decrease of approximately 19.1% compared to the same period in 2017.

In terms of the Company's operating performance, the number of paying players and users recorded a decline in the fourth quarter of 2018 compared to the fourth quarter of 2017. The number of paying players decreased by approximately 40.0% from approximately 0.8 million players in the fourth quarter of 2017 to approximately 0.5 million players in the fourth quarter of 2018. The number of daily active players decreased by approximately 30.4% from approximately 4.2 million players in the fourth quarter of 2017 to 2.9 million players in the fourth quarter of 2018. The number of monthly active players decreased by approximately 39.6% from approximately 17.4 million players in the fourth quarter of 2017 to approximately 10.5 million players in the fourth quarter of 2018, while Average Revenue Per Paying User ("**ARPPU**") of Texas Hold'em web-based games and ARPPU of Other Card and Board mobile games increased.

In terms of gaming products, we provided a total of 79 online gaming product portfolio with 17 language versions as at 31 December 2018. During 2018, we still continued to focus on product development and innovation, product enrichment and user experience optimisation by a steady manner in order to constantly refine our products and diversify our operation and eventually enhance the quality of our gaming products.

Outlook for 2019

In 2019, we intend to place emphasis on developing the following:

- continue to further explore the domestic and overseas operational model of card and board games;
- continue to further explore overseas market for card and board games;
- keep focusing on the development and innovation of mobile-based products and devote more efforts to expand other card and board gaming business to continually enrich the contents and rules of the games;
- constantly improve our basic infrastructure and gaming features, and focus on enhancing the experience and service quality we provide to our users; and
- continue to research and develop new competition gaming to enhance and consolidate the loyalty of our players and develop Boyaa into a century-old brand.

Management Discussion and Analysis

We responded to a challenging year of 2018 by proactively tackling the challenges and making proper adjustments. We will continue to strictly comply with various laws and regulations of the People's Republic of China (the "**PRC**") and strive to achieve our goal of becoming the global leading brand in online card and board games by upholding the player-oriented philosophy and leveraging our dedication to and steady growth of the card and board games business. We are full of confidence and anticipation for 2019.

Year Ended 31 December 2018 Compared to Year Ended 31 December 2017

Revenue

Our revenue for the year ended 31 December 2018 amounted to approximately RMB453.2 million, representing a decrease of approximately 38.4% from approximately RMB735.6 million recorded 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. For the year ended 31 December 2018, revenue generated from our mobile games and web-based games accounted for approximately 62.9% and 37.1% of our total revenue, respectively, as compared with approximately 70.0% and 30.0%, respectively, for the year ended 31 December 2017.

Cost of revenue

Our cost of revenue decreased by approximately 46.7% from approximately RMB278.3 million in 2017 to approximately RMB148.3 million in 2018 primarily due to the reduction in commission charges.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by approximately 33.3% from approximately RMB457.3 million for the year ended 31 December 2017 to approximately RMB305.0 million for the year ended 31 December 2018.

For the year ended 31 December 2018 and the same period in 2017, our gross profit margin were approximately 67.3% and 62.2%, respectively.

Selling and marketing expenses

Our selling and marketing expenses decreased by approximately 18.2% from approximately RMB34.1 million in 2017 to approximately RMB27.9 million in 2018, accounting for approximately 6.2% of our revenue in 2018, increased from approximately 4.6% in 2017. The year-on-year decrease in selling and marketing expenses was mainly attributable to the decrease in expenses for advertising and promotional activities.

Administrative expenses

Our administrative expenses decreased by approximately 46.0% from approximately RMB248.5 million in 2017 to approximately RMB134.3 million in 2018. The decrease in administrative expenses was mainly due to the control of internal cost and the decrease in employee benefit expenses.

Other gains – net

For the year ended 31 December 2018, we recorded other gains (net) of approximately RMB43.4 million, compared to approximately RMB55.9 million recorded for the same period in 2017. The other gains (net) primarily consisted of fair value gains on financial assets at fair value through profit or loss and dividend income relating to the non-quoted investments in equity investment partnerships and certain wealth management products we purchased.

Finance income – net

Our finance income (net) was approximately RMB19.0 million in 2018 and approximately RMB38.7 million in 2017. The change was primarily due to an decrease in interest income compared to that in 2017.

Share of result of associates

We held investments in six associates, namely Shenzhen Fanhou Technology Co., Ltd. (深圳市飯後科技有限公司), Shenzhen HuifuWorld Network Technology Co., Ltd. (深圳市滙富天下網絡科技有限公司), Shenzhen Easething Technology Co., Ltd. (深圳市易新科技有限公司), Shenzhen Jisiwei Intelligent Technology Co., Ltd. (深圳市極思維智能科技有限公司), Chengdu Boyu Interactive Technology Co., Ltd. (成都博娛互動科技有限公司) and Shanghai Allin Network Technology Co., Ltd. (上海傲英網絡科技有限公司) as at 31 December 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 RMB2.0 million for the year ended 31 December 2018, compared to a share of profit of associates of approximately RMB0.5 million recorded for the same period in 2017.

Income tax expenses

Our income tax expenses decreased by approximately 78.5% from approximately RMB26.5 million for the year ended 31 December 2017 to approximately RMB5.7 million for the year ended 31 December 2018, primarily due to overprovision of income tax expenses of previous years. The effective income tax rate decreased from approximately 9.8% in 2017 to approximately 2.7% in 2018.

Profit attributable to owners of the Company

As a result of the foregoing, our profit attributable to owners of the Company decreased by approximately 17.1% from approximately RMB243.2 million in 2017 to approximately RMB201.5 million in 2018.

Non-International Financial Reporting Standards ("Non-IFRS") adjusted net profit

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

Management Discussion and Analysis

Our unaudited non-IFRS adjusted net profit for the year ended 31 December 2018 of approximately RMB204.8 million was derived from our unaudited profit of the same period excluding share-based compensation expenses of approximately RMB0.7 million, RMB0.9 million and RMB1.7 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively. Our unaudited non-IFRS adjusted net profit for the year ended 31 December 2017 of approximately RMB253.1 million was derived from our unaudited profit for the same period excluding share-based compensation expenses of approximately RMB2.1 million, RMB2.7 million and RMB5.1 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively.

Fourth Quarter of 2018 Compared to Fourth Quarter of 2019

Revenue

Our revenue for the three months ended 31 December 2018 amounted to approximately RMB84.3 million, representing a year-on-year decrease of approximately 47.2% from approximately RMB159.5 million recorded for the same period of 2017. The year-on-year decrease in revenue 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 31 December 2018, revenue generated from our mobile games amounted to approximately RMB45.9 million as compared to approximately RMB109.7 million recorded for the same period of 2017, representing a year-on-year decrease of approximately 58.2%.

Cost of revenue

Our cost of revenue for the three months ended 31 December 2018 amounted to approximately RMB29.4 million, representing a year-on-year decrease of approximately 53.6% from approximately RMB63.3 million recorded for the same period in 2017. The year-on-year decrease was primarily due to the reduction in commission charges.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by approximately 42.9% from approximately RMB96.1 million for the three months ended 31 December 2017 to approximately RMB54.9 million for the three months ended 31 December 2018. In addition, our gross profit margin increased from approximately 60.3% for the three months ended 31 December 2017 to approximately 65.1% for the three months ended 31 December 2018.

Selling and marketing expenses

Our selling and marketing expenses decreased from approximately RMB7.6 million recorded for the three months ended 31 December 2017 to approximately RMB1.1 million for the same period of 2018, representing a year-on-year decrease of approximately 86.2%, which was mainly attributable to the decrease in expenses for advertising and promotional activities.

Management Discussion and Analysis

Administrative expenses

Our administrative expenses for the three months ended 31 December 2018 amounted to approximately RMB33.8 million, representing a year-on-year decrease of approximately 60.7% from approximately RMB86.1 million recorded for the same period of 2017. The year-on-year decrease was mainly due to the control of internal cost and the decrease in employee benefit expenses.

Other (losses)/gains – net

For the three months ended 31 December 2018, we recorded other losses (net) of approximately RMB31.3 million, compared to other gains (net) of approximately RMB26.3 million recorded for the same period in 2017. The other (losses)/gains – net primarily consisted of fair value gains in financial assets at fair value through profit or loss relating to the non-quoted investments in equity investment partnership and certain wealth management products we purchased.

Finance income – net

Our finance income (net) for the three months ended 31 December 2018 was approximately RMB4.8 million, compared to approximately RMB4.8 million recorded for the same period of 2017, representing a year-on-year increase of approximately 0.7%. The increase was primarily due to an increase in interest income as compared to the same period of 2017.

Share of result of associates

We held investments in six associates, namely Shenzhen Fanhou Technology Co., Ltd. (深圳市飯後科技有限公司), Shenzhen HuifuWorld Network Technology Co., Ltd. (深圳市匯富天下網絡科技有限公司), Shenzhen Easething Technology Co., Ltd. (深圳市易新科技有限公司), Shenzhen Jisiwei Intelligent Technology Co., Ltd. (深圳市極思維智能科技有限公司), Chengdu Boyu Interactive Technology Co., Ltd. (成都博娛互動科技有限公司) and Allin Network Technology Co., Ltd. (上海傲英網絡科技有限公司) as at 31 December 2018 (31 December 2017: six), all of which were online game or internet technology companies. We recorded a share of profit of associates of approximately RMB0.4 million for the three months ended 31 December 2018, compared to a share of profit of associates of approximately RMB1.5 million recorded for the same period in 2017.

Income tax credit

Our income tax credit for the three months ended 31 December 2018 was approximately RMB19.6 million, representing a year-on-year increase of 10,380.7% from approximately RMB0.2 million of income tax credit recorded for the same period of 2017.

Profit attributable to owners of the Company

As a result of the foregoing, our profit attributable to owners of the Company for the three months ended 31 December 2018 amounted to approximately RMB13.5 million, representing a year-on-year decrease of approximately 61.6% from approximately RMB35.2 million recorded for the same period of 2017.

Management Discussion and Analysis

Non-IFRS adjusted net profit

Our unaudited non-IFRS adjusted net profit for the three months ended 31 December 2018 of approximately RMB14.0 million was derived from our unaudited profit of the same period excluding share-based compensation expenses of approximately RMB0.1 million, RMB0.1 million and RMB0.2 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively. Our unaudited non-IFRS adjusted net profit for the three months ended 31 December 2017 of approximately RMB36.7 million was derived from our unaudited profit for the same period excluding share-based compensation expenses of approximately RMB0.3 million, RMB0.4 million and RMB0.8 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively.

Liquidity and capital resources

For the year ended 31 December 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 31 December 2018, the Group's gearing ratio (total liabilities divided by total assets) was 10.4% (31 December 2017: 11.2%).

Term deposits

As at 31 December 2018, we had term deposits of approximately RMB500.9 million (31 December 2017: approximately RMB119.9 million), which were mainly denominated in United States dollars ("**USD**"). The original maturities of the term deposits are over 3 months and less than 1 year. The effective interest rate for the term deposits of the Group for the year ended 31 December 2018 was 2.88%.

Cash and cash equivalents

As at 31 December 2018, we had cash and cash equivalents of approximately RMB390.3 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 69.2%), USD (as to 10.9%) and other currencies (as to 19.9%). We currently do not hedge transactions undertaken in foreign currencies. Due to our persistent efforts in managing our exposure to foreign currencies through constant monitoring to limit as much as possible the amount of foreign currencies held by us, fluctuations in currency exchange rates do not have any material adverse impact on our financial results.

Net proceeds from our initial public offering, after deducting the underwriting commission and other estimated expenses in connection with the offering which the Company received, amounted to approximately HKD837.9 million. Up to 31 December 2018, a total amount of approximately RMB666.0 million from the net proceeds from our initial public offering had been utilised for the following purposes:

(a) approximately RMB295.0 million for our marketing activities and business expansion;

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

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

As at 31 December 2018, approximately RMB8.6 million raised from our initial public offering remains unused.

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

Financial assets at fair value through other comprehensive income

We accounted for financial assets at fair values through other comprehensive income (transferred from available-for-sale financial assets upon adoption of IFRS 9 on 1 January 2018) at their respective fair values. As at 31 December 2018, the fair value of our unlisted and listed investments classified as financial assets at fair values through other comprehensive income amounted to approximately RMB64.5 million (31 December 2017: Nil). These financial assets at fair value through other comprehensive income consisted of both listed and unlisted equity securities, which are mainly represented by our equity investment in Dalian Zeus Entertainment Co., Ltd. ("**Zeus Entertainment**"). Zeus Entertainment is mainly engaged in research and development and publication of web-based and mobile games.

As at 31 December 2018, we held 6,678,260 shares in Zeus Entertainment. The fair value of the investment in Zeus Entertainment as at 31 December 2018 was approximately RMB35.0 million (31 December 2017: approximately RMB114.2 million).

We consider that, none of the other unlisted and listed investments classified as financial assets at fair value through other comprehensive income in our investment portfolio is a significant investment as none of such investments has a carrying amount that accounts for more than 5% of our total assets as at 31 December 2018.

Financial assets at fair value through profit or loss

As at 31 December 2018, we also recorded financial assets at fair value through profit or loss amounted to approximately RMB1,409.0 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 plan and certain wealth management products included in current assets. As at 31 December 2018, the fair values of the investments in asset management plans were determined by an independent professional valuer using valuation techniques in combination of discounted cash flow model and market comparable approach; the fair values of the investments in equity investment partnerships were determined by an independent professional valuer using market comparable approach and the fair values of investments in wealth management products, which have an initial term ranging from 30 days to 364 days, were determined based on the estimated rate of return of investments. For the year ended 31 December 2018, we recorded realised/unrealised fair value gains on financial assets at fair value through profit or loss of approximately RMB23.8 million (for the year ended 31 December 2017: approximately RMB49.8 million).

The investments in wealth management products under financial assets at fair value through profit or loss were made in line with our treasury and investment policies, after taking into account, among others, the level of risk, return on investment, liquidity and the term to maturity. Generally, the Company has in the past selected wealth management products that are principal guaranteed and relatively low risk products. Prior to making an investment, the Company had also ensured that there remains sufficient working capital for the Company's business needs even after the investments in wealth management products. Except for the notified transactions disclosed on the websites of the Company and the Stock Exchange during the year ended 31 December 2018, each of such investments made during the year ended 31 December 2018 does not constitute a notifiable transaction or a connected transaction of the Company under the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). As agreed with the financial institutions, the underlying investment portfolio of the wealth management products of the Company were primarily represented by inter-bank loan market instruments and exchange traded fixed-income financial instruments, such as inter-bank loans, government bonds, central bank bills and similar products, which were highly liquid with a relatively short term of maturity, and which were considered to akin to placing deposits with banks whilst enabling the Group to earn an attractive rate of return.

During the year ended 31 December 2018, the Group, through Shenzhen Dong Fang Bo Ya Technology Co., Ltd. ("**Boyaa Shenzhen**"), contributed the remaining capital commitment of RMB100.0 million out of the total capital commitment of RMB300.0 million in cash to establish a limited partnership namely Jiaxing Boyaa ChunLei Equity Investments Limited Partnership Enterprise ("**Jiaxing Boyaa**") with Shanghai Tailai Tianji Asset Management Co., Ltd ("**Tailai Tianji**"). The capital commitment of RMB300.0 million represented 99% of the total capital contribution of Jiaxing Boyaa. The fair value of the investment in Jiaxing Boyaa as at 31 December 2018 was approximately RMB312.8 million. Jiaxing Boyaa is established for carrying out equity investments, venture capital investments and investments in securities, subject to certain investment restrictions. We are optimistic about the on-going performance of Jiaxing Boyaa. Nevertheless, we will closely monitor the performance of Jiaxing Boyaa on an on-going basis.

We consider that, save for our capital investment in Jiaxing Boyaa as a limited partnership, no other single investment that was designated as financial assets at fair value through profit or loss in our investment portfolio is a significant investment as none of such investments has a carrying amount that accounts for more than 5% of our total assets as at 31 December 2018.

Borrowings

During the year ended 31 December 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 year ended 31 December 2018, our total capital expenditures amounted to approximately RMB8.9 million (2017: approximately RMB8.0 million), mainly including purchasing of additional furniture and equipment, motor vehicles and leasehold improvements of approximately RMB8.9 million (2017: approximately RMB8.0 million), which was funded by using our cash flow generated from our operations.

Contractual obligations

As at 31 December 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 RMB18.0 million (31 December 2017: approximately RMB8.2 million).

Save as disclosed above, the Group did not have other significant outstanding commitments as at 31 December 2018.

Contingent liabilities and guarantees

As at 31 December 2018, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against us.

Significant investments and future plans for major investments

For the year ended 31 December 2018, the Group's investment in Jiaxing Boyaa amounted to RMB300.0 million. Jiaxing Boyaa mainly carries out equity investments and venture capital investments.

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

Pledge/charge of the Group's assets

As at 31 December 2018, none of the Group's assets was pledged or charged.

Management Discussion and Analysis

Employees and staff costs

As at 31 December 2018, we had a total of 340 full-time employees, who are mainly based in China. In particular, 292 employees are responsible for our game development and operation functions, 8 for game support and 40 for administration and senior management functions.

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

For the year ended 31 December 2018, the total staff costs of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to approximately RMB106.4 million, representing approximately 34.9% 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 8,323,315 share options and 7,781,613 shares underlying the RSUs outstanding and/or granted to a total of 205 senior management members and employees of the Group as at 31 December 2018. There were also 53,043,004 shares underlying the RSUs allowed to be granted under the RSU Scheme which were held by The Core Admin Boyaa RSU Limited as nominee for the benefit of eligible participants pursuant to the RSU Scheme. Further details of the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the RSU Scheme will be set out in the section headed "Share Option Schemes and Restricted Share Unit Scheme" in the Directors' Report in our 2018 annual report to be issued in due course.

The board of directors (the "**Board**") of Boyaa Interactive International Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018 (the "**Reporting Period**"). The annual results have been prepared in accordance with International Financial Reporting Standards (the "**IFRS**") and audited by Pan-China (H.K.) CPA Limited, the auditor of the Company. In addition, the annual results have also been reviewed by the audit committee of the Company (the "**Audit Committee**").

Biographies of the Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Dai Zhikang (戴志康), aged 37, joined the Board as an executive director on 19 August 2013 and appointed as chairman on 21 September 2018. Mr. Dai has served as a director of Boyaa Shenzhen since January 2008. Mr. Dai served as the general manager of Beijing Comsenz Innovation Technology Co., LLC* (北京康盛新創科技有限責任公司) from October 2010 to March 2014 and was responsible for its overall strategic planning and general management. Mr. Dai founded Beijing Comsenz Century Technology Co., Ltd*. (北京康盛世紀科技有限公司) in 2004 and served as its chairman since inception to 2006. Mr. Dai also served as one of the persons-in-charge of Comsenz (Beijing) Networking Corporation Limited* (康盛創想(北京)科技有限公司) from 2006 to 2010. Mr. Dai received his bachelor's degree in communications engineering from Harbin Engineering University in June 2004.

Ms. Tao Ying (陶穎女士), aged 38, joined the Board as an executive Director on 21 September 2018. Ms. Tao is currently the person-in-charge of the compliance department of the Group, and is primarily responsible for the handling of the listing compliance issues of the Group, discharging the duties and responsibilities of company secretary, and participating in the internal control, finance, investor relations, and investment project management of the Group. Ms. Tao joined the Company in December 2013 and has worked in the Company for over 5 years. She has over 10 years of company management experience. Ms. Tao graduated from Anhui University of Finance and Economics in July 2003, with a bachelor's degree in economics in international economics and trade, and also obtained a certificate of graduation with a minor in Accountancy from Anhui University of Finance and Economics. Ms. Tao obtained the Second Level National Certificate of Human Resources Management issued by the Ministry of Human Resources and Social Security, the People's Republic of China in June 2011.

Biographies of the Directors and Senior Management

Independent Non-executive Directors

Mr. Cheung Ngai Lam (張毅林), aged 50, joined the Board as an independent non-executive director on 25 October 2013. Mr. Cheung is currently the Chief Financial Officer of China Zenix Auto International Ltd. (OTC:ZXAIY). From 25 January 2016 to 31 January 2019, Mr. Cheung acted as an independent non-executive director of Asia Television Holding Limited (Stock Code: 707) and from 22 June 2017 to 15 December 2017, Mr. Cheung acted as an independent non-executive director of China Huishan Dairy Holdings Company Limited (Stock Code: 6863). Mr. Cheung is a member of the American Institute of Certified Public Accountants and is a Certified Practicing Accountant of Australia. Mr. Cheung obtained a bachelor's degree in social sciences from the University of Hong Kong in November 1991 and a master of science (investment management) degree in finance from the Hong Kong University of Science and Technology in November 2002.

Mr. Choi Hon Keung Simon (蔡漢強), aged 58, joined the Board as an independent non-executive director on 25 October 2013. Mr. Choi was appointed as an independent non-executive director of China Wan Tong Yuan (Holdings) Limited, company listed on the Stock Exchange (Stock Code: 8199) and a member of each of its audit committee and nomination committee since 7 September 2017. From 15 August 2011 to 12 September 2017, Mr. Choi served as an independent non-executive director of Kenford Group Holdings Limited, a company listed on the Stock Exchange (Stock Code: 464) and a member of each of its audit committee, remuneration committee and nomination committee. From June 2010 to December 2013, Mr. Choi served as an independent director of China BCT Pharmacy Group, Inc., a company previously listed on the OTC Electronic Bulletin Board (until it was delisted on 28 May 2013). Mr. Choi is also an active PRC legal advisor to the Hong Kong Electrical Appliances Industries Association. Mr. Choi joined TCL Multimedia Technology Holdings Limited, a global TV manufacturer and a company listed on the Stock Exchange (Stock Code: 1070) in 2005 and served as the deputy general counsel from 2011 to 2014. Mr. Choi obtained a bachelor degree in laws from Peking University in July 1991, a master degree in laws from London University in November 1992 and a Common Profession Examination Certificate in laws from the University of Hong Kong in June 1994. Mr. Choi was admitted as a Solicitor of the Supreme Court of England and Wales in 1998, a Solicitor of the High Court of Hong Kong in 1997 and a member of the Institute of Linguists in 1996.

Mr. You Caizhen (由彩震), aged 66, joined the Board as an independent non-executive director on 14 July 2016. Mr. You currently serves as the chairman of the board of directors and the general manager of Dalian Caiyang Fishery Products Co., Ltd* (大連彩洋水產有限公司), which is a company established by Mr. You in January 1993. Prior to establishing Dalian Caiyang Fishery Products Co., Ltd, Mr. You served as the deputy general manager of Dalianwan Aquaculture Company* (大連灣水產養殖公司) from January 1975 to December 1992. Mr. You has many years of experience in business management related work, and has extensive corporate governance experience relating to business sustainable development. Mr. You did not hold any directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years, or any other major appointments and professional qualifications.

* The English translations of Chinese names in this annual report, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names.

SENIOR MANAGEMENT

Mr. Yu Tong (于彤), aged 36, is a Vice President of the Group. Mr. Yu joined the Group in March 2011 and was appointed as a Vice President of the Group in October 2014, and is responsible for local card and board games matters. Prior to joining the Group, Mr. Yu served as an engineer at ZTE Corporation, a company listed on both the Shenzhen Stock Exchange and the Stock Exchange (Shenzhen: 000063, Stock Exchange: 763) from September 2005 to May 2007, and a senior engineer at Tencent Holdings Limited, a company listed on the Stock Exchange (Stock Code: 700) from May 2007 to March 2010. Mr. Yu obtained a bachelor's degree in management from Jilin University in July 2005.

Ms. Zhang Shuang (張爽), aged 38, is a Vice President of the Group. Ms. Zhang joined the Group in March 2012 and was appointed as a Vice President of the Group in October 2014, and is responsible for administration and public relations matters. Prior to joining the Group, Ms. Zhang served as an administrative officer of Kingdee International Software Group Company Limited, a company listed on the Stock Exchange (Stock Code: 268) from February 2003 to September 2005, and a supervisor of market department of Xunlei Ltd, a company listed on the NASDAQ Stock Market (NASDAQ: XNET) from September 2006 to March 2012. Ms. Zhang obtained a bachelor's degree in public relations from South China Normal University in June 2005 and a master's degree in project management from University of Greenwich in United Kingdom in June 2012.

Directors' Report

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2018 (the "**Reporting Period**").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are the development and operations of online card and board games.

BUSINESS REVIEW

A fair review of the Group's business and the Group's likely future developments are set out in the section headed "Management Discussion and Analysis – Business Overview and Outlook" of this annual report. There is no important event affecting the Company that has occurred since 31 December 2018.

A detailed analysis of the financial performance of the Group for 2018 is set out in the section headed "Management Discussion and Analysis" and the key performance indicators (the "**KPIs**") of the Group are set out in the table below:

	For the three months ended		Year-
	31 December 2018 (unaudited)	31 December 2017 (unaudited)	on-Year Change* %
Paying Players (in thousands)	**490**	816	(40.0)
• Web-based games	**19**	30	(36.7)
• Mobile games	**471**	786	(40.1)
Daily Active Users ("**DAUs**") (in thousands)**	**2,923**	4,201	(30.4)
• Web-based games	**180**	302	(40.4)
• Mobile games	**2,743**	3,899	(29.6)
Monthly Active Users ("**MAUs**") (in thousands)**	**10,532**	17,436	(39.6)
• Web-based games	**772**	1,198	(35.6)
• Mobile games	**9,760**	16,238	(39.9)
ARPPU of Texas Hold'em (in RMB)			
• Web-based games	**704.8**	569.0	23.9
• Mobile games	**122.0**	268.7	(54.6)
ARPPU of Other Card and Board (in RMB)***			
• Web-based games	**28.8**	86.0	(66.5)
• Mobile games	**17.8**	16.0	11.3

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

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

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

The size of the Group's player base reflects the popularity of the Group's games and the basis for a sustainable growth. The Group measures its player base primarily by DAUs and MAUs. The number of paying players and ARPPU in a specific period are the two most direct factors that affect revenue generated from our online games in such period. Discussion on the trend of the above KPIs is set out in the section headed "Management Discussion and Analysis – Business Overview and Outlook" of this annual report.

The review and discussions included in the section headed "Management Discussion and Analysis" form part of this Directors' Report.

Principal Risks and Uncertainties

The Group faces the following principal risks and uncertainties in its operations:

(a) the major products of the Group, Texas Hold'em Series and Fight the Landlord, accounted for over 75% of the revenue in the past, and any failure to maintain or enhance the performance of these games or other adverse development affecting these two games could adversely affect the business and results of operations of the Group;

(b) the Group may not be able to continuously enhance its existing games and player experience and launch high-quality new games and services, which will materially and adversely affect its ability to continue to retain existing players and attract new players;

(c) the Group utilises major social networking websites, online application stores and third-party payment vendors to generate a substantial portion of revenues and if the Group is unable to maintain a good relationship with these distribution and payment channels or if the use of these distribution or payment channels is adversely affected by any factor such as new measures imposed or intervention by any regulators or third parties, the business and results of operations of the Group will be adversely affected;

(d) 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;

(e) if the PRC government finds the Contractual Arrangements established for operating the 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 our interest in the variable interest entity, being Boyaa Shenzhen;

(f) There are uncertainties about the interpretation of PRC laws and regulations relating to contractual arrangements. On 15 March 2019, the Foreign Investment Law of the People's Republic of China (hereinafter referred to as the "Foreign Investment Law 2018") was adopted by the Second Session of the Thirteenth National People's Congress of the People's Republic of China and will take effect on 1 January 2020. The Foreign Investment Law 2018, once promulgated, will replace the Law of the People's Republic of China on Sino-foreign Equity Joint Ventures, the Law of the People's Republic of China on Sino-Foreign Cooperative Joint Ventures and the Law of the People's Republic of China on Foreign-funded Enterprises (collectively referred to as the former Foreign Investment Law) and become the primary law regulating foreign investment in China. Under the Foreign Investment Law 2018, the existing enterprises established under the former Foreign Investment Law may maintain their existing organizational structure within five years from the effective date of the Foreign Investment Law 2018.

The Foreign Investment Law 2018 stipulates four forms of foreign investment. However, the Foreign Investment Law 2018 does not specify the form of the contractual arrangements for foreign investment. Since the means of foreign investment stipulated in the Foreign Investment Law 2018 include "investment in accordance with laws, administrative regulations or other forms stipulated by the State Council", it cannot be ruled out that the future laws, administrative regulations and the provisions of the State Council may stipulate contractual arrangements as one of the means of foreign investment. Whether the contractual arrangement will be identified as foreign investment in the future or whether it will be regarded as a violation of the requirements for foreign investment access, there is still some uncertainty. And the Company may bear significant compliance costs in the future; and

(g) challenges presented by the extensive law and regulation of various aspects of online game business in the PRC and overseas markets and there is no assurance that such laws and regulations would not apply to the Group or be interpreted in ways that could affect the Group's business.

The Group mainly adopted the following measures to manage its aforementioned major risk areas:

- manage the Group's growing size and expanding business, including controlling costs, establishing sufficient internal controls, attracting and retaining talent as well as maintaining corporate culture;
- continue to offer new and high-quality games, enhance existing games to attract and retain players as well as increase player activity level and monetisation;
- maintain and expand the Group's game distribution platforms to deepen penetration in existing markets and expand into new markets within and outside of the PRC;
- maintain close contact with the relevant PRC regulatory authorities, and ensure sound and effective operation of the Group in compliance with the Contractual Arrangements and applicable laws and regulations; and
- adopt internal procedures to ensure regulatory compliance of the Group's business operations in both China and overseas markets. The Group's in-house legal department is responsible for keeping abreast of the regulatory environment and developments in local laws and regulations to support the Group's business expansion in its existing and future target markets.

In addition, the Group's internal controls and risk management systems are explained in the section headed "Corporate Governance Report – Internal Controls and Risk Management" of this annual report.

For further details of the risks associated with our business and our industry and the uncertainties which we face, please refer to the section headed "Risk Factors" in the prospectus of the Company dated 31 October 2013 (the "**Prospectus**"). In particular, for further details of the risks associated with our Contractual Arrangements, please refer to the section headed "Risks associated with the Contractual Arrangements and the actions taken by the Company to mitigate the risks" below.

Environmental Protection Initiatives

The Group is principally engaged in the development and operations of online card and board games. Due to the nature of the Group's business, the Group does not have any significant environmental issues (such as issues surrounding emission of pollutants, discharges into water and land, and generation of hazardous and non-hazardous waste, which are more often seen in certain particular industries, such as construction, restaurants and manufacturing etc.) in its operations. In addition, as advised by the Group's PRC legal advisers, there are no relevant environmental laws and regulations that are applicable to the Group's businesses and operations which would have a significant impact on the Group. The management of the Company considers that the Group's businesses and operations would not cause a significant negative impact on the environment and natural resources. Accordingly, the Group has not formulated any environmental policy in writing since its incorporation.

Nevertheless, the Group always implements environmentally-friendly practices to operate and manage its businesses. For instance, the Group has implemented water-saving, electricity-saving, stationery-saving, paper-saving and energy-saving initiatives, etc. within the Group by enforcing good practices in the use of water, electricity, stationery and paper and in the maintenance of lighting and electric equipment to ensure that they are kept in good and proper condition to maximise efficiency. Furthermore, the Company also actively addresses and encourages employees to participate in social environmental protection activities. For further details regarding environmental protection activities of the Group, please refer to the section headed "Environmental, Social and Governance Report – Environmental Activities" of this annual report.

Legal Compliance

During the year ended 31 December 2018, the Group had complied with relevant PRC laws and regulations in all material respects and have obtained all material licenses, approvals and permits from relevant regulatory authorities for the operations of the Group in China. In particular, during the year ended 31 December 2018, the Group has complied with and completed all relevant filing requirements within the required time limit for the online games that the Group offered within the PRC with the Ministry of Culture pursuant to the Interim Measures on Administration of Online Games promulgated by the Ministry of Culture of the PRC on 3 June 2010.

In addition, as advised by the Group's PRC legal advisers about the important updates in laws and regulations, the Group has fully complied with the Notice of the Ministry of Culture on the Strengthening of the Regulation on Promotional Activities of Online Games issued by the Ministry of Culture on 19 March 2015, and its online games do not constitute gambling activities prohibited under, the Notice on Regulating Operation Order of Online Games and Inspection of Gambling via Online Games jointly issued by the Ministry of Public Security, the Ministry of Culture, the Ministry of Industry and Information Technology and the General Administration of Press and Publication of the PRC on 25 January 2007 and the Notice on Strengthening the Administration of Online Game Virtual Currency jointly issued by the Ministry of Culture and the Ministry of Commerce of the PRC on 4 June 2009, and the Group has not conducted any of the prohibited acts thereunder in its operation of online games and has not offered or promoted its online games as a tool for gambling.

Relationship with Employees, Customers and Suppliers

Employees

As at 31 December 2018, the Group had a total of 340 full time employees, who are mainly based in China. In particular, 292 employees are responsible for game development and operation functions, 8 for game support, and 40 for administration and senior management functions. The Group provides its employees with ample career development choices and opportunities of advancement. The Group also organises and launches various training programs on a regular basis for its employees to enhance their knowledge of online game development and operation, improve time management and internal communications and strengthen team building. The Group also provides various incentives, including without limitation, providing performance-based bonuses and share-based awards, to better motivate its employees. For further details regarding employees and staff costs and the emolument policy of the Group, please refer to the sections headed "Management Discussion and Analysis – Employees and staff costs" and "Directors' Report – Emolument Policy" of this annual report.

Customers

The Group utilises game distribution platforms, such as Facebook, Apple Inc.'s App Store, Huawei, Vivo, Oppo and Google play, etc., to reach the Group's ultimate customers, being individual online game players, by providing games on the websites or online application stores operated by the game distribution platforms. Game players may access the web-based games by entering the relevant websites or the mobile games by downloading the relevant games onto their mobile devices. The Group maintained a close relationship with most of these distribution platforms.

The Group collects payments from the sales of its in-game virtual items directly from the payment collection channels of the Group. The Group established business relationship with a number of payment collection channels as its business expands. As at 31 December 2018, the Group used 267 payment collection channels.

For further details regarding our major customers, please refer to the section headed "Directors' Report – Major Customers and Suppliers" of this annual report.

Suppliers

The major suppliers of the Group mainly comprise data centres that provide server hosting and leasing services. The Group has established server and other equipment procurement policies to manage and monitor its procurement procedures and costs. To ensure the quality and safety of the Group's network infrastructure, the Group usually purchases servers and procures services from qualified and reliable suppliers. The Group selects server rental service providers based on the historical business relationships with the Group, the compatibility of their products with the Group's requirements, prices, customer service and reputation. The Group would also evaluate its suppliers on a quarterly basis based on the performance of their products and services and will replace unqualified suppliers in a timely manner. The Group generally maintained a long-term relationship with these data centres. During the year ended 31 December 2018, there has been no termination of business relationship with the Group's major suppliers which may cause a significant adverse effect on the overall business operation of the Group. For further details regarding our major suppliers, please refer to the section headed "Directors' Report – Major Customers and Suppliers" of this annual report.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2018 and the Company's and the Group's financial affairs as at that date are set out in the consolidated financial statements on pages 88 to 186.

DIVIDEND

As the Company has a strong cashflow position, the Board has recommended the payment of a one-off special dividend to express our gratitude to our Shareholders of approximately HKD0.276 per share (equivalent to approximately RMB0.237 per share), approximately HKD200 million (equivalent to approximately RMB171 million) in total, subject to the approval of the Shareholders at the AGM. The dividends payable to the Shareholders will be distributed in HKD at an average price of Central Parity rates of RMB against HKD as announced by the People's Bank of China for the five business days prior to the dividend declaration date. The distribution of the one-off special dividend is determined with reference to our dividend policy. The Board believes that after the distribution of the one-off special dividend, the Company will continue to have sufficient capital for our business operations. The Board does not recommend the payment of a final dividend for the year ended 31 December 2018.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of the one-off special dividend, the register of members of the Company will be closed from Thursday, 13 June 2019 to Monday, 17 June 2019 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for entitling the one-off special dividend, all transfer of share documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 12 June 2019.

DIVIDEND POLICY

The Board has approved and adopted a dividend policy (the "**Dividend Policy**"). A summary of the Dividend Policy is disclosed as below.

In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value.

The Company does not have any pre-determined dividend payout ratio. The Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the articles of association of the Company and all applicable laws and regulations and factors, including, inter alia, the Group's financial results, cash flow situation, business conditions and strategies, future operations and earnings and capital requirements and expenditure plans, interests of shareholders of the Company, any restrictions on payment of dividends and any other factors that the Board may consider relevant.

The Dividend Policy will be reviewed by the Board as appropriate from time to time.

RESERVES

Changes to the reserves of the Group during the year ended 31 December 2018 are set out in the consolidated statement of changes in equity. Changes to the reserves of the Company during the year ended 31 December 2018 are set out in Note 36 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Changes to the property, plant and equipment of the Group during the year ended 31 December 2018 are set out in Note 6 to the consolidated financial statements.

SHARE CAPITAL AND SHARE INCENTIVE SCHEMES

Details of the Company's share capital and share incentive schemes are set out in Note 19 and Note 21 to the consolidated financial statements and the paragraph headed "Share Option Schemes and Restricted Share Unit Scheme" of this annual report, respectively.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2018 are set out in Note 9 to the consolidated financial statements.

DONATIONS

The Group did not make any donations during the year ended 31 December 2018 (2017: approximately RMB15,000).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 6 of this annual report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2018, the Company repurchased 34,971,000 ordinary shares of US$0.00005 each of the Company ("**Shares**") on the Stock Exchange at an aggregate consideration of HK$106,298,650 pursuant to the share repurchase mandate approved by the Shareholders at the annual general meeting held on 6 June 2018. Details of the repurchases are summarised as follows:

Date of repurchase	Price per Share Highest HKD	Price per Share Lowest HKD	Number of ordinary shares of USD0.00005 each	Total consideration HKD
04 January 2018	3.24	3.23	350,000	1,133,190.00
08 January 2018	3.23	3.22	34,000	109,780.00
26 March 2018	3.03	2.96	198,000	596,440.00
03 April 2018	3.13	3.00	1,371,000	4,217,320.00
04 April 2018	3.18	3.06	1,437,000	4,489,760.00
06 April 2018	3.20	3.09	1,934,000	6,137,220.00
09 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
03 July 2018	2.30	2.28	64,000	146,920.00

Date of repurchase	Price per Share Highest HKD	Price per Share Lowest HKD	Number of ordinary shares of USD0.00005 each	Total consideration HKD
04 July 2018	2.30	2.26	131,000	298,330.00
05 July 2018	2.25	2.21	160,000	356,120.00
06 July 2018	2.26	2.24	136,000	305,100.00
10 July 2018	2.30	2.30	200,000	460,000.00
12 July 2018	2.29	2.29	40,000	91,600.00
17 July 2018	2.28	2.27	152,000	346,460.00
18 July 2018	2.27	2.27	67,000	152,090.00
20 July 2018	2.27	2.27	14,000	31,780.00
23 July 2018	2.28	2.28	56,000	127,680.00
02 October 2018	1.95	1.89	154,000	296,310.00
03 October 2018	1.99	1.92	23,000	44,910.00
05 October 2018	1.99	1.95	20,000	39,500.00
08 October 2018	1.99	1.99	103,000	204,970.00
09 October 2018	1.98	1.98	272,000	538,560.00
10 October 2018	1.99	1.97	126,000	248,740.00
11 October 2018	1.98	1.91	1,155,000	2,262,560.00
12 October 2018	2.02	1.91	725,000	1,432,830.00
15 October 2018	2.07	2.04	1,011,000	2,079,840.00
16 October 2018	2.09	2.05	822,000	1,712,790.00
18 October 2018	2.12	2.05	458,000	957,760.00
19 October 2018	2.14	2.11	27,000	57,360.00
22 November 2018	1.67	1.58	467,000	755,390.00
23 November 2018	1.69	1.64	944,000	1,567,290.00
Total			34,971,000	106,298,650.00

Except for the 1,411,000 shares repurchased in November 2018, all the repurchased 33,560,000 shares of the Company have been cancelled during the year ended 31 December 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 as a whole by enhancing the earnings per share of the Company.

Except as disclosed above, the Group did not purchase, sell or redeem any listed securities of the Company during the year ended 31 December 2018.

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.

The Post-IPO Share Option Scheme shall be valid and effective for a period of ten years commencing on 12 November 2013, being the date on which the trading of the Shares on the Stock Exchange commenced (the "**Listing Date**"). Accordingly, as at 31 December 2018, the remaining life of the Post-IPO Share Option Scheme is approximately four years and ten months. After such period no further options will be granted but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Post-IPO Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Post-IPO Share Option Scheme.

The purpose of the Post-IPO Share Option Scheme is to incentivise 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 (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 as the Board may determine to an Eligible Person.

The maximum number of Shares which may be issued upon the exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes (including but not limited to the Pre-IPO Share Option Scheme, as defined below, the "**Other Schemes**") of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**") (being 73,755,912 Shares). Therefore, as at 31 December 2018, the total number of Shares which may be issued on the exercise of options granted and to be granted under the Post-IPO Share Option Scheme and any Other Schemes is 813,991, representing approximately 0.11% of the issued share capital of the Company as at the date of this annual report. Options lapsed in accordance with the terms of the Post-IPO Share Option Scheme and any Other Schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

At any time, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the Post-IPO Share Option Scheme and any Other Schemes of the Company to Eligible Persons must not exceed 30% of the total number of Shares in issue from time to time. Unless approved by the Shareholders in a general meeting, the total number of Shares issued and to be issued upon the exercise of the options granted to each Eligible Person (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue.

An offer of options shall be open for acceptance for such period (not exceeding 30 days inclusive of, and from, the date of offer) as the Board may determine and notify to the Eligible Person concerned provided that no such offer shall be open for acceptance after the expiry of the duration of the Post-IPO Share Option Scheme. An offer of options not accepted within this period shall lapse. An amount of HKD1.00 is payable upon acceptance of the grant of an option and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price.

Any option shall be vested on an option-holder immediately upon his acceptance of the offer of options provided that if any terms and conditions are specified in the offer of the option, such option shall only be vested on an option-holder according to such terms and conditions. Such terms and conditions may include any vesting schedule and/or conditions, any minimum period for which any option must be held before it can be exercised and/or any performance target which need to be achieved by an option-holder before the option can be exercised. Any vested option which has not lapsed and which conditions have been satisfied or waived by the Board in its sole discretion may, unless the Board determines otherwise in its absolute discretion, be exercised at any time from the next business day after the offer of options has been accepted. Any option which remain unexercised shall lapse upon the expiry of the option period, which period shall be determined by the Board and shall not exceed ten years from the offer date of the option.

The exercise price shall be such price as determined by the Board and notified to an option-holder and which shall not be less than the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of offer of the option;

(ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the option; and

(iii) the nominal value of the Shares.

Details of the options granted under the Post-IPO Share Option Scheme and details of the vesting period, exercise period, the exercise price and the movements in options during the year ended 31 December 2018 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 as at 31 December 2018" below. Details of movements in the options and the value of the options granted under the Post-IPO Share Option Scheme are set out in Note 21 to the consolidated financial statements.

During the year ended 31 December 2018, no options has been granted or agreed to be granted under the Post-IPO Share Option Scheme, nor has any options been cancelled.

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 the 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. An Eligible Participant whom an option is granted in accordance with the terms of the Pre-IPO Share Option Scheme (the "**Grantee**") is not required to pay for the grant of any option under the Pre-IPO Share Option Scheme.

The maximum number of Shares in respect of which options may be granted at any time under the Pre-IPO Share option Scheme will be such number of shares as the Remuneration Committee may approve from time to time. No Grantee shall be entitled to any rights, interest or benefits attached to the underlying Shares of the options granted under the Pre-IPO Share Option Scheme unless and until the option in respect of such Shares has been vested on him and exercised in accordance with the terms of the Pre-IPO Share Option Scheme. There is no maximum entitlement for each Eligible Participant under the rules of the Pre-IPO Share Option Scheme although no Eligible Participant under the Pre-IPO Share Option Scheme has been granted options exceeding 1.0% of the issued share capital of the Company.

An offer of options shall be open for acceptance for such period (not exceeding 30 days inclusive of, and from, the date of offer) as the Board may determine and notify to the Eligible Person concerned provided that no such offer shall be open for acceptance after the expiry of the duration of the Pre-IPO Share Option Scheme.

An option shall not be exercisable on any date unless such terms and conditions (including, without limitation, any performance target(s) or condition(s) upon which the exercise of the option shall be conditional), if any, are satisfied and to the extent that the option has vested.

The exercise price in respect of any option granted under the Pre-IPO Share Option Scheme shall be fixed with reference to the fair market value of the underlying Share on the date upon which the option is granted, and subject to any adjustments, shall be:

(i) the latest valuation price per Share certified by an independent valuer engaged by the Company for such purpose prior to the date of grant of the relevant option; or

(ii) the latest price per Share at which the Company has issued any Shares prior to the date of grant of the relevant option, unless the Company otherwise determines and so notifies the Grantee in writing.

Notwithstanding any other provision of the rules of the Pre-IPO Share Option Scheme or any notice of grant or the terms on which any option is granted or vested, any Shares allotted upon the exercise of the option in accordance with the Pre-IPO Share Option Scheme will, in all cases, be held by a nominee as designated by the Company (the "**Nominee**") for the Grantees. The Company has appointed The Core Trust Company Limited as the trustee (the "**Trustee**") to assist with the administration and vesting of the options granted pursuant to the Pre-IPO Share Option Scheme and The Core Admin Boyaa Option Limited, a company wholly-owned by the Trustee, as the Nominee to hold the Shares to be allotted to the Grantees upon the exercise of the option in accordance with the Pre-IPO Share Option Scheme.

An option, whether vested or unvested, shall automatically lapse and expire with no rights and benefits on the day falling on the eighth anniversary of the date of vesting of the relevant option or such earlier date as the Board may have determined prior to the grant of the relevant option.

All of the options granted under the Pre-IPO Share Option Scheme were granted in four batches in 2011 and 2012. As at 31 December 2018, options to subscribe for an aggregate of 80,886 Shares (representing approximately 0.01% of the total issued share capital of the Company as at the date of this annual report) have been granted by the Company and remained outstanding under the Pre-IPO Share Option Scheme. There were 3 option holders, which are employees of the Group. Details of movements in the options under the Pre-IPO Share Option Scheme are set out in Note 21 to the consolidated financial statements.

Details of the options granted under the Pre-IPO Share Option Scheme and details of the vesting period, exercise period, the exercise price and the movements in options during the year ended 31 December 2018 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 as at 31 December 2018" below.

No further options have been 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 31 December 2018, the remaining life of the Pre-IPO Share Option Scheme in respect of outstanding options is approximately five years and ten months.

No options have been cancelled during the year ended 31 December 2018.

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 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.

Persons eligible to receive 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 31 December 2018, the remaining life of the RSU Scheme is approximately two years and two 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 as at 31 December 2018 – (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.

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 Ms. Tao Ying) 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.

RSUs held by a RSU Participant that are vested as evidenced by the Vesting Notice may be exercised (in whole or in part) by the RSU Participant serving an exercise notice in writing on the RSU Trustee and copied to the Company. Upon receipt of an exercise notice, the Board may decide at its absolute discretion to:

(a) direct and procure the RSU Trustee to, within a reasonable time, transfer the Shares underlying the RSUs exercised (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) to the RSU Participant which the Company has allotted and issued to the RSU Trustee as fully paid up Shares or which the RSU Trustee has either acquired by purchasing existing Shares or by receiving existing Shares from any Shareholder, subject to the RSU Participant paying the exercise price (where applicable) and all tax, stamp duty, levies and charges applicable to such transfer to the RSU Trustee or as the RSU Trustee directs; or

(b) pay, or direct and procure the RSU Trustee to, within a reasonable time, pay, to the RSU Participant in cash an amount which represents the value of the Shares underlying the RSUs exercised on or about the date of exercise (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) less any exercise price (where applicable) and after deduction of any tax, levies, stamp duty and other charges applicable to the sale of any Shares to fund such payment and in relation thereto.

As at 31 December 2018, an aggregate of 60,824,617 Shares were held by the RSU Trustee, representing approximately 8.39% of the Shares in issue as at the date of this annual report. As at 31 December 2018, RSUs in respect of an aggregate of 7,781,613 Shares, representing approximately 1.07% of the Shares in issue as at the date of this annual report, had been granted to 204 RSU Participants pursuant to the RSU Scheme. Details of the movements in the RSUs under the RSU Scheme are set out in Note 21 to the consolidated financial statements.

Details of the RSUs granted under the RSU Scheme and details of the vesting period and the movements in RSUs during the year ended on 31 December 2018 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 as at 31 December 2018" below.

During the year ended 31 December 2018, no RSU has been granted or agreed to be granted under the RSU Scheme, nor has any RSU been cancelled.

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 as at 31 December 2018

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 year	Exercise price	Exercised during the year	Weighted average closing price of shares immediately before the dates on which the options were exercised	Lapsed during the year	Number of shares represented by options or RSUs at 31 December 2018
Director of the Company										
Tao Ying	Executive Director	Options	85,000	7 September 2015	–	–	–	–	–	**85,000**
		RSUs	50,000	12 March 2015	–	–	–	–	–	**50,000**
		Sub-total	135,000		–	–	–	–	–	**135,000**
204 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	5,991	2.00	–	**66,249**
			10,478,913	7 September 2015	–	HKD3.108	751,000	3.30	1,570,484	**8,157,429**
		RSUs	8,838,407	1 February 2011	–	–	7,664,295	–	21,684	**1,152,428**
			78,155	2 March 2012	–	–	34,245	–	13,324	**30,586**
			98,908	1 July 2012	–	–	10,798	–	1,702	**86,408**
			10,498,243	4 March 2013	–	–	3,584,824	–	741,871	**6,171,548**
			917,140	12 March 2015	–	–	500,447	–	126,050	**290,643**
		Sub-total	31,053,643		–		12,608,600		2,475,115	**15,969,928**
Total		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	5,991	2.00	–	**66,249**
			10,563,913	7 September 2015	–	HKD3.108	751,000	3.30	1,570,484	**8,242,429**
		RSUs	8,838,407	1 February 2011	–	–	7,664,295	–	21,684	**1,152,428**
			78,155	2 March 2012	–	–	34,245	–	13,324	**20,586**
			98,908	1 July 2012	–	–	10,798	–	1,702	**86,408**
			10,498,243	4 March 2013	–	–	3,584,824	–	741,871	**6,171,548**
			967,140	12 March 2015	–	–	500,447	–	126,050	**340,643**
		Total	31,188,643		–		12,608,600		2,475,115	**16,104,928**

(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 are required to pay an amount of HKD1.00 for the grant of each of the options 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.

Directors' Report

DIRECTORS

The directors of the Company during the Reporting Period were:

Directors

Name	Position
Mr. Zhang Wei *(resigned on 21 September 2018)*	Chairman of the Board, Chief Executive Officer and Executive Director
Mr. Dai Zhikang *(appointed as the Chairman of the Board on 21 September 2018)*	Chairman of the Board and Executive Director
Ms. Tao Ying *(appointed on 21 September 2018)*	Executive Director and Acting Chief Executive Officer
Mr. Cheung Ngai Lam	Independent Non-executive Director
Mr. Choi Hon Keung Simon	Independent Non-executive Director
Mr. You Caizhen	Independent Non-executive Director

During the year ended 31 December 2018, one of our executive directors, Mr. Zhang Wei resigned as an executive director and the chief executive officer of the Company with effect from 21 September 2018. Upon his resignation as an executive director, Mr. Zhang ceased to be the chairman of the Board, the chairman of the nomination committee of the Company and authorised representative of the Company. Mr. Zhang confirmed that there was no disagreement with the Board and there was no matter relating to his resignation that needed to be brought to the attention of the Stock Exchange and the Shareholders.

Mr. Dai Zhikang, an executive Director, has been appointed as the chairman of the Board with effect from 21 September 2018.

Ms. Tao Ying was appointed as an executive director and the chairman of the Nomination Committee and authorised representative with effect from 21 September 2018. Ms. Tao has also been appointed as the Acting Chief Executive Officer with effect from 21 September 2018 until the Board appoints a new chief executive officer of the Company. Ms. Tao did not hold any directorships in any public companies the securities of which are listed on the Stock Exchange or any overseas securities market in the last three years, or any other major appointments and professional qualifications. As at the date of this annual report, Ms. Tao does not have any relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Directors' Report

In accordance with articles 16.2 and 16.18 of the articles of association of the Company, a director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting but shall not be taken into account in determining the number of directors who are due to retire by rotation at such meeting. Ms. Tao Ying, who has been appointed as a Director on 21 September 2018, will retire and offer herself for re-election at the forthcoming annual general meeting ("**AGM**").

In accordance with article 16.18 of the articles of association of the Company, at every annual general meeting of the Company, one-third of the directors for the time being (or, if the number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation. Accordingly, Mr. Cheung Ngai Lam and Mr. You Caizhen shall retire by rotation at the AGM are eligible, for re-election at the AGM.

None of Ms. Tao Ying, Mr. Cheung Ngai Lam and Mr. You Caizhen has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than under normal statutory obligations.

The biographical details of the directors and senior management of the Company are set out in the section headed "Biographies of the Directors and Senior Management" of this annual report.

DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this annual report, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company and/or any entity connected with a director had a material interest, whether directly or indirectly, and no contract of significance, whether for the provision of services or otherwise, between the Company or any of its subsidiaries and the Company's controlling shareholder or any of its subsidiaries, subsisted at the end of the year or at any time during the Reporting Period.

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

As at 31 December 2018, the interests and short positions of the directors or the chief executive of the Company in the Shares, underlying Shares or 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 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. Dai Zhikang[2]	The Company	Founder of a discretionary trust	36,500,000 (L)	5.04%
Mr. You Caizhen[3]	The Company	Beneficial Owner	100,000 (L)	0.01%
Ms. Tao Ying[4]	The Company	Beneficial Owner	135,000 (L)	0.02%

Notes:

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

*(2) 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.*

(3) Mr. You Caizhen is interested in 100,000 Shares.

(4) Ms. Tao Ying is interested in 50,000 underlying Shares in respect of the RSUs granted by the Company under the RSU Scheme and 85,000 underlying Shares in respect of the options granted by the Company under the Post-IPO Share Option Scheme.

(5) As at 31 December 2018, the Company had 724,583,301 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. Dai Zhikang	RMB200,000	2%

Save as disclosed above, as at 31 December 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.

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

As at 31 December 2018, the following persons (other than the directors or the chief executive of the Company) have interests or short positions in the Shares or underlying Shares 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]
Mr. Zhang Wei[2]	The Company	Founder of a discretionary trust	246,237,474 (L)	33.98%
Cantrust (Far East) Limited[3]	The Company	Trustee of a trust	282,737,474 (L)	39.02%
Rustem Limited[3]	The Company	Nominee for another person	282,737,474 (L)	39.02%
Chunlei Investment[3]	The Company	Interest in a controlled corporation	246,237,474 (L)	33.98%
Boyaa Global Limited[3]	The Company	Beneficial owner	176,572,474 (L)	24.37%
Emily Technology Limited[3][6]	The Company	Beneficial owner	69,665,000 (L)	9.61%
The Core Trust Company Limited[4]	The Company	Trustee of a trust	67,105,894 (L)	9.26%
The Core Admin Boyaa RSU Limited[4][6]	The Company	Nominee for another person	64,645,873 (L)	8.92%
TCT (BVI) Limited [4][6]	The Company	Other	67,105,894 (L)	9.26%

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) *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.*

(4) *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 72,764,226 Shares underlying the RSUs granted and to be granted under the RSU Scheme for the benefit of eligible participants pursuant to the RSU Scheme through its wholly-owned subsidiary TCT (BVI) Limited.*

(5) *As at 31 December 2018, the Company had 724,583,301 issued Shares.*

(6) *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 31 December 2018, no persons (other than the directors or the chief executive of the Company) have 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2018.

MAJOR CUSTOMERS AND SUPPLIERS

The game players make payments through various payment collection channels. Therefore, the ultimate customers of the Group are individual game players. The Group collects payments from the sales of its in-game virtual items directly from the payment collection channels of the Group and not directly from individual game players. For the year ended 31 December 2018, the five largest payment collection channels contributed a total of approximately 50.9% of the Group's total revenue. Currently, Google is the largest payment collection channel, contributed approximately 16.3% of the Group's total revenue, for the same period. The average length of business relationship with the five largest payment collection channels is approximately 8 years. In particular, the length of business relationship with Google, the largest payment collection channel, is approximately 7 years.

The credit terms of trade receivables granted to our major customers, i.e. the platforms and third party payment vendors, are generally 30 to 120 days, which is generally in line with those granted to other customers. Ageing analysis based on recognition date of the gross trade receivables at the balance sheet date is as follows:

	2018 **RMB'000**	2017 RMB'000
0 - 60 days	**16,718**	27,369
61 - 90 days	**995**	2,952
91 - 180 days	**1,737**	2,155
Over 180 days	**3,505**	3,727
	22,955	36,203

As at 31 December 2018, trade receivables past due but not impaired were approximately RMB4,709,000 (2017: approximately RMB11,104,000). These related to a number of independent platforms and third party payment vendors which the Group has not encountered any credit defaults in the past and they are assessed to be financially trustworthy. As a result, the directors of the Company consider that these overdue amounts can be recovered. For details of the Group's trade receivables, please refer to Note 14 to the consolidated financial statements of this annual report.

Data centres that provide server hosting and leasing services are the major suppliers of the Group. During the Reporting Period, the purchases from the Group's five largest suppliers accounted for approximately 73.7% of the Group's total purchases from all of the suppliers for the same period and the purchases from the Group's largest supplier included there in amount to approximately 32.0%.

None of our directors, any of their close associates or any Shareholders that, to the knowledge of our directors, own more than 5% of the issued share capital of the Company had any interest in any of the five largest payment collection channels and the five largest suppliers during the year ended 31 December 2018.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has reviewed the accounting principles and policies adopted by the Group and discussed the Group's risk management, internal controls and financial reporting matters with the management. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2018. There is no disagreement between the Board and the Audit Committee regarding accounting treatment adopted by the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company, although there are no restrictions against such rights under the laws in the Cayman Islands.

EMOLUMENT POLICY

The directors of the Company believe that maintaining a stable and motivated employee force is critical to the success of the Group's business. As a fast growing company, the Company is able to provide its employees with ample career development choices and opportunities of advancement. The Company organises various training programs on a regular basis for its employees to enhance their knowledge of online game development and operation, improve time management and internal communications and strengthen team building. The Company also provides various incentives to better motivate its employees. In addition to providing performance-based bonuses and share-based awards, the Company offers unsecured, interest-free housing loans to employees with good performance.

For the purpose of the promotion of efficiency and fairness among the directors of the Company, as well as incentivising their performance, the Company links the remunerations of the directors to the Company's operation and financial performance with reference to the audited financial report at the end of the year.

EMPLOYEE RETIREMENT BENEFITS

Particulars of the employee retirement benefits of the Group are set out in Note 26 to the consolidated financial statements.

Directors' Report

PERMITTED INDEMNITIES

Pursuant to the articles of association of the Company, the directors and other officers of the Company are entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a director or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. Such permitted indemnity provisions are currently in force and were in force during the year ended 31 December 2018.

TAX RELIEF AND EXEMPTION

The Company is not aware that holders of securities of the Company are entitled to any tax relief or exemption by reason of their holding of such securities.

PUBLIC FLOAT

As at the date of this annual report and based on the information that is publicly available to the Company and to the knowledge of the directors of the Company, the Company has maintained the minimum public float of 25% as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

There was no significant event occurred after the Reporting Period.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company's distributable reserves calculated under the Companies Law of the Cayman Islands comprise the share premium, other reserves and accumulated loss totaling approximately RMB479,299,000 (2017: approximately RMB597,621,000).

CHANGE OF AUDITOR

The consolidated financial statements for the year ended 31 December 2015 were audited by PricewaterhouseCoopers who resigned as auditor of the Company on 2 August 2016. The Board has appointed Pan-China (H.K.) CPA Limited as the new auditor of the Company with effect from 2 August 2016 to fill the casual vacancy following the resignation of PricewaterhouseCoopers and to hold office until the conclusion of the annual general meeting of the Company held on 29 May 2017 at which its re-appointment was approved. Save as disclosed above, there were no other changes in auditor of the Company during the past three years.

The consolidated financial statements for the year ended 31 December 2018 have been audited by Pan-China (H.K.) CPA Limited, who will retire at the AGM and being eligible, offer themselves for re-appointment.

BANK AND OTHER LOANS

The Group did not have any short-term or long-term bank borrowings or other loans as at 31 December 2018.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES AND EQUITY-LINKED AGREEMENTS

Save as disclosed under the section "Share Option Schemes and Restricted Share Unit Scheme" of this annual report, at no time during the year ended 31 December 2018 was the Company, or any of its holding companies or subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the directors or chief executive of the Company or their respective associates (as defined under the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, nor did the Company enter into any equity-linked agreement.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Zhang Wei, who resigned as a director of the Company on 21 September 2018, is one of the three directors of HuifuWorld (a company in which Boyaa Shenzhen holds approximately 14.7% interest), which is mainly engaged in the development and operation of Internet Protocol television and Android Set-Top-Box related channels and platforms and lottery. Mr. Dai Zhikang holds approximately 4.3% equity interest in and is also one of the four directors of Blingstorm Entertainment Ltd. (晶合思動(北京)科技有限公司) (a company in which Boyaa Shenzhen holds approximately 9.4% equity interest), which is mainly engaged in provision of mobile games (other than online card and board games) in the PRC.

Save as disclosed above, as at the date of this annual report, none of the directors of the Company and directors of the Company's subsidiaries, or their respective close associates had interests in businesses, which compete or are likely to compete either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.

Further, Mr. Zhang Wei, Boyaa Global Limited and Emily Technology Limited, each a controlling Shareholder, being the covenantors (the "**Covenantors**"), has entered into a deed of non-competition (the "**Deed of Non-Competition**") in favour of the Company on 25 October 2013, pursuant to which each of the Covenantors has jointly and severally, unconditionally and irrevocably undertaken with the Company that he/it will not (except through the Group and any investment or interests held through the Group), and will procure his/its close associates (other than any member of the Group) not to, directly or indirectly (including through nominees), carry on, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or connected with, any business which is in competition with or similar to or is likely to be in competition with the business of the Group. For details of the Deed of Non-Competition, please refer to the Prospectus.

The independent non-executive directors of the Company have reviewed the compliance with the non-competition undertaking by the Covenantors under the Deed of Non-Competition and are of the view that such non-competition undertaking has been complied with during the year ended 31 December 2018. Each of the Covenantors has provided to the Company a written confirmation in respect of his/its compliance with the Deed of Non-Competition.

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 USD0.00005 each of the Company were issued at HKD5.35 per share for a total of approximately HKD947.0 million. The net proceeds raised by the Company from the abovementioned global offering are approximately HKD837.9 million.

Up to 31 December 2018, a total amount of approximately RMB666.0 million from the net proceeds from the abovementioned global offering had been utilised for the following purposes:

(a) approximately RMB295.0 million for marketing activities and business expansion;

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

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

As at 31 December 2018, approximately RMB8.6 million raised from the abovementioned global offering remains unused.

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

The Company will continue to utilise the net proceeds from the global offering for the purpose consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

CONNECTED TRANSACTIONS

Continuing Connected Transactions

Reference is made to the section headed "History, Reorganisation and Corporate Structure – Contractual Arrangements" in the Prospectus. The Company, as a foreign investor, is prohibited from holding equity interest in Boyaa Shenzhen, the PRC operating entity of the Company, which conducts the online games business and is considered to be engaged in the provision of value-added telecommunications services as a result of the operations of our websites. As a result, the Group, through a wholly-owned subsidiary of the Company, Boyaa On-line Game Development (Shenzhen) Co., Ltd. ("**Boyaa PRC**"), has entered into a series of contractual arrangements (the "**Contractual Arrangements**") with Boyaa Shenzhen such that the Group can conduct its business operations indirectly in the PRC through Boyaa Shenzhen while complying with applicable PRC law and regulations. The Contractual Arrangements are designed to provide the Group with effective control over the financial and operational policies of Boyaa Shenzhen and, to the extent permitted by PRC law and regulations, the right to acquire the equity interests in and/or the assets of Boyaa Shenzhen through Boyaa PRC. As the Group operates its online games business through Boyaa Shenzhen, which is controlled by Mr. Zhang Wei and the Group does not hold any direct equity interest in Boyaa Shenzhen, the Contractual Arrangements were entered into on 15 May 2013 pursuant to which all material business activities of Boyaa Shenzhen are instructed and supervised by the Group, through Boyaa PRC, and all economic benefits and risks arising from the business of Boyaa Shenzhen are transferred to the Group. Further details of the reasons for using the Contractual Arrangements are set out in the section headed " Directors' Report – Contractual Arrangements – Reasons for Contractual Arrangements" below.

The Contractual Arrangements currently in effect comprise of six agreements, namely (a) the Exclusive Business Consulting and Service Agreement, (b) the Business Operating Agreement, (c) the Exclusive Option Agreement, (d) the Equity Pledge Agreement, (e) the Intellectual Properties License Agreement and (f) the Loan Agreement, which were entered into between or amongst Boyaa Shenzhen, Boyaa PRC, Mr. Zhang Wei and/or Mr. Dai Zhikang (as the case may be).

Mr. Zhang Wei is a substantial Shareholder of the Company. He is therefore a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Boyaa Shenzhen is owned as to 98% by Mr. Zhang Wei and hence an associate of Mr. Zhang Wei. Boyaa Shenzhen is therefore a connected person of the Company under Rule 14A.07(4) of the Listing Rules. In addition, Mr. Dai Zhikang is an executive director and therefore a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company under the Listing Rules.

Contractual Arrangements

Reasons for Contractual Arrangements

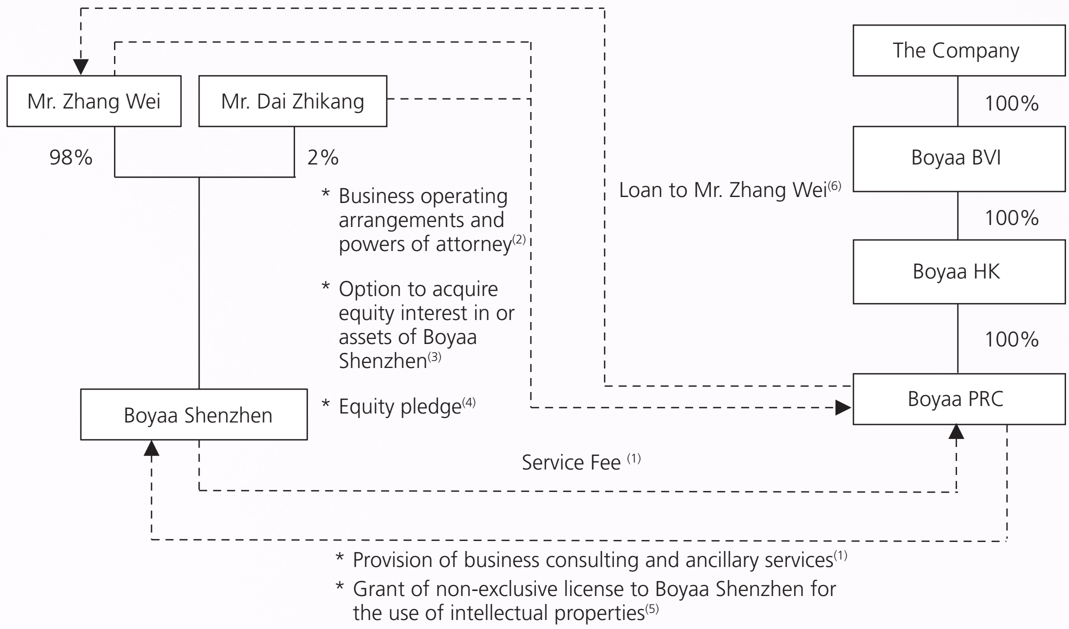
The Group is primarily engaged in the development and operation of online card and board games business and is considered to be engaged in the provision of value-added telecommunications services as a result of the operations of the websites of the Group. The Group conducts online games business through 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 the Contractual Arrangements with Boyaa Shenzhen through an indirect wholly-owned subsidiary, 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.

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 31 December 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. In particular, the Company has offered casual games, such as Ant Wars (蟲蟲特攻隊) and Happy Babies (開心寶貝), on the Company's overseas website, www.boyaa.com.hk, with a view to building up its track record of overseas telecommunications business operations. 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 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 10 language versions, including Arabian, Indonesian and Thai, as its important games. 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, and in particular, the Thai 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 RMB160.7 million for the year ended 31 December 2018 and approximately RMB1,171.4 million as at 31 December 2018, respectively.

Illustrative diagram of, and agreements underlying, the Contractual Arrangements

The following simplified diagram illustrates the flow of economic benefits from Boyaa Shenzhen to the Group stipulated under the Contractual Arrangements:



Notes:

(1) Please refer to the paragraph headed "Exclusive Business Consulting and Service Agreement" below for details.

(2) Please refer to the paragraph headed "Business Operating Agreement" below for details.

(3) Please refer to the paragraph headed "Exclusive Option Agreement" below for details.

(4) Please refer to the paragraph headed "Equity Pledge Agreement" below for details.

(5) Please refer to the paragraph headed "Intellectual Properties License Agreement" below for details.

(6) Please refer to the paragraph headed "Loan Agreement" below for details.

(a) Exclusive Business Consulting and Service Agreement

Boyaa PRC and Boyaa Shenzhen entered into the Exclusive Business Consulting and Service Agreement (as restated and amended) on 15 May 2013, pursuant to which Boyaa Shenzhen agreed to engage Boyaa PRC as its exclusive consultant and service provider. Accordingly, Boyaa PRC shall provide advice and recommendations to Boyaa Shenzhen in respect of (i) consulting services in respect of the management and operations of Boyaa Shenzhen, (ii) consulting services in respect of the standardisation of the operating system of Boyaa Shenzhen, (iii) consulting services in respect of market research and sales and marketing strategies, (iv) technical consulting services in respect of hardware, database and server operations, (v) the maintenance and upgrade of the online games operated by Boyaa Shenzhen, (vi) research and development of online game software and maintenance of the system, (vii) renting of certain office equipment (such as computers) and other operating equipment (save for relevant servers for the operations of the online games), (viii) branding, marketing and other promotion, (ix) training in respect of online game technology and operations related matters, (x) the grant of the use of all intellectual properties owned by Boyaa PRC pursuant to the terms of the Intellectual Properties License Agreement, (xi) human resources support, including but not limited, staff secondment arrangement and (xii) other service areas as agreed between the parties.

In addition, pursuant to the Exclusive Business Consulting and Service Agreement, without the prior written approval from Boyaa PRC, Boyaa Shenzhen shall not enter into any transactions (save as those transactions entered into in the ordinary course of business) that may affect its assets, obligations, rights or operation, including but not limited to (i) the disposal, transfer or acquisition of any assets, (ii) the provision of any guarantee or create any encumbrances relating to its assets, (iii) the entering into of any material contracts and (iv) any merger, acquisition or restructuring of Boyaa PRC.

Pursuant to the Exclusive Business Consulting and Service Agreement, Boyaa Shenzhen shall pay to Boyaa PRC a service fee that equals to the profit before taxation of Boyaa Shenzhen, after off-setting the prior-year loss (if any), working capital requirements, expenses and tax of Boyaa Shenzhen in any given year, and Boyaa PRC shall have the right to adjust the level of the service fee based on the actual service scope and with reference to the operating conditions and expansion needs of Boyaa Shenzhen. Boyaa Shenzhen has agreed to pay the service fee within one month after each quarter end for the services provided in the preceding quarter.

The Exclusive Business Consulting and Service Agreement is for a term of ten years commencing from 15 May 2013, the date of the agreement, with the payment of the service fees for the first quarter of 2013 by Boyaa Shenzhen to Boyaa PRC taking retrospective effect from January 2013, and may be automatically extended for another ten years at the discretion of Boyaa PRC. The Exclusive Business Consulting and Service Agreement may be terminated by Boyaa PRC by giving Boyaa Shenzhen a 30 days’ prior written notice of termination and shall be terminated upon the transfer of the entire equity interests in and/or the transfer of all assets of Boyaa Shenzhen to Boyaa PRC or its designated person pursuant to the Exclusive Option Agreement. Boyaa Shenzhen is not contractually entitled to terminate the Exclusive Business Consulting and Service Agreement with Boyaa PRC.

(b) ***Business Operating Agreement***

Boyaa PRC, Mr. Zhang Wei, Mr. Dai Zhikang and Boyaa Shenzhen entered into the Business Operating Agreement (as restated and amended) on 15 May 2013, and as further amended and supplemented by the supplemental agreement dated 22 October 2013, pursuant to which Mr. Zhang Wei and Mr. Dai Zhikang agreed to enter into powers of attorney to unconditionally and irrevocably authorise any individual(s) appointed by Boyaa PRC to exercise all of their rights and powers as shareholders of Boyaa Shenzhen. Each of the individuals appointed by Boyaa PRC must be one of the directors of Boyaa Interactive (Hong Kong) Limited ("**Boyaa HK**"), Boyaa Holdings Limited ("**Boyaa BVI**") or the Company who is a PRC citizen, and cannot be Mr. Zhang Wei, Mr. Dai Zhikang or any of their associates. Such individuals act on Mr. Zhang Wei's and Mr. Dai Zhikang's behalf on all matters pertaining to Boyaa Shenzhen and, to the extent permissible under applicable PRC laws, exercise all of their respective rights as a shareholder thereof, including (i) rights to attend shareholders' meeting, (ii) rights to exercise voting rights in a shareholders' meeting, (iii) rights to sign minutes of the meetings, (iv) rights to file documents with relevant governmental authorities or regulatory bodies, (v) rights to appoint directors, supervisors and senior management, (vi) right to 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, (vii) right to instruct directors and senior management of Boyaa Shenzhen to act in accordance with all instructions of Boyaa PRC or its designated person and (viii) such other shareholders' rights as stipulated under applicable PRC laws, rules and regulations and the articles of association of Boyaa Shenzhen. In addition, it is also agreed that Boyaa PRC or its designee shall have the right to obtain and review the operating statistics, business data, financial information, employee information and other information relevant to the operations and business of Boyaa Shenzhen. Pursuant to the Business Operating Agreement, in the event that Boyaa PRC or its designee decided to voluntarily 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.

The Business Operating Agreement is for an indefinite term commencing from 15 May 2013, the date of the agreement, until it is terminated (i) by Boyaa PRC by giving Boyaa Shenzhen a 30 days' prior written notice of termination, or (ii) upon the transfer of the entire equity interests held by either Mr. Zhang Wei and/or Mr. Dai Zhikang in, and/or the transfer of all assets of, Boyaa Shenzhen to Boyaa PRC or its designated person pursuant to the Exclusive Option Agreement. Boyaa Shenzhen is not contractually entitled to terminate the Business Operating Agreement with Boyaa PRC. Under the Business Operating Agreement, each of Mr. Zhang Wei and Mr. Dai Zhikang warranted 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 Business Operating Agreement.

Power of attorney

On 15 May 2013, each of Mr. Zhang Wei and Mr. Dai Zhikang has executed a power of attorney, as amended and supplemented by the clarification to the power of attorney on 22 October 2013, pursuant to the terms of the Business Operating Agreement. Under each of the power of attorney, each of Mr. Zhang Wei and Mr. Dai Zhikang irrevocably confirmed that the power of attorney shall remain in full force and effect within the term of the Business Operating Agreement unless Boyaa PRC requests to replace the appointed designee of Boyaa PRC under the power of attorney. 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. Each of the individuals appointed by Boyaa PRC must be one of the directors of Boyaa HK, Boyaa BVI or the Company who is a PRC citizen and cannot be Mr. Zhang Wei, Mr. Dai Zhikang or any of their associates. 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, to (v) 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 association of Boyaa Shenzhen.

(c) Exclusive Option Agreement

Boyaa PRC, Mr. Zhang Wei, Mr. Dai Zhikang and Boyaa Shenzhen entered into the Exclusive Option Agreement on 15 May 2013, and as further amended and supplemented by the supplemental agreement dated 22 October 2013, pursuant to which Mr. Zhang Wei and Mr. Dai Zhikang jointly and severally granted to Boyaa PRC or a subsidiary of the Company or an authorised director (being a PRC citizen) of any company within our Group irrevocable options to purchase, to the extent permitted by PRC laws and regulations, their equity interests in Boyaa Shenzhen, entirely or partially, at the minimum purchase price permitted under PRC laws and regulations. In addition, pursuant to the Exclusive Option Agreement, Boyaa Shenzhen granted to Boyaa PRC, a subsidiary of the Company or an authorised director (being a PRC citizen) of any company within the Group an irrevocable option to 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. Boyaa PRC, such subsidiary or authorised director may exercise such options at any time until it has acquired all equity interests and/or assets of Boyaa Shenzhen, subject to applicable PRC laws and regulations. It is also agreed that when the relevant PRC law permits the equity interests of Boyaa Shenzhen to be directly held by Boyaa PRC while it continues to operate its online games business, the parties will carry out all necessary actions to implement the transfer of all the shares of Boyaa Shenzhen to Boyaa PRC pursuant to the exercise of the option granted under the Exclusive Option Agreement.

Pursuant to the Exclusive Option Agreement, Boyaa Shenzhen has undertaken to perform certain acts or refrain from performing certain other acts unless it has obtained prior approval from Boyaa PRC, including but not limited to the following matters:

(i) Boyaa Shenzhen shall not alter its constitutional documents or its registered capital;

(ii) Boyaa Shenzhen shall prudently and effectively operate its business and transactions in accordance with good financial and business standards;

(iii) Boyaa Shenzhen shall not sell, transfer, create encumbrances or otherwise dispose of any assets, business, legal or beneficial interest of its income or allow any guarantee or security to be created on its assets;

(iv) Boyaa Shenzhen shall not incur, take up, guarantee or allow any indebtedness other than those in the ordinary course of business and having been disclosed to and consented by Boyaa PRC in writing;

(v) Boyaa Shenzhen shall not enter into any material contracts with an amount of over RMB1 million other than in the ordinary course of business;

(vi) Boyaa Shenzhen shall operate its business in order to maintain its asset value or not allow any acts or omission which adversely affects its business or assets value;

(vii) Boyaa Shenzhen shall not engage in any mergers or acquisitions or make investment in any entities;

(viii) Boyaa Shenzhen shall immediately inform Boyaa PRC if its assets or business are involved in any disputes, litigations, arbitrations or administrative proceedings; and

(ix) Boyaa Shenzhen shall not distribute any dividend to Mr. Zhang Wei or Mr. Dai Zhikang. Each of Mr. Zhang Wei and Mr. Dai Zhikang shall transfer all distributable dividends, capital dividend and other assets receivable by him at nil consideration to Boyaa PRC as soon as practicable but in any event no later than three days upon receipt of the same by any of them.

The Exclusive Option Agreement is for an indefinite term commencing on 15 May 2013, being the date of the agreement, until it is terminated (i) by Boyaa PRC by giving Boyaa Shenzhen a 30 days' prior written notice of termination, or (ii) upon the transfer of the entire equity interests held by either Mr. Zhang Wei and/or Mr. Dai Zhikang in Boyaa Shenzhen and/or the transfer of all the assets of Boyaa Shenzhen to Boyaa PRC or its designated person. Boyaa Shenzhen is not contractually entitled to terminate the Exclusive Option Agreement with Boyaa PRC.

(d) Equity Pledge Agreement

Boyaa PRC, Mr. Zhang Wei and Mr. Dai Zhikang entered into the Equity Pledge Agreement (as restated and amended) on 15 May 2013, pursuant to which each of Mr. Zhang Wei and Mr. Dai Zhikang agreed to pledge all of their respective equity interests in Boyaa Shenzhen to Boyaa PRC to secure performance of all their obligations and the obligations of Boyaa Shenzhen under the Exclusive Business Consulting and Service Agreement, the Business Operating Agreement, the Exclusive Option Agreement, the Intellectual Properties License Agreement and the Loan Agreement underlying the Contractual Arrangements.

Under the Equity Pledge Agreement, Mr. Zhang Wei and Mr. Dai Zhikang represent and warrant to Boyaa PRC that appropriate arrangements have been made to protect Boyaa PRC's interests in the event of death, bankruptcy or divorce of the Shareholders to avoid any practical difficulties in enforcing the Equity Pledge Agreement. If Boyaa Shenzhen declares any dividend during the term of the pledge, Boyaa PRC is entitled to receive all such dividends, bonus issue or other income arising from the pledged equity interests, if any. If any of Mr. Zhang Wei and Mr. Dai Zhikang breaches or fails to fulfill the obligations under any of the aforementioned agreements, Boyaa PRC, as the pledgee, will be entitled to dispose of the pledged equity interests, entirely or partially. In addition, pursuant to the Equity Pledge Agreement, each of Mr. Zhang Wei and Mr. Dai Zhikang has undertaken to Boyaa PRC, among other things, not to transfer the interest in his equity interests in Boyaa Shenzhen and not to create or allow any pledge thereon that may affect the rights and interest of Boyaa PRC without its prior written consent.

The Equity Pledge Agreement is for an indefinite term commencing on 15 May 2013, being the date of the agreement, until (i) all the agreements (other than this Equity Pledge Agreement) underlying the Contractual Arrangements have been terminated, or (ii) all the obligations under the Equity Pledge Agreement have been fulfilled.

(e) Intellectual Properties License Agreement

Boyaa PRC and Boyaa Shenzhen entered into the Intellectual Properties License Agreement on 15 May 2013, pursuant to which Boyaa PRC agrees to grant a non-exclusive license to Boyaa Shenzhen for the use of all its existing and future intellectual properties, including but not limited to trademarks, patents and copyright and whether registered or non-registered. Pursuant to the Intellectual Properties License Agreement, Boyaa Shenzhen is licensed to use such intellectual properties strictly in the operation of its telecommunication value-added services and Internet cultural services and Boyaa Shenzhen cannot sub-license such intellectual properties to any third parties or use such intellectual properties for any other purpose. Such license is only effective onshore in the PRC and does not apply to any direct or indirect use of such intellectual properties in any other territories or jurisdictions. Pursuant to the terms of the Intellectual Properties License Agreement, the license fee and royalty to be charged by Boyaa PRC for the use of such intellectual properties by Boyaa Shenzhen are included as part of the service fee under the Exclusive Business Consulting and Service Agreement.

The Intellectual Properties License Agreement is for a term of ten years commencing from 15 May 2013, being the date of the agreement, and may be automatically extended for another ten years at the discretion of Boyaa PRC, until it is terminated by Boyaa PRC by giving Boyaa Shenzhen a 30 days' prior written notice of termination.

(f) Loan Agreement

In order to satisfy the funding needs of Boyaa Shenzhen, Mr. Zhang Wei borrowed a sum of RMB8,000,000 from a third party in 2012. On 15 May 2013, Boyaa PRC and Mr. Zhang Wei entered into the Loan Agreement, and as amended and supplemented by the supplemental agreement dated 22 October 2013, pursuant to which Boyaa PRC agreed to lend RMB8,000,000 to Mr. Zhang Wei to allow him to repay the RMB8,000,000 loan which he had borrowed for the purpose of his additional capital contributions in Boyaa Shenzhen in May 2012. Pursuant to the Loan Agreement, the parties agreed to enter into the Exclusive Option Agreement where Boyaa PRC has the right to exercise a call option granted by Mr. Zhang Wei to acquire all or part of the equity interest in Boyaa Shenzhen held by Mr. Zhang Wei at the minimum consideration that is permissible under law. In addition, to secure the performance of all obligations of Mr. Zhang Wei under the Loan Agreement and all other agreements (other than the Equity Pledge Agreement) underlying the Contractual Arrangements, the parties shall enter into the restated and amended Equity Pledge Agreement where, among others, Mr. Zhang Wei pledges all of his equity interests in Boyaa Shenzhen to Boyaa PRC.

The Loan Agreement is for a term of ten years commencing from 15 May 2013, being the date of the agreement, and may be automatically extended for another ten years. The loan will become due and payable upon Boyaa PRC's demand under any of the following circumstances: (i) Mr. Zhang Wei resigns or is being removed from the various positions held by him in the Group, (ii) the death or incapacity of Mr. Zhang Wei, (iii) Mr. Zhang Wei being engaged or involved in criminal activities, (iv) Mr. Zhang Wei becoming insolvent or incurring any other significant personal debt which may affect Mr. Zhang Wei's ability to repay the personal loan under the Loan Agreement, or (v) Boyaa PRC exercising its option to purchase all equity interests in Boyaa Shenzhen held by Mr. Zhang Wei to the extent permitted by PRC laws and regulations as soon as the PRC foreign ownership restrictions applicable to the Group's online games business have been lifted. The Loan Agreement provides that the loan can only be repaid by Mr. Zhang Wei using proceeds he will receive upon Boyaa PRC's exercise of its irrevocable option to purchase Boyaa Shenzhen's equity interests or assets pursuant to the Exclusive Option Agreement.

Apart from the above, there are no new Contractual Arrangements entered into, renewed or reproduced between the Group and Boyaa Shenzhen during the year ended 31 December 2018. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the year ended 31 December 2018.

During the year ended 31 December 2018, none of the agreements underlying the Contractual Arrangements mentioned above has been unwound as none of the restrictions that led to the adoption of the Contractual Arrangements has been removed.

The Group entered into certain transactions with "related parties" as defined under the applicable accounting standards, which include a transaction that constitutes a connected transaction for which the relevant disclosure requirements under Chapter 14A of the Listing Rules have been complied with. A summary of the related party transactions entered into by the Group during the year ended 31 December 2018 is set out in Note 33 to the consolidated financial statements.

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.

Risks associated with the Contractual Arrangements	Mitigation actions taken by the Company
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 and Mr. Dai Zhikang (the Chairman of the Board and 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.

Risks associated with the Contractual Arrangements	Mitigation actions taken by the Company
	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.

Risks associated with the Contractual Arrangements	Mitigation actions taken by the Company
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 qualified as a "High and New Technology Enterprise" ("**HNTE**") under the PRC Corporate Income Tax Law in 2018 and as a result, Boyaa Shenzhen enjoys a preferential tax rate of 15% from 1 January 2018 to 31 December 2020. Therefore, the actual income tax rate for Boyaa Shenzhen was 15% for the year ended 31 December 2018. See Note 29 to the consolidated financial statements of this annual report. Boyaa PRC qualified as a HNTE under the PRC Corporate Income Tax Law in 2016 and as a result, Boyaa PRC enjoyed a preferential tax rate of 15% from 1 January 2016 to 31 December 2018. Therefore, the actual income tax rate for Boyaa PRC was 15% for the year ended 31 December 2018 (2017: 15%). Also see Note 29 to the consolidated financial statements of this annual 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 advisors 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.

Risks associated with the Contractual Arrangements	Mitigation actions taken by the Company
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.	Under the Foreign Investment Law 2018, the existing enterprises established under the former Foreign Investment Law may maintain their existing organizational structure within five years from the effective date of the Foreign Investment Law 2018. Therefore, the Company, according to the advice of its PRC legal advisor, believes that the Foreign Investment Law 2018 will not have any impact on the Company and the Contractual Arrangements. In any event, the Company will closely monitor any update of the Foreign Investment Law 2018 and consult its PRC legal advisor to resolve specific problems or issues that may arise from the Contractual Arrangements, so as to ensure that the Company always complies with all relevant laws and regulations in China.

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.

A waiver has been granted by the Stock Exchange regarding strict compliance with (i) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements, (ii) the requirement of setting an annual cap for the fees payable to Boyaa PRC under the Contractual Arrangements, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less, for so long as Shares are listed on the Stock Exchange, subject to certain conditions. In addition, the Stock Exchange has also granted a waiver from strict compliance with (i) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under any new transactions, contracts, and agreements, or renewal of existing agreements to be entered into between Boyaa Shenzhen and any member of the Group (the "**New Intergroup Agreements**"), (ii) the requirement of setting an annual cap for the fees payable by/to any member of the Group to/from Boyaa Shenzhen under any New Intergroup Agreements, and (iii) the requirement of limiting the term of any New Intergroup Agreement to three years or less, for so long as Shares are listed on the Stock Exchange, subject to certain conditions.

The directors (including the independent non-executive directors) of the Company are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to the Group's legal structure and business operations, that such transactions are in the ordinary and usual course of business of the Group, are on normal commercial terms or better and are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Company and the Shareholders as a whole.

The independent non-executive directors of the Company reviewed the Contractual Arrangements and confirmed that (i) the transactions carried out during the year ended 31 December 2018 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the profit generated by Boyaa Shenzhen has been substantially retained by Boyaa PRC, (ii) no dividends or other distributions have been made by Boyaa Shenzhen to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group, and (iii) no New Intergroup Agreements have been entered into between the Group and Boyaa Shenzhen during the year ended 31 December 2018.

Further, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules.

A copy of the auditor's letter on the continuing connected transactions of the Group for the year ended 31 December 2018 has been provided by the Company to the Stock Exchange.

By order of the Board

Dai Zhikang
Chairman and Executive Director

Hong Kong, 29 March 2019

Corporate Governance Report

The Company is committed to achieving high standards of corporate governance by focusing on principles of integrity, accountability, transparency, independence, responsibility and fairness. The Company has developed and implemented sound governance policies and measures, and the Board is responsible for performing such corporate governance duties. The Board will continue to review and monitor the corporate governance of the Company, as well as various internal policies and procedures, including but not limited to those applicable to employees and directors with reference to the Corporate Governance Code and Corporate Governance Report (the "**Code**") set out in Appendix 14 to the Listing Rules and other applicable legal and regulatory requirements so as to maintain a high standard of corporate governance of the Company.

During the year ended 31 December 2018, the Company has complied with the applicable code provisions of 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 was the Chairman and Chief Executive Officer of the Company who has resigned on 21 September 2018. With extensive experience in the Internet industry, Mr. Zhang Wei was responsible for the overall strategic planning and general management of the Group and was instrumental to the Company's growth and business expansion since its establishment in 2004. The Board considered that vesting the roles of chairman and chief executive officer in the same person was beneficial to the management of the Group. The balance of power and authority was ensured by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. Upon Mr. Zhang's resignation, Mr. Dai Zhikang, an executive Director, has been appointed as the chairman of the Board with effect from 21 September 2018 and Ms. Tao Ying was appointed as an executive director with effect from 21 September 2018 and as the Acting Chief Executive Officer with effect from 21 September 2018 until the Board appoints a new chief executive officer of the Company. The Board currently comprises two executive directors and three independent non-executive directors, and therefore has a strong independence element in its composition.

BOARD OF DIRECTORS

The Board is charged with promoting the success of the Company by directing and supervising its affairs. The Board has general powers for the management and conduct of the Company's business. The day-to-day operations and management are delegated by the Board to the management of the Company, who will implement the strategy and direction as determined by the Board.

The Board is also responsible for determining the policy for the corporate governance of the Company and has performed the duties as set out in provision D.3.1 of the Code.

The Board currently consists of five directors, namely Mr. Dai Zhikang (Chairman) and Ms. Tao Ying (Acting Chief Executive Officer) as executive directors, and Mr. Cheung Ngai Lam, Mr. Choi Hon Keung Simon and Mr. You Caizhen as independent non-executive directors. There is no relationship (including financial, family or other material or relevant relationships) between the directors. The Board has a balance of skills and experience appropriate for the requirements of the business of the Company.

The biographies of the directors of the Company are set out on pages 17 to 18 of this annual report.

Each of the executive directors of the Company has entered into a service contract with the Company and the Company issued letters of appointment to each of the independent non-executive directors. Except for Mr. You Caizhen, whose term of appointment is three years commencing from 14 July 2016, other executive directors and independent non-executive directors will hold office until the conclusion of the next AGM of the Company. The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The terms of the service contracts and the letters of appointment may be renewed in accordance with the articles of association of the Company, the Listing Rules and any other applicable laws.

The aggregate remuneration (including fees, salaries, contributions to pension schemes, share-based compensation expenses, discretionary bonuses, housing and other allowances and other benefits in kind) payable to the directors (including directors who have resigned during the year) of the Company for the year ended 31 December 2018 was approximately RMB2.1 million.

The remuneration of the directors of the Company is determined with reference to salaries paid by comparable companies, time commitment and responsibilities of the directors and performance of the Group. Details of the remuneration of the directors and senior management for the year ended 31 December 2018 are set out in Note 26 and Note 37 to the consolidated financial statements.

Appropriate insurance cover has been arranged by the Company in respect of legal action against the directors of the Company.

During the year ended 31 December 2018, the Company has three independent non-executive directors, in compliance with the requirement of the Listing Rules that the number of independent non-executive directors must represent at least one-third of the Board.

The Company has received an annual written confirmation of independence from each of the independent non-executive directors pursuant to Rule 3.13 of the Listing Rules, and considers them to be independent.

Directors have access to the company secretary to ensure that the Board procedures are followed. The current company secretary of the Company is Ms. Lai Siu Kuen. In compliance with Rule 3.29 of the Listing Rules, Ms. Lai Siu Kuen has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2018. Ms. Lai Siu Kuen possesses the requisite qualification and experience as required under Rule 3.28 and Rule 8.17 of the Listing Rules. Ms. Lai has assisted on the company secretarial matters of the Company since its Listing and has closely communicated with Mr. Zheng Wai (a former executive director) and Ms. Tao Ying (an existing executive director) of the Company.

During the Reporting Period, all directors of the Company attended various trainings, including the trainings for the delisting and other rule amendments of the Listing Rules, directors' responsibilities and continuous obligations, and the legal representative's responsibility and legal responsibility. The Company will arrange suitable training for all directors in order to enhance and refresh their knowledge and skills as part of their continuous professional development. Details of the training attended by the directors of the Company during the Reporting Period are set out below:

Directors	**Title**	**Participation of training type**	**Type of training**
Mr. Zhang Wei *(resigned on 21 September 2018)*	Chairman and Executive Director	A, B	A: Review of the delisting and other rule amendments of the Listing Rules
Mr. Dai Zhikang *(appointed as the Chairman on 21 September 2018)*	Chairman and Executive Director	A, B	B: Review of the materials of directors' responsibilities and continuous obligations
Ms. Tao Ying *(appointed on 21 September 2018)*	Executive Director	B	
Mr. Cheung Ngai Lam	Independent non-executive Director	A, B	
Mr. Choi Hon Keung Simon	Independent non-executive Director	A, B	
Mr. You Caizhen	Independent non-executive Director	A, B	

During the Reporting Period, the Board held 6 meetings. A total of 31 proposals were considered at these Board meetings, including proposals for the consideration of the Company's 2017 annual report, 2017 annual results announcement, 2018 first quarterly results announcement, 2018 interim report, 2018 interim results announcement, 2018 third quarterly results announcement and the appointment of a new executive director, etc.

In relation to corporate governance matters, the Company had further reviewed and improved its work on corporate governance and internal control during the Reporting Period. For instance, the Company had consolidated and rationalised the internal procedures, and improved and updated certain part of the system in the Group, including the development of the internal audit system and system update with attendance and leave and contract management provisions.

The Company is committed to continuously reviewing and improving its internal systems, including those in relation to internal supervision and control, and risk management.

The table below sets out the details of Board meetings attendance of each director of the Company during the Reporting Period.

Director	**Number of Board meetings requiring attendance**	**Number of Board meetings attended**
Mr. Zhang Wei *(resigned on 21 September 2018)*	5	5
Mr. Dai Zhikang	6	6
Ms. Tao Ying *(appointed on 21 September 2018)*	1	1
Mr. Cheung Ngai Lam	6	6
Mr. Choi Hon Keung Simon	6	6
Mr. You Caizhen	6	6

In 2018, the Company convened and held one general meeting, being the 2017 annual general meeting held on 6 June 2018. Directors of the Company, namely Mr. Zhang Wei and Mr. Cheung Ngai Lam attended the general meeting.

BOARD COMMITTEES

The Company has three principal Board committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee. Each of the Board committees operates under its terms of reference. The terms of reference of the Board committees are available on the website of the Company and that of the Stock Exchange.

Audit Committee

The Company established an Audit Committee with written terms of reference in compliance with the Code as set out in Appendix 14 to the Listing Rules. The Company has also updated the terms of reference of the Audit Committee reflecting the changes to the Code, which became effective on 1 January 2019. The Audit Committee consists of three members, namely Mr. Cheung Ngai Lam, Mr. Choi Hon Keung Simon and Mr. You Caizhen, our independent non-executive directors. Mr. Cheung Ngai Lam is the chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise, and provide an independent view of the effectiveness of, the financial reporting process, risk management and internal control systems of the Group, oversee the audit process and perform other duties and responsibilities as assigned by our Board.

During the year ended 31 December 2018, the Audit Committee held 4 meetings, at which a total of 17 proposals were considered, including proposals for the consideration of the Company's 2017 annual report, 2017 annual results announcement, 2018 first quarterly results announcement, 2018 interim report, 2018 interim results announcement, 2018 third quarterly results announcement, and the report on audit plan for the year of 2018 by Pan-China (H.K.) CPA Limited, the external auditor of the Company. The Audit Committee also assessed the risk management and internal control measures, the effectiveness of the internal audit function and its other duties under the Code of the Company.

The table below sets out the details of meetings attendance of each member of the Audit Committee during the year ended 31 December 2018.

Director	**Number of meetings requiring attendance**	**Number of meetings attended**
Mr. Cheung Ngai Lam	4	4
Mr. Choi Hon Keung Simon	4	4
Mr. You Caizhen	4	4

Nomination Committee

The Company established a Nomination Committee with written terms of reference in compliance with the Code as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of two independent non-executive directors, being Mr. Choi Hon Keung Simon and Mr. You Caizhen and one executive director, being Mr. Zhang Wei who resigned on 21 September 2018. Ms. Tao Ying has been appointed as the chairman of the Nomination Committee since 21 September 2018.

In 2018, the Nomination Committee held 2 meetings, at which a total of 4 proposals were considered, including proposals for the review of the Board's composition, the independence of the independent non-executive directors, the recommendation of re-election of the retiring directors and appointment of an executive director.

The table below sets out the details of meetings attendance of each member of the Nomination Committee during the year ended 31 December 2018.

Director	**Number of meeting requiring attendance**	**Number of meeting attended**
Mr. Zhang Wei *(resigned on 21 September 2018)*	2	2
Ms. Tao Ying *(appointed on 21 September 2018)*	0	0
Mr. Choi Hon Keung Simon	2	2
Mr. You Caizhen	2	2

The Nomination Committee is responsible for reviewing and assessing the composition of the Board and the independence of the independent non-executive directors and making recommendations to the Board on appointment and removal of directors, and disclosing the policy for the nomination of directors, performed by the nomination committee or the Board during the year.

Board Diversity Policy

The Board has approved and adopted a board diversity policy (the "**Board Diversity Policy**"). A summary of the Board Diversity Policy is disclosed as below.

The Board strives to ensure that it has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategies and in order for the Board to be effective.

In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merits against objective criteria and with due regards to the benefits of diversity on the Board. Diversity of the Board will be considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision will be based on the merits and contributions that the selected candidates will bring to the Board.

As at the date of this report, the Board comprises five Directors. Three of them are independent non-executive Directors, who provide critical review and oversight of the Company's management. The Board is also characterised by significant diversity, whether considered in terms of gender, educational background, technical and professional skills and/or qualifications.

Remuneration Committee

The Company established a Remuneration Committee with written terms of reference in compliance with the Code as set out in Appendix 14 to the Listing Rules. The Remuneration Committee has three members, comprising three independent non-executive directors, namely Mr. Cheung Ngai Lam, Mr. Choi Hon Keung Simon and Mr. You Caizhen. Mr. Cheung Ngai Lam is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for the directors and senior management and make recommendations on employee benefit arrangement.

The Remuneration Committee has adopted the model described in code provision B.1.2(c)(i) of the Code in its terms of reference.

In 2018, the Remuneration Committee held 2 meetings, at which a total of 3 proposals were considered, namely (i) proposals for the remuneration of the directors and senior management, (ii) the policy and structure of the remuneration for the directors and senior management and (iii) the remuneration of the newly appointed executive director.

The table below sets out the details of meetings attendance of each member of the Remuneration Committee during the year ended 31 December 2018.

Director	Number of meeting requiring attendance	Number of meeting attended
Mr. Cheung Ngai Lam	2	2
Mr. Choi Hon Keung Simon	2	2
Mr. You Caizhen	2	2

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 of the Company have confirmed, following specific enquiry by the Company, that they have complied with the Model Code during the year ended 31 December 2018.

FRAMEWORK FOR DISCLOSURE OF INSIDE INFORMATION

The Company has in place a policy on handling and dissemination of inside information ("**Policy**") which sets out the procedures and internal controls for handling and dissemination of inside information in a timely manner in such a way so as not to place any person in a privileged dealing position and to allow time for the market to determine the price of the listed securities of the Company with the latest available information. This Policy also provides guidelines to staff of the Company to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information. Dissemination of inside information of the Company shall be conducted by publishing the relevant information on the websites of the Stock Exchange and the Company, according to the requirements of the Listing Rules.

EXTERNAL AUDITOR

Pan-China (H.K.) CPA Limited was appointed as the external auditor of the Company with effect from 2 August 2016.

For the year ended 31 December 2018, the fees paid/payable to Pan-China (H.K.) CPA Limited for the audit and review of the financial statements of the Group are RMB2.2 million. Pan-China (H.K.) CPA Limited did not provide non-audit services to the Group for the year ended 31 December 2018.

ACCOUNTABILITY AND AUDIT

The directors of the Company are responsible for overseeing the preparation of the financial statements which give a true and fair view of the state of affairs of the Group and of the results and cash flow during the Reporting Period. A statement from the auditor about its reporting responsibilities on the financial statements is set out on pages 85 to 87 of this annual report. In preparing the financial statements for the year ended 31 December 2018, the directors of the Company have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The basis on which the Company generates or preserves value over the longer term and the strategy for delivering its objectives are explained in the "Management Discussion and Analysis" set out on pages 7 to 16 of this annual report.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is responsible for maintaining sound and effective internal control and risk management systems in order to safeguard the Group's assets and Shareholders' interests and reviewing the effectiveness of the Company's internal control and risk management systems on an annual basis so as to ensure that internal control and risk management systems in place are adequate. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Company also has an internal audit function which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems, and reports their findings to the Board on, at least, an annual basis. The Company implements and strictly enforces procedures on inside information according to the relevant procedures stated under the Guidelines on Disclosure of Inside Information.

The Group's internal control system includes a well-established organisational structure with clearly defined lines of responsibility and authority. The day-to-day departmental operations are entrusted to individual department which is accountable for its own conduct and performance and is required to operate its own department's business within the scope of the delegated authority and to implement and strictly adhere to the strategies and policies set by the Company from time to time. Each department is also required to keep the Board informed of material developments of the department's business and implementation of the policies and strategies set by the Board on a regular basis so as to identify, evaluate and manage significant risks in a timely manner.

During the year ended 31 December 2018, the Board has reviewed the effectiveness of the internal control and risk management systems of the Group to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards. The review covered all material controls, including financial, operational and compliance controls and risk management functions. In particular, the Board considered the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions are adequate. The review was conducted through discussions with the management of the Company, its external and internal auditors and the assessment performed by the Audit Committee. The Board believes that the existing risk management and internal control systems are adequate and effective, in particular, for financial reporting and Listing Rules compliance as well as for resolving internal control defects (if any).

SHAREHOLDERS

The Company is incorporated in the Cayman Islands. Pursuant to the articles of association of the Company, general meetings shall also be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one member of the Company which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

To safeguard shareholder interests and rights, separate resolutions are and will be proposed at general meetings on each substantial issue, including the election of individual directors. The procedures for shareholder to propose a person for election as director is available on the Company's website (www.boyaa.com.hk). Shareholders may lodge written proposal to the Company at Level 7, Nan Fung Tower, 88 Connaught Road Central, Hong Kong, provided that the minimum length of the period, during which such written notice is given, shall be at least seven days and that the lodgement of such notice shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

Enquiries about the Company may be put to the Board by contacting the Company or directly by raising the questions at an annual general meeting or extraordinary general meeting. The contact details of the Company are set out in the Company's website (www.boyaa.com.hk). Shareholders can also direct their enquiries about their shareholdings to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, whose address is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2018 and up to the date of this annual report, there has not been any change in the Company's memorandum and articles of association. The Company's memorandum and articles of association are available on the website of the Company (www.boyaa.com.hk) and that of the Stock Exchange.

Environmental, Social and Governance Report

INTRODUCTION

Purpose of the Report

The Company is fully aware that the Company's performance, corporate growth and the commitment to social sustainable development are complementary and inseparable with each other. While striving to achieve the best returns for the Shareholders, we also take into account feedback from staff, to achieve the development of employees as well as the Company. The Company focuses on integrating its developments into society and contributing to the community, aiming at achieving harmonious development of both enterprise and society. The Board is responsible for maintaining appropriate and effective risk management and internal control systems of the Group to ensure compliance with the applicable rules and regulations.

2018 Environmental, Social and Governance ("**ESG**") Report is prepared in compliance with the mandatory requirements of the ESG Reporting Guide set out in Appendix 27 to the Listing Rules, aiming to disclose our responsibility for sustainable development in 2018 to investors and other stakeholders.

Reporting Scope

The ESG Report encompasses operations of the Company's Shenzhen Office and Thailand Branch (i.e. Boyaa Thailand), covering ESG performance in the Reporting Period, unless stated otherwise. The Report has yet to collect and disclose the relevant data of all regional offices. Relevant information on regional offices has not yet been collected and therefore is not disclosed in the ESG Report.

SOCIETY

1. Employment and Labor Practices

In order to protect the legitimate rights and interests of employees, establish and maintain the Company's management mechanism, and to promote the legal and orderly development and expansion of the Company, the Company complies with and implements the "Labor Law of the People's Republic of China", "Labor Contract Law of the People's Republic of China", "Shenzhen Special Economic Zone Regulations on Labor Relations Promotion", "Implementation of Enterprise Workers Paid Annual Leave" and other relevant enterprise employment laws and regulations.

In 2018, the Company imposed stringent control over matters such as staff management, welfare and training. Meanwhile, it also conducted rigorous screening procedure for the purpose of retaining staff, and adjusted staffing structure. As of 31 December 2018, the total number of staff of the Company was 328, representing a year-on-year decrease of approximately 44.3%. The total number of new hires was 80, a year-on-year decrease of approximately 82.7%. The total turnover was 458 in 2018, a year-on-year decrease of approximately 41.7%. The data indicate that the Company's management, welfare, staff training and other initiatives have had a positive impact on staff development and retention. In 2018, the staff turnover rate was approximately 139.6% and the rejection rate was approximately 29.17%.

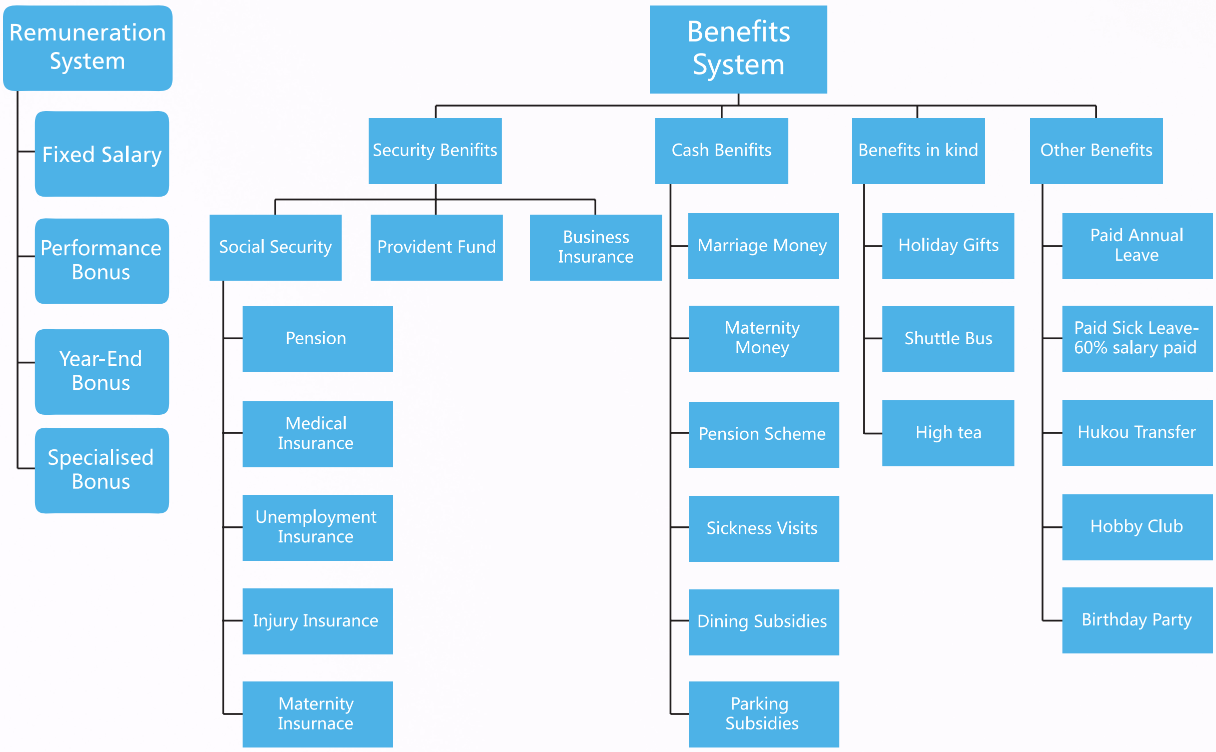
We are a fair opportunity employer. Our employment practices is diversified and do not discriminate on grounds of gender, disability, pregnancy, family status, race, colour, religion, age, sexual orientation, nationality, trade union membership or other factors.

The Company complies with the rules in relation to working and resting hours according to the Labor Law of the People's Republic of China. As an online card and board game service provider, we provide excellent service to our clients throughout the year. Our staff at customer services department work at unusual working hours and on public holidays to get ready for unexpected incidents at any time. We provided them with overtime payment and additional allowance.

For situations in which an employee has violated the Group's regulations, or whose performance is consistently below an acceptable level, a range of procedures to terminate their employment contract have been established. In all cases, managers will consult the human resources department to ensure that applicable legal requirements are observed.

2. *Remuneration and Benefits*

The Company has implemented a comprehensive "people-oriented" payment and welfare benefits system for employees.



Residence Schemes

To help our employees to meet their housing needs and relieve their personal burdens, including transportation costs, the Company has put in place a regulation which initiates an interest-free loan scheme available to our employees for purchasing their houses and cars. We also provide a free shuttle service for all employees to commute from home to the workplace.

Bo Le Award

To meet the Company's development goals and staffing requirements, we have set up a talent referral scheme to increase the motivation and enthusiasm of our employees for recommending talented individuals to join the Company. Various "Bo Le" awards are granted to staff members in the form of cash or physical prizes when a referral is successfully recruited, including the "Talent Hunt Award" ("慧眼識珠獎"), "Talent Referral Award" ("推薦達人獎"), "Golden Bole Award" ("金冠伯樂獎") and "Bo Le Hero Award" ("伯樂英雄獎"), among others.

3. *Health and Safety*

The Company has signed labor contracts with employees and participated in housing fund and various employee social security plans, including housing, pension, medical, work-related injury and unemployment benefit plans, providing practical protection for the staff. The Company also complies with the "Women's Rights and Benefits Protection Law", "Work Injury Insurance Regulations" and all other relevant laws and regulations, being concerned about employees' health, property and personal privacy, and continuing to optimise the working environment and labor management system.

The Company values the physical and mental health of employees. The Company purchases physical injury/accident insurance, major critical illness, outpatient/emergency medical insurance and other comprehensive commercial insurance for their long-term health, and to relieve their financial burdens of healthcare, accidents, or sickness.

The Company has implemented a green office environment policy to create a healthy and clean office environment. The office area is covered with plants to reduce the radiation hazards of electronic equipment. Professional institutions specialising in disinfection and sterilisation are employed on a monthly basis to perform thorough disinfection and sterilisation of the office so as to improve the quality of the office environment. Regarding water quality control, the activated carbon water filter is replaced every six months, and regular sampling of the water source is conducted to ensure quality. In catering services, the Company selects qualified suppliers who have appropriate licenses, fresh ingredients and operating environments in compliance with applicable regulation. The process is monitored in real-time to ensure food safety and employees' health.

To strengthen the Company's security management in office areas, enhance the safety awareness of employees, and smoothly implement the effective security measures, the Company has developed the "Corporate Office Environmental Management Practices" policy based on the principle of "Prevention-oriented, Elimination of Hidden Dangers". The policy is intended to strictly prevent, control, and manage potential security risks and concerns.

- To regularly send out safety information to all employees through emails, radio, displays and tips to enhance security awareness;
- To set up a safety management committee to organise regular checks or spot checks, including daily inspections, targeted inspections or sample checks, troubleshooting and hazard investigations;
- To train members of safety management committee about fire control, internally launch fire control publicity and education program, perform regular checks on the Company's fire control facilities, and ensure that all fire control and safety systems are in compliance with the fire control regulations and requirements of the fire control department;
- To strengthen the Company's electricity safety management, strictly prohibit private cables and the use of high-power electrical equipment and implement thorough investigations of electrical usage beyond working hours;
- To ensure the Company office area is in full coverage of monitoring equipment, focusing on the layout of fire passages and main entrance hall, while installing an access control system, where visitors need to verify their identity before accessing the office area.

4. *Development and Training*

To set up a corporate learning and development organisation, to support the Company's strategies and business plan, and to efficiently develop outstanding management personnel and professionals for the Company, the Company has established a multi-dimensional training system, i.e. the Boyaa College Curriculum System. Training programs are designed to convey corporate culture and values, to convey management ideas and skills and to deliver professional knowledge and skills.

Boyaa College Curriculum System

The Boyaa College Curriculum System includes training programs designed for social-recruited trainees, school-recruited trainees and management members; guiding employees in understanding and recognising the corporate culture and values, helping understand the Company's businesses and their roles, helping new joiners quickly adapt to their duties in the work, improving the overall quality and management ability of managers, and enhancing staff's sense of responsibility, work efficiency and operational capacity.

- New generation training – Orientation training specifically for social-recruited trainees which helps them quickly assimilate into the Boyaa culture through a series of courses and occasional interactive sessions.
- Nestling training camp – Orientation training specifically for school-recruited trainees which includes the introduction to business systems, professional ethics, industrial game design challenges, experiences in corporate culture, and other projects which promote the rapid development of new trainees.
- Eagle training camp – To systematically enhance the Company's overall ideological quality and management capacity, in 2016, the camp was set up to include management case studies, experiential training, management proposal scenarios, and management salons, and was developed by senior management to engage grassroots cadres and potential future managers of the Company. The camp is designed to produce outstanding grassroots cadres for the Company.
- Agile team curriculum system–For on-the-job employees, it aims to strengthen the staff's goal awareness, enhance staff's concept of taking the goals of customers and of the Company as the fundamental work orientation, improve the overall ability of staff, encourage teamwork spirit among staff, and enhance team work efficiency and quality. In 2018, a total of 118 staff attended this training.

At the same time, the Company has set up a corresponding professional channel for each position, for which the corresponding professional knowledge and skills courses are designed to develop exceptional talent and refine expertise. The Company has developed professional knowledge and skills courses to various rank levels to satisfy the channel learning and growth needs, and ultimately grow in line with business development with regular courses available. The Company also has a guided curriculum for special groups which designed to help them fast-track the acquisition of relevant skills, develop and improve communication skills, respond to the needs of the job, and grow in their personal development. It mainly includes mentor training, interviewer training and occasional special training.

The Company also has various group training programs in different forms and with varying content to meet the need for professionalism, knowledge and skills training, such as book reading group, topics salons, experiential training, Boyaa lectures, external training and others.

5. *Labor Standards*

The Company complies with the "Regulation on Forbidding Employment of Child Labor" issued by the State Council and all other relevant laws and regulations. The human resources department performs strict identity verification of recruitment candidates. The Company is committed to implementing the relevant provisions to prohibit the employment of child and forced labor, and as of 31 December 2018, the Company did not have any incidents of child or forced labor.

6. *Supply chain management*

To regulate the Company's administrative procurement protocols, strengthen the management and supervision of the procurement management process, and with the principle of "Assure Quality, Save Costs, Block Loopholes, Avoid Losses, Improve Efficiency", the Company has developed and strictly enforced "Administrative Procurement Management System". The Company has adopted a centralised purchasing structure, and the administrative procurement department is responsible for the daily procurement needs of all departments in the Company. The procurement process includes strict price inquiry and tender management system. The administrative procurement department selects and assesses supplier suitability based on various indicators, such as the supplier's qualifications or licenses, quality of goods, delivery competence, price level, technical ability, after-sales service, human resources, existing relationship, and so on. Before a purchase can be completed, approval must be obtained from the directors of relevant departments, i.e. the department of compliance and the department of finance.

As an online card and board game service provider, we mainly purchase office supplies and souvenirs on a small scale. For the year ended 31 December 2018, the Company has 246 suppliers, in which 203 are domestic suppliers and 43 are overseas suppliers. During the Reporting Period, we were not aware of (i) any material breach of the relevant environmental laws and regulations by any of the suppliers we engaged, nor (ii) any significant environmental and social risks in the provision of their services under the respective procurement contracts. Our purchase agreement also requires our suppliers to provide their qualification information.

7. *Product Liability*

The Company complies with all relevant laws and regulation relating to health and safety standards, advertising and labeling. The Company respects and protects intellectual property rights, always with an open and positive attitude to comply with intellectual property regulations. Regarding infringement, the Company also safeguards its legitimate rights and interests by adopting lawful measures. In 2018, the Company registered a total of 249 software copyrights and 39 works of art, authorised 27 patents, and obtained 10 registered trademarks.

As an excellent domestic gaming company, the Company treats users' information with strict confidentiality and comply with the requirements of Ministry of Culture. We have strictly implemented the "Cybersecurity Law of the People's Republic of China", "Temporary Provisions of Online Game Management" and "Necessary Provisions on Online Game Service Format Agreement", and established a series of policies to protect users privacy and personal information which were promoted and implemented within the games of the Company.

Customer's consent must be obtained before we can use their personal data to deliver subscriber-related information, and customers can change their subscription and personal data preferences at any time by sending a request to our privacy compliance officer. The Group has no concluded cases of non-compliance issues according to personal information confidentiality regulations.

7. *Product Liability* (Continued)

Awards and Qualifications

The Company has obtained all necessary qualifications for the operation of online games according to relevant laws and regulations, including the "Internet Publishing License", "Network Cultural Operation Permit" and "Value-added Telecommunication Business License". At the same time, when a game is launched online, the Company obtains a publication number from the State Administration of Press, Publication, Radio, Film and Television and the record is filed with the Ministry of Culture's division dealing with online game operations. The game which is preset in the third party mobile terminal needs to obtain intelligent terminal preset software for the record.

In 2018, the Company has been awarded the honor of "Nanshan Green Channel Enterprise" and "Director Unit of Nanshan Culture and Technology Promotion Association" by Nanshan district government.

CREATE A LEADING MOBILE INTERNET CUSTOMER SERVICE PLATFORM

"Serve with a smile, serve at heart" is our service tenet. We provide users entertainment and at the same time, offering high service quality as well. This is not only the primary service philosophy Boyaa has put in place in the field of customers protection, but also the most important step in Boyaa's customer protection.

In 2018, based on the original service model, Boyaa continued to optimise its service system and procedures, in a bid to establish a customer service system dedicated to the actual needs of its customers and provide them with new services in line with changing circumstances.

1. *Continued to provide service by means of various channels*

In 2018, Boyaa's customer service team continued to provide including 400 telephone, online customer service, WeChat and self-service support. We also have a clear flowchart procedure for handling user complaints to enhance users' experience.

2. *Constantly enhance customer's satisfaction and set up multi-language service systems to cater for market demands*

In 2018, in order to satisfy market demands, Boyaa constantly improve its product experience, service procedures and strengthen professional skills of customer service personnel on a regular basis. We provide customer services to users from 15 countries in 16 languages with our quality service and powerful service system.

3. *New Customers Service At Heart – advanced IT technology builds core productivity*

The whole basis of our customer service relies on our advanced customer service system, which improves our operation efficiency. To create a service system satisfying the demands of the mobile internet, in 2018, our customer service technology team conducted an all-round upgrade and organised a specialised development team to provide strong technical support for the new system development. Our new system contains four modules, achieving comprehensive and optimised experiences from service, monitor to management, which creates a concrete foundation for further improvements of customer service quality and efficiency.

For the year ended 31 December 2018, the Company received 6 material complains concerning breach of game rules by players, games currencies being held or account suspension. In this regard, the Company has properly dealt with them accordingly depending on the degree of breach by relevant players.

USER INFORMATION SECURITY MANAGEMENT

The Company's business development is built upon our users, who play our games and use our services. The Company has implemented the tenet of "Share the Happiness Anywhere Anytime". Adhering to the principle of a happy and relaxing gaming experience, we are committed to offer safe, convenient and professional gaming services to users. The Company complies with all relevant laws and regulations and has implemented a comprehensive range of information-privacy and data-security procedures to protect individual privacy. Since we formulated the "Confidential Management System Regulation" to protect user information in 2012, we also set up "Boyaa High-voltage Line Management Regulation" to incorporate the leakage of confidential and sensitive information as our high voltage lines. In 2013, we established an information security management department and launched the "Information Security Code", which systematically manages different information security issues including user information, in order to optimise the management system.

In 2018, we hosted four training sessions regarding information security awareness, which effectively enhanced our staff awareness and raised players' loyalty to Boyaa games. In 2015, 2016, 2017 and 2018, we organised various online and offline gaming competitions, in which no complaint related to damage or loss of personal information was received.

8. Anti-corruption

The Company complies with all laws and requirements regarding anti-corruption and is committed to business ethics. We support lawful business operation and fair competition. We respect and protect intellectual property rights while standing against any form of corruption, bribery, money laundering, extortion and fraud. Also, we have set up a series of systems including the "Boyaa High-voltage Line Management Regulation" and the "Internal Audit System" which include anti-corruption policies and are monitored and managed by external and internal auditing teams.

- Set up an independent audit department with professional auditors who are rich in auditing skills and experiences, including fields in IT and security.
- The internal audit department of the Company set up a specific hotline, mailbox for its staff to complain upon discovering corruption and malpractices.
- Developed a standardised "Internal Audit System" to define boundaries of the duties, authority and professional ethics of the audit department, ensuring that it runs objectively and independently.
- Reported regularly to the Audit Committee to comply with its auditing requirements; optimised the auditing mechanism through regular testing and auditing on the Company's finances, procurement, fees, IT and security. When identified, issues are immediately reported to the relevant department for timely rectification.

We require our directors, senior management and employees to perform their duties with high ethical standards. We set up numerous complaint channels according to relevant guideline, and carry out regular programmes and training on integrity education in order to build an honest and corruption-free environment in the Company, and establish a long-lasting anti-money laundering, anti-bribery, anti-extortion and anti-fraud system.

9. *Community Investment and Volunteer Activities*

In 2018, the Company donated chess and card products related supplies to the nursing homes.

In 2018, the Company set up its own volunteer team, which aimed to regularly organize and participate in various social welfare activities.

ENVIRONMENTAL ACTIVITIES

We always encourage our employees to take environmental protection seriously. Not only do we promote environmental protection throughout the management work but also encourage our staff to save energy and engage in environmental activities as part of their daily routines.

1. *Civilized Mountaineering Concept Promotion in 2018*

On 11 November 2018, the "Performing Social Responsibility to Celebrate the Fifth Anniversary of the Company's Listing – Civilized Mountaineering" public welfare activity organized by the Company's volunteer team was held in Shenzhen Nanshan Park. Several young "Green Guardians" from the Company and their families promoted the concepts of civilized mountaineering and environmental protection to the citizens by collecting and sorting garbage on the way to the mountain, which was highly appreciated by the citizens. This activity also promoted the citizens to take actions to protect the environment and enhanced their awareness of environmental protection.

Boyaa staff's mountaineering environmental action and photos taken with the citizens

2. *Internal Environmental Protection and Energy Saving Promotion*

The Company has emphasised in-house promotion regarding environmental awareness and energy saving. Under this philosophy, we encourage every staff member to contribute to environmental protection. We have placed a friendly tip reminding staff to "Make good use of each piece of paper" on each printer; we have also placed several tips with different slogans such as save paper, save energy, green outing, sustainable dining and others in many public areas in the Company, cultivating environmental awareness and encouraging them to put these slogans into practice.

CHARITABLE ACTIVITIES

As a listed company in Hong Kong, the Company continuously strives to give back to society while achieving our corporate goals, and we are committed to corporate social responsibility.

1. *Visiting the Elderly at the Nursing Homes*

On 23 September 2018, i.e. the eve of the Mid-Autumn Festival, the Company's volunteer team joined the Shenzhen Nanshan District Volunteers Association (深圳市南山區義工聯) to visit the elderly at the Jingxiyang Nursing Home (敬夕陽頤養院) in Nanshan District with supplies such as moon cakes and fruits. We also prepared rich entertainment programs and organized chess games for the elderly in that nursing home, and spent an enjoyable Mid-Autumn Festival with them in advance, showing love and care for the elderly and making them feel warm.

Lifting the elderly with mobility problems downstairs

Boyaa's volunteers distributing fruits

Manicuring nails for the elderly

Visiting the elderly

Environmental, Social and Governance Report

ENVIRONMENT

We have implemented scientific energy saving and emission reduction measures, which directly contribute to socioeconomic and sustainable development as well as corporate development and employee interest. Our main operation is office-based. Our major business operation is the development and operations of online card and board games, which does not involve significant and direct emission of air pollutants. We complied strictly with relevant environmental and emission laws and regulations, such as the "Environment Protection Law of the People's Republic of China", "Atmospheric Pollution Prevention and Control Law of the People's Republic of China", "Law of the People's Republic of China on Prevention and Control of Pollution From Environmental Noise" and "Law of the People's Republic of China on Conserving Energy", in our operation. Our key pollutants are carbon dioxide and general waste, generated from electricity and water usage and etc.

We have instilled the principle of "Awareness Cultivation, Strict Management" and targeted to grow sustainably through saving on expenditure, reducing energy consumption, and preventing pollution. To strike a balance between corporate development and environmental protection, we have adopted strategies to save energy, recycle resources, preserve the environment and promote harmonious long-term human and natural development. Environmental protection and resource conservation are our main priorities in fulfilling our social responsibility. During 2018, through the Company's active advocacy and promotion, there were reductions in the electricity consumption, water consumption, greenhouse gas emission and non-hazardous wastes emission while the efficiency of use of resources was enhanced. In 2018, our electricity consumption was 639,548 kWh (2017: 835,795 kWh) representing a year-on-year decrease of approximately 23.5%; total greenhouse gas emissions were approximately 563 tons (2017: approximately 739 tons) representing a year-on-year decrease of approximately 23.8%; our business operation does not generate hazardous waste, and during the year, the total amount of non-hazardous general waste was approximately 0.7 tons (2017: approximately 3.3 tons) representing a year-on-year decrease of approximately 78.8%; and water consumption was approximately 3,668 tons (2017: approximately 14,677 tons) representing a year-on-year decrease of approximately 75%. The Company did not use any packaging material in the Reporting Period.

1. Promoting and Cultivating Energy Conservation and Environmental Protection Awareness

- Promoted and lead energy conservation and environmental protection initiatives via email, radio, exhibition and tips. Facilitated practical environmental protection processes in our daily routine to raise employees' environmental awareness and strengthen their consciousness regarding resource and energy saving.

2. *Strengthening Supervision and Inspection, Eliminate Wasteful Behavior*

- Set up an inspection team to strengthen and improve the environmental protection and energy saving management systems. Regular inspections are carried out as well as random checks to monitor and meet energy saving and emission reduction targets.
- Strengthened daily inspection and maintenance of pipes and electricity equipment, including monitoring data, analysing monthly abnormal data and identifying issues requiring attention.

3. *Implementing Energy Saving and Sustainable Measures, Increasing Energy Efficiency*

The Company placed rubbish bins in its working area and sends the non-reusable wastes to municipal government for central collection and treatment; sends the reusable wastes to waste collection station for recycle use.

- Phased out obsolete facilities and equipment, promote new energy-efficient technologies, adopted a replacement program of LED energy saving lamps to reduce energy consumption;
- Improved the procurement system for office supplies, using energy efficient equipment and recycling old machines;
- Implemented a paperless office automation system where emails and documents are read and shared online to reduce paper consumption;
- Encouraged employees to bring their own water bottles and provide disposable water cups for visitors instead of disposable water bottles;
- Provided employees with a shuttle bus service to alleviate commuting issues, improved the efficiency of roads and transportation, relieved the traffic jams in the city, achieved shared-economy and contributed to reducing traffic congestion and emissions.

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of Boyaa Interactive International Limited ("**the Company**") and its subsidiaries (together, "**the Group**") set out on pages 88 to 186, which comprise the consolidated balance sheet as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated balance sheet of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated statement of cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISA**") issued by the International Auditing and Assurance Standards Board ("**IAASB**"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the IAASB's *Code of Ethics for Professional Accountants* ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the Group as at and for the year ended 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements of the Group as a whole and, in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

Revenue recognition

The recognition criteria from sales of in-game virtual tokens and other virtual items in connection with the operation of games developed by the Group is disclosed in Note 2(s).

Upon the sales of game tokens or other virtual items, the Group typically has an implied obligation to provide the services which enable the game tokens or other virtual items to be displayed or used in the games. As a result, the proceeds received from sales of game tokens or other virtual items are initially recorded as contract liabilities.

The attributable portion of the contract liabilities relating to values of the game tokens consumed and other virtual items purchased are immediately recognised as revenue only when the services are rendered to the respective paying players.

We have identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and because it involves complicated information technology systems and an estimation of fair value, all of which give rise to an inherent risk that revenue could be recorded in the incorrect period or could be subject to manipulation.

How our audit addressed the Key Audit Matter

The Group has been engaged in development and operation of online card and board games. As set out in Note 5 of the Group's consolidated financial statements for the year ended 31 December 2018, revenue of the Group for the year ended 31 December 2018 of approximately RMB453,234,000 (2017: approximately RMB735,602,000) was attributable to the online game business. As explained in Note 2(s) to the Group's consolidated financial statements, the Group recognised revenue when consumable virtual items represent items that are extinguished after consumption in the form of fixed charges levied on each round of games played. The paying players will not continue to benefit from the virtual items thereafter. Revenue is recognised (as a release from contract liabilities) when the items are consumed and the related services are rendered.

Determining when revenue arising from such online game business is complex and requires significant judgment involved. We have discussed with the management of the Group as well as both the Group's in-house and external information technology experts to understand the revenue recognition cycle, tested controls over the Group's information technology revenue systems on selected games; scrutinised monthly statements issued by providers of platforms and online record of providers of platforms regarding receipt from paying players on a sample basis; reconciled to the Group's records and conducting substantive analytical procedures on revenue.

Key Audit Matter	How our audit addressed the Key Audit Matter
Fair value assessment of Financial Assets at Fair Value through Profit or Loss ("FVTPL")	
As disclosed in Note 16, at 31 December 2018, the fair value of the Group's investment measured at FVTPL was approximately RMB 1,409,045,000 (2017: approximately RMB1,219,084,000), of which were classified under the fair value hierarchy as level 3 financial instruments. We have identified the fair value of FVTPL as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of judgment by the management associated with determining the fair value under the fair value hierarchy as level 3.	Our procedures in relation to management's valuation of investments in financial assets included: – in relation to asset management plans and equity investment partnerships, discussed with management of the Company, the independent professional valuer engaged by the Group (the "Valuer") the valuation methodology, bases and assumptions used in determining the fair value; checked the objectivity, competence and capability of the Valuer; assessed the reasonableness and appropriateness of adopted methodology, bases and key assumptions used in arriving at the fair value on sampling basis. – in relation to wealth management products, reviewed contracts to ascertain the nature and terms of each products; obtained confirmations from the People's Republic of China (the "**PRC**") banks to ascertain existence and terms of selected products; assessed the subsequent realisation of the products (being in cash) to ensure the recoverability of the fair value of wealth management products; discussed with management of the Company the valuation methodology, bases and assumptions used in determining the fair value; and assessed the reasonableness and appropriateness of adopted methodology, bases and key assumptions used in arriving at the fair value on sampling basis.

Key Audit Matter	How our audit addressed the Key Audit Matter
The Group's litigation on the validity of Variable Interest Entities ("VIE") arrangement	
As disclosed in Note 35, Shenzhen Dong Fang Bo Ya Technology Co., Ltd. ("**Boyaa Shenzhen**"), a company regarded as indirect subsidiary of the Company by virtue of Contractual Arrangements, has received an indictment from the judicial authority in the People's Republic of China ("**PRC**") as a defendant arising from alleged act of bribery in 2017. Mr. Zhang Wei ("Mr. Zhang"), the Chairman of the Board and the legal representative of Boyaa Shenzhen, has become a co-defendant of the case. In May 2018, Boyaa Shenzhen was found guilty of the alleged crime of offering bribes by entities and was liable to a fine of RMB2,500,000. Mr. Zhang was sentenced to a fixed-term imprisonment of one year with a suspended sentence of one year and six months. Boyaa Shenzhen made an application to appeal to the Higher People's Court, however, the Higher People's Court upheld the original verdict of the Municipal of Intermediate People's Court in September 2018 as the final ruling. Given that the outcome of the allegation may have significant financial impact on the Group and the sustainability of the Group's operations under VIE arrangement, we identify the allegation as a key audit matter.	We obtained legal opinion from an independent lawyer firm engaged by the Company on the outcome against the Group based on the fact that Boyaa Shenzhen and Mr. Zhang Wei were found guilty. The independent lawyer opined that there are no provisions in the relevant laws and regulations that criminal offence committed by an entity under the VIE arrangement will invalidate the Contractual Arrangement. Accordingly, the penalty imposed on Boyaa Shenzhen and Mr. Zhang does not affect the legal enforceability of the Contractual Arrangements and hence the Group still has control over Boyaa Shenzhen. We have discussed and challenged the basis of the legal opinion issued by the independent law firm engaged by the Group with its representatives, the following (1) whether the criminal case as explained would affect the legal enforceability of the Contractual Arrangement; (2) why the independent lawyer believes that the criminal case would not affect the legal enforceability of the Contractual Arrangement; and (3) the lawyer's legal interpretation of applicable provisions of laws and regulations. We also checked the objectivity, competence and capability of the independent lawyer.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the 2018 annual report, but does not include the consolidated financial statements and our auditor’s report thereon (the “**Other Information**”).

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS issued by the IASB and the disclosure requirements of Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group’s financial reporting process.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. We report our opinion 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditor's report is Tsang Chiu Keung.

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

Hong Kong, 29 March 2019

Tsang Chiu Keung
Practising Certificate Number P04968

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	**2018 RMB'000**	2017 RMB'000
Revenue	5	**453,234**	735,602
Cost of revenue	25	**(148,264)**	(278,335)
Gross profit		**304,970**	457,267
Selling and marketing expenses	25	**(27,904)**	(34,122)
Administrative expenses	25	**(134,272)**	(248,535)
Other gains – net	27	**43,396**	55,865
Operating profit		**186,190**	230,475
Finance income		**21,021**	40,181
Finance costs		**(2,000)**	(1,435)
Finance income – net	28	**19,021**	38,746
Share of profit of associates	10	**2,006**	492
Profit before income tax		**207,217**	269,713
Income tax expenses	29	**(5,685)**	(26,468)
Profit for the year		**201,532**	243,245
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
– Changes in fair value of financial assets at fair value through other comprehensive income, net of tax		**(96,525)**	–
Items that may be reclassified to profit or loss:			
– Changes in fair value of available-for-sale financial assets, net of tax		**–**	(61,038)
– Reclassification of changes in fair value of available-for-sale financial assets to profit or loss due to impairment of available-for-sale financial assets, net of tax		**–**	50,755
– Currency translation differences		**17,779**	(19,082)
Other comprehensive loss for the year, net of tax		**(78,746)**	(29,365)
Total comprehensive income for the year		**122,786**	213,880

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Profit attributable to:			
– Owners of the Company		**201,532**	243,245
– Non-controlling interests		**–**	–
		201,532	243,245
Total comprehensive income attributable to:			
– Owners of the Company		**122,786**	213,880
– Non-controlling interests		**–**	–
		122,786	213,880
Earnings per share (expressed in RMB cents per share)			
– Basic	30	**29.97**	35.42
– Diluted	30	**29.54**	34.24

The accompanying Notes form an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**37,442**	40,014
Intangible assets	7	**1,384**	2,788
Interests in associates	10	**16,964**	14,958
Financial assets at fair value through other comprehensive income	11	**64,525**	–
Available-for-sale financial assets	12	**–**	128,280
Deferred income tax assets	13	**34,494**	1,055
Prepayments and other receivables	15	**25,435**	26,122
Financial assets at fair value through profit or loss	16	**589,331**	554,660
		769,575	767,877
Current assets			
Trade receivables	14	**18,365**	36,203
Prepayments and other receivables	15	**28,262**	59,497
Financial assets at fair value through profit or loss	16	**819,714**	664,424
Term deposits	17	**500,947**	119,879
Cash and cash equivalents	18	**390,350**	858,193
		1,757,638	1,738,196
Total assets		**2,527,213**	2,506,073

Consolidated Balance Sheet

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
EQUITY AND LIABILITIES			
Equity			
Share capital	19	**235**	249
Share premium	19	**543,721**	642,365
Repurchased shares	19	**(2,060)**	(27,283)
Shares held for RSU Scheme	19	**(14)**	(15)
Reserves	20	**(87,524)**	93,634
Retained earnings		**1,810,676**	1,515,211
		2,265,034	2,224,161
Non-controlling interests		**–**	–
Total equity		**2,265,034**	2,224,161
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	13	**18,811**	2,899
Current liabilities			
Trade and other payables	22	**69,363**	97,218
Contract liabilities	23	**18,005**	–
Deferred revenue	24	**–**	18,176
Current income tax liabilities		**156,000**	163,619
		243,368	279,013
Total liabilities		**262,179**	281,912
Total equity and liabilities		**2,527,213**	2,506,073

The consolidated financial statements on pages 88 to 186 were approved and authorised for issue by the Board of Directors on 29 March 2019 and were signed on its behalf by:

Tao Ying	**Dai Zhikang**
Director	*Director*

The accompanying Notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

		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 upon initial application of IFRS 9		–	–	–	–	(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
Profit for the year		–	–	–	–	–	201,532	201,532	–	201,532
Other comprehensive income										
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax		–	–	–	–	(96,525)	–	(96,525)	–	(96,525)
Currency translation differences		–	–	–	–	17,779	–	17,779	–	17,779
Total comprehensive income for the year		–	–	–	–	(78,746)	201,532	122,786	–	122,786
Employee share option and RSU schemes										
– value of employee services	20	–	–	–	–	3,221	–	3,221	–	3,221
– proceeds from shares issued	19	–	1,915	–	–	–	–	1,915	–	1,915
– vesting of shares under RSU scheme	21	–	(1)	–	1	–	–	–	–	–
– exercise and lapse of share options and RSUs	20	–	11,700	–	–	(11,700)	–	–	–	–
Buy-back of shares	19	–	–	(87,049)	–	–	–	(87,049)	–	(87,049)
Cancellation of shares	19	(14)	(112,258)	112,272	–	–	–	–	–	–
Transfer to statutory surplus reserve fund	20	–	–	–	–	7,474	(7,474)	–	–	–
Total transactions with owners, recognised directly in equity		(14)	(98,644)	25,223	1	(1,005)	(7,474)	(81,913)	–	(81,913)
Balance at 31 December 2018		235	543,721	(2,060)	(14)	(87,524)	1,810,676	2,265,034	–	2,265,034

The accompanying Notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	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
		Attributable to owners of the Company								
Balance at 1 January 2017		248	609,826	–	(17)	139,542	1,271,966	2,021,565	–	2,021,565
Profit for the year		–	–	–	–	–	243,245	243,245	–	243,245
Other comprehensive income										
Changes in fair value of available-for-sale financial assets, net of tax		–	–	–	–	(61,038)	–	(61,038)	–	(61,038)
Reclassification of changes in fair value of available-for-sale financial assets to profit or loss due to impairment, net of tax		–	–	–	–	50,755	–	50,755	–	50,755
Currency translation differences		–	–	–	–	(19,082)	–	(19,082)	–	(19,082)
Total comprehensive income for the year		–	–	–	–	(29,365)	243,245	213,880	–	213,880
Employee share option and RSU schemes										
– value of employee services	20	–	–	–	–	9,865	–	9,865	–	9,865
– proceeds from shares issued	19	1	6,133	–	–	–	–	6,134	–	6,134
– vesting of shares under RSU scheme	21	–	(2)	–	2	–	–	–	–	–
– exercise and lapse of share options and RSUs	20	–	26,408	–	–	(26,408)	–	–	–	–
Buy-back of shares	19	–	–	(27,283)	–	–	–	(27,283)	–	(27,283)
Total transactions with owners, recognised directly in equity		1	32,539	(27,283)	2	(16,543)	–	(11,284)	–	(11,284)
Balance at 31 December 2017		249	642,365	(27,283)	(15)	93,634	1,515,211	2,224,161	–	2,224,161

The accompanying Notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	**2018 RMB'000**	2017 RMB'000
Cash flows from operating activities			
Cash generated from operations	32	**185,812**	254,997
Income tax paid		**(24,727)**	(3,827)
Net cash generated from operating activities		**161,085**	251,170
Cash flows from investing activities			
Purchase of property, plant and equipment		**(8,862)**	(8,018)
Purchase of financial assets at fair value through other comprehensive income		**(28,352)**	–
Purchase of financial assets at fair value through profit or loss		**(2,512,463)**	(2,203,268)
Placement of term deposits with original maturities over three months		**(713,510)**	(119,879)
Proceeds from maturity of term deposits with original maturities over three months		**336,683**	27,748
Proceeds from disposals of financial assets at fair value through profit or loss		**2,289,664**	1,335,856
Proceeds from disposals of property, plant and equipment	32	**1,406**	27
Realised fair value gain on financial assets at fair value through profit or loss	27	**37,967**	19,445
Dividends from financial assets at fair value through profit or loss	27	**12,313**	–
Dividends from financial assets at fair value through other comprehensive income	27	**134**	–
Dividends from available-for-sale financial assets	27	**–**	1,576
Interest received		**20,904**	34,588
Net cash used in investing activities		**(564,116)**	(911,925)
Cash flows from financing activities			
Buy-back of shares	19	**(87,049)**	(27,283)
Proceeds from issuance of ordinary shares	19	**1,915**	6,134
Net cash used in financing activities		**(85,134)**	(21,149)
Net decrease in cash and cash equivalents		**(488,165)**	(681,904)
Cash and cash equivalents at the beginning of the year		**858,193**	1,563,281
Translation gains/(losses) on cash and cash equivalents		**20,322**	(23,184)
Cash and cash equivalents at the end of the year	18	**390,350**	858,193

The accompanying Notes form an integral part of these consolidated financial statements.

1. GENERAL

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 PRC, Hong Kong and other countries and regions.

The consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated. The consolidated financial statements have been approved and authorised for issue by the Board of Directors on 29 March 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable IFRSs and all applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, which were carried at fair value.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the management to exercise their judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) *Basis of preparation* *(Continued)*

Changes in accounting policy and disclosures

i. In the current year, the Group has applied a number of new standards and amendments to IFRSs issued by the IASB that are mandatorily effective for an accounting period that begins on or after 1 January 2018. These amendments have been applied by the Group for the first time in the current year unless otherwise specified. The impact of these amendments are described below.

– IFRS 9 ***Financial Instruments***

– IFRS 15 ***Revenue from Contracts with Customers*** and ***amendments to IFRS 15***; and

– IFRIC 22 ***Foreign Currency Transactions and Advance Consideration.***

The Group has not early applied any new standard or interpretation that is not yet mandatorily effective for the current year. Please see note 2(a)(ii) for details about potential effect of recently issued new or revised standards and interpretations that are not yet mandatorily effective for the current year.

Application of IFRS 9 "Financial Instruments"

IFRS 9 has replaced IAS 39 Financial instruments: recognition and measurement. IFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. In accordance with the specific transitional provisions set out in IFRS 9, the Group has applied the classification and measurement requirements (including requirements relating to impairment) to items that existed as of the date of initial application (i.e. 1 January 2018) on a retrospective basis based on the facts and circumstances that existed as at 1 January 2018. However, the Group has decided not to restate the comparative figures. Accordingly, the comparative information continues to be presented based on the requirements of IAS 39 and hence may not be comparable with the current year information. The cumulative effect of initial application of IFRS 9 has been recognised as adjustments to the opening equity.

(I) Classification and measurement of financial assets

In general, IFRS 9 categories financial assets into the following three classification categories:

- measured at amortised cost;
- at fair value through other comprehensive income ("FVTOCI"); and
- at fair value through profit or loss ("FVTPL").

These classification categories are different from those set out in IAS 39 which included held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and the contractual cash flow characteristics of the financial asset. Details about the Group's accounting policies for its financial assets and financial liabilities are disclosed in note 2(i) to the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) *Basis of preparation* (Continued)

Changes in accounting policy and disclosures (Continued)

The following table shows a reconciliation from how the Group's financial assets existed as of 1 January 2018 were classified and measured under IAS 39 to how they were classified and measured under IFRS 9:

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

Note:

The Group has designated certain investments in equity securities (neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies) as financial assets at FVTOCI as at the date of initial application of IFRS 9 (i.e. 1 January 2018) based on the specific transitional provisions set out in IFRS 9. These investments are listed equity securities, unlisted equity investments and preference shares of private companies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

Changes in accounting policy and disclosures (Continued)

(II) Impairment

IFRS 9 has introduced the "expected credit loss model" to replace the "incurred loss" model under IAS 39. The "expected credit loss model" requires an ongoing measurement of credit risk associated with a financial asset. The Group has applied the "expected loss model" to the following types of financial assets:

- Trade receivables
- Other receivables
- Term deposits
- Cash and cash equivalents

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impairment losses upon initial application of IFRS 9 are discussed below. Please see note 2(j) regarding accounting policies for impairment.

<u>Trade receivables</u>

The Group applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit loss, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss on trade receivables are estimated using provision matrix by reference to the past default experience of debtors, adjusted for current and forward-looking information on macroeconomic factors affecting the ability of the debtors to settle the receivables. As at 1 January 2018, the loss allowance for trade receivables was determined according to provision matrix as follows:

Past due	**Expected credit loss rate**	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Current (not past due)	**0.5%**	**25,099**	**125**
1 – 90 days past due	**0.9%**	**8,742**	**82**
91 – 180 days past due	**8.6%**	**1,512**	**129**
Over 180 days past due	**29.5%**	**850**	**252**
		36,203	**588**

The Group performed the assessment and concluded that no material financial impact existed, and therefore no adjustment was made to the opening balance of retained earnings as at 1 January 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation **(Continued)**

Changes in accounting policy and disclosures (Continued)

(II) Impairment (Continued)

Term deposits and cash and cash equivalents

Term deposits with initial term over 3 months and cash and cash equivalents are mainly placed with national commercial banks in the PRC and reputable international financial institutions in Hong Kong. There has been no recent history of default in relation to these financial institutions. Therefore, the balances due from them are considered to be low in credit risk. The Group concluded that their credit loss was minimal and an adjustment to the opening balance of retained earnings as at 1 January 2018 was not required.

Other financial assets measured at amortised cost

Other financial assets at amortised cost mainly include interest receivables, loans to employees, advances to employees and other receivables. In view of the history of cooperation with debtors and the sound collection history of receivables due from them, the outstanding balances are considered to be low in credit risk. Therefore, the Group concluded that the credit loss was insignificant and an adjustment to the opening balance of retained earnings as at 1 January 2018 is not required.

(III) Classification and measurement of financial liabilities

Under IFRS 9, for a financial liability designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is required to be presented in other comprehensive income, with the remaining amount of change in the fair value of the liability being presented in profit or loss (unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss and in which case all gains or loss on that liability are presented in profit or loss).

The Group does not have any financial liabilities designated at fair value through profit or loss and therefore the classification and measurement of the Group's financial liabilities have not been impacted by the initial application of IFRS 9.

(IV) Hedge accounting

The Group has not applied any hedge accounting and hence the new general hedge accounting model set out in IFRS 9 has not had any impact on the Group's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation ***(Continued)***

Changes in accounting policy and disclosures (Continued)

(V) Effect on the Group's retained earnings and other reserves as of 1 January 2018

On initial application of IFRS 9 as at 1 January 2018, the Group irrevocably designated its equity investments that are not held for trading as financial assets at FVTOCI as the management of the Group believed that these investments were held for strategic purpose and recognising short-term fair value fluctuations of these investments in profit or loss would not be consistent with the Group's strategy of holding the investments for long term investment purpose and realising the performance potential in the long run.

The Group applied IFRS 9 using transition adjustment method – i.e. by applying the requirements of IFRS 9 on a retrospective effect with cumulative effect of the application of IFRS being recognized as an adjustment to the opening balances of equity at 1 January 2018 without restating the comparative figures. Therefore, impairment losses of approximately RMB101,407,000 recognised in prior years under IAS 39 arising from the prolonged decline in fair value of certain equity investments designated as at financial assets at FVTOCI upon initial recognition 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 FVTOCI 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	**1,515,211**
Adjustment on adoption of IFRS 9	**101,407**
Adjusted balance at 1 January 2018	**1,616,618**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

Changes in accounting policy and disclosures (Continued)

Application of IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 has replaced IAS 11 Construction contracts, IAS 18 Revenue and other revenue-related interpretations. Under IAS 11 and IAS 18, revenue arising from construction contracts and provision of services was recognised over time whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 has introduced additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Please see note 2(s) for details of old and new accounting policies.

Based on the specific transitional provisions set out in IFRS 15, the Group had decided to use the cumulative effect transition method and had recognised the cumulative effect of initial application of IFRS 15 as an adjustment to the opening balance of equity as at the date of initial application (i.e. 1 January 2018) without restating the comparative figures. Accordingly, comparative information has not been restated and continues to be presented under IAS 11 and IAS 18. Also, the Group has applied the IFRS 15 requirements only to contracts that were not completed before 1 January 2018.

Revenue from game development operations

As mentioned in note 2(s), the Group is engaged in the development and operations of online card and board game business in the PRC. Under IFRS 15, the Group has an obligation to provide the services which enable the game tokens or other virtual items to be displayed or used in the games upon the sales of game tokens and other virtual items. Revenue from rendering services continues to be recognized at the point in time upon the consumption of game tokens and virtual items by Paying Players. The application of IFRS 15 has not had any material impact on the consolidated financial statements except for the presentation of contract liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) *Basis of preparation* *(Continued)*

Changes in accounting policy and disclosures (Continued)

Contract balances

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

As a result of the adoption of IFRS 15, the Group has made the following changes of presentation to follow the requirements of IFRS 15:

– advance received from sales of prepaid game cards disclosed in trade and other payables and deferred revenue, which were previously presented separately in the consolidated balance sheet, are now presented under contract liabilities

The Group does not have any contract assets and therefore no adjustment is necessary.

Application of IFRIC 22 "Foreign Currency Transactions and Advance Consideration."

IFRIC 22 provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency. The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way.

The application of IFRIC 22 has not had any material impact on the consolidated financial position and the consolidated financial result.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) *Basis of preparation* *(Continued)*

Changes in accounting policy and disclosures (Continued)

The Group has not applied any of the following new and revised standards and amendments to existing standards that have been issued and are relevant to the Group, but are not yet mandatorily effective for the financial year beginning on 1 January 2018 and have not been early adopted.

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IAS 28 (Amendments)	Long-term interest in Associates and Joint Ventures[1]
IFRS 3 (Amendments)	Definition of a Business[2]
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation[1]
IFRS 10 and IAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
IFRSs (Amendments)	Annual Improvements to IFRS 2015-2017 Cycle[1]
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments[1]

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

2 Effective for annual periods beginning on or after 1 January 2020.

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

4 Effective date not yet determined.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of IFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 16, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Group. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) *Basis of preparation* *(Continued)*

Changes in accounting policy and disclosures (Continued)

IFRS 16 Leases

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

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

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

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

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

IFRS 16 will primarily affect the accounting for the Group's operating leases where the Group is a lessee. Upon adoption of IFRS 16 the majority of the Group's operating lease commitments will be recognised in the consolidated balance sheet as lease liabilities and right-of-use assets. The lease liabilities would subsequently be measured at amortised cost and the right-of-use asset will be depreciated on a straight-line basis during the lease term.

The directors of the Company anticipate that the application of the IFRS 16 in the future may have an impact on the Group's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Subsidiaries

Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

i. Accounting subsidiaries as a result of contractual arrangements

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

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

Boyaa PRC, Boyaa Shenzhen and its registered owners entered into a series of contractual arrangements (the "**Contractual Arrangements**") entered into on 15 May 2013, which enable Boyaa PRC and the Group to:

– exercise effective financial and operational control over Boyaa Shenzhen;

– exercise all owners' voting rights of Boyaa Shenzhen;

– receive substantially all of the economic interest returns generated by Boyaa Shenzhen in consideration for the business support, technical and consulting services provided by Boyaa PRC;

– obtain an irrevocable and exclusive right to purchase all or part of equity interests in Boyaa Shenzhen from the respective owners at a minimum purchase price permitted under PRC laws and regulations, and 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. Boyaa PRC may exercise such options at any time until it has acquired all equity interests and/or all assets of Boyaa Shenzhen; and

– obtain a pledge over the entire equity interest of Boyaa Shenzhen from their respective owners as collateral security for all of Boyaa Shenzhen's payments due to Boyaa PRC and to secure performance of Boyaa Shenzhen's obligations under the Contractual Arrangements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Subsidiaries *(Continued)*

Consolidation (Continued)

i. Accounting subsidiary as a result of contractual arrangements *(Continued)*

The Group does not hold any equity interest in Boyaa Shenzhen. However, as a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with Boyaa Shenzhen and has the ability to affect those returns through its power over Boyaa Shenzhen and is considered to control Boyaa Shenzhen. Consequently, the Company regards Boyaa Shenzhen as an indirect wholly owned subsidiary for accounting purpose.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Boyaa Shenzhen and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Boyaa Shenzhen. The directors of the Company, based on the advice of its legal advisor, consider that the Contractual Arrangements among Boyaa PRC, Boyaa Shenzhen and its equity holders are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

ii. Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Subsidiaries (Continued)

Consolidation (Continued)

ii. Business combinations *(Continued)*

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Subsidiaries (Continued)

Consolidation (Continued)

iii. Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

iv. Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Separate financial statements

Investments in subsidiaries in the Company's balance sheet are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to share of profit of investments accounted for using equity method' in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in profit or loss.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Foreign currency translation

i. Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The functional currency of the Company is United States dollars ("**USD**"). The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the game development and operation of the Group have been within the PRC, the Group determined to present the consolidated financial statements in RMB, unless otherwise stated.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated statement of profit or loss and other comprehensive income within "finance income – net". All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income within "other gains – net".

iii. Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each reporting presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statements of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment

Buildings comprise mainly offices. Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	3 years or remaining lease terms, whichever shorter
Buildings	20 years
Motor vehicles	4 years
Furniture and equipment	3-4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(h)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains – net", in the consolidated statement of profit or loss and other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Intangible assets

i. Computer software

Computer software is initially recognised and measured at cost less amortisation. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software, and are amortised over their estimated useful lives of 5 years.

ii. Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship of 5 years.

(h) Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial assets

(A) Policy applicable from 1 January 2018

Classification

The Group has the following types of financial assets:

- Those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- Those to be subsequently measured at amortised cost.

The classification depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing the financial assets.

i. Financial assets subsequently measured at amortised cost

In order for a financial asset to be subsequently measured at amortised cost, its contractual cash flows need to be solely payments of principal and interest on the principal amount outstanding and the Group's business model for managing such financial assets is to collect the contractual cash flows.

The Group's financial assets at amortised cost comprise "trade receivables", "other receivables", "term deposits" and "cash and cash equivalents" in the consolidated balance sheet.

ii. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets with cash flows that are not solely payments of principal and interest on the principal amount outstanding.

iii. Investments in equity instruments measured at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are equity instruments that are neither held for trading nor contingent consideration recognized by an acquirer to which IFRS 3 applies that the Group has made an irrevocable election at the date of initial application of IFRS 9 or initial recognition of the assets to designate at fair value through other comprehensive income when they meet the definition of equity under IAS 32 "Financial Instruments: Presentation" and are not held for trading.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) *Financial assets* ***(Continued)***

(A) Policy applicable from 1 January 2018 (Continued)

Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets subsequently measured at amortised cost are determined using the effective interest rate method and are subject to impairment. Gain and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Gains or losses on investments in equity instruments that are measured at fair value through other comprehensive income are never recycled to profit or loss. Dividends are recognized in the profit or loss as part of "other gains – net" when the Group's right to receive payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

Changes in fair value of financial assets at fair value through profit or loss are presented in profit or loss within "other gains – net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of "other gains – net" when the Group's right to receive payments is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) *Financial assets* *(Continued)*

(A) Policy applicable from 1 January 2018 (Continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of group of similar financial assets) is primary derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognised an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial assets (Continued)

(B) Policy applicable prior to 1 January 2018

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by the directors of the Company. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade receivables", "other receivables", "term deposits" and "cash and cash equivalents" in the consolidated balance sheet.

iii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or the management intends to dispose of it within 12 months after the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial assets ***(Continued)***

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in profit or loss within "other gains – net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of "other gains – net" when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss as "other gains-net".

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of financial assets

(A) Policy applicable from 1 January 2018

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including term deposits, cash and cash equivalents and trade and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other types of financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of financial assets ***(Continued)***

(A) Policy applicable from 1 January 2018 (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

The Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 30 days past due.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of financial assets ***(Continued)***

(A) Policy applicable from 1 January 2018 (Continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 2(t) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of financial assets *(Continued)*

(B) Policy applicable prior to 1 January 2018

i. Assets carried at amortised cost

Prior to January 1, 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVTPL (e.g. trade and other receivables). Under the "incurred loss" model, the Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "**loss event**") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of financial assets (Continued)

(B) Policy applicable prior to 1 January 2018 (Continued)

ii. Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

(k) Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(l) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 23). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Policy prior 1 January 2018

In the comparative period, proceeds received from sales of Game Tokens or other virtual items and the proceeds received from sales of prepaid game cards before the related service was performed were presented as "Deferred revenue" and "Advance received from sales of prepaid game cards" under "Trade and other payables" respectively. These balances have been reclassified on 1 January 2018 as shown in note 24 (see note 2(a)).

(n) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the considerations paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's owners until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's owners.

(o) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit of loss and other comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

i. Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii. Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) *Current and deferred income tax* *(Continued)*

ii. *Deferred income tax (Continued)*

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

iii. *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Employee benefits

i. Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the balance sheet date.

Employee entitlements to sick and maternity leave are not recognised until the time of leave.

ii. Pension obligations

The Group companies incorporated in the PRC contribute based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan organised by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

(r) Share-based payments

i. Equity-settled share-based payment transactions

The Group operates a number of equity-settled share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the options and restricted shares units ("**RSU**") is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options and RSUs granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining as an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to serve).

Non-market performance and service conditions are included in assumptions about the number of options and RSUs that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) *Share-based payments* ***(Continued)***

i. *Equity-settled share-based payment transactions (Continued)*

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement date and grant date.

Where there is modification of terms and conditions which increases the fair value of the equity instruments granted (for example, by reducing the exercise price of share options), the Group includes the incremental fair value granted in the measurement of the amount recognised for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognised over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognised over the remainder of the original vesting period.

At the end of each reporting period, the Group revises its estimates of the number of options and RSUs that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options and RSUs are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

ii. *Share-based payment transactions among group entities*

The grant by the Company of options and RSUs over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in the parent entity accounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Revenue recognition

Revenue is measured at the transaction price which is the amount of consideration to which the Group is entitled in exchange for transferring promised services or goods to the customer. The Group allocate the transaction price to each performance obligation based on the relative stand-alone selling prices. Revenue for each performance obligation is then recognized when the Group satisfies the performance obligation by transferring the promised goods or services to the customer.

The Group's revenue is primarily derived from the sales of in-game virtual tokens ("**Game Tokens**") and other virtual items in its game development operations ("**Game Development**") through cooperation with various third-party game distribution platforms and payment vendors. These game distribution platforms include major social networking websites (such as Facebook), online application stores (such as Apple Inc.'s App Store and Google Play installed in mobile telecommunications devices), web-based and mobile game portals, telecommunication operators and pre-paid game card distributors in certain countries and regions (collectively referred to as "**Platforms**").

In cooperation with Platforms, the Group is responsible for hosting the games, providing on-going updates of new contents, technical support for the operations of the games, as well as preventing, detecting and resolving in-game cheating and hacking activities. Platforms are responsible for distribution, marketing, platform maintenance, payer authentication and payment collections related to the games.

The Group's games are free to play and players can purchase Game Tokens or other virtual items for better in-game experience. Players purchase the Group's Game Tokens or other virtual items ("**Paying Players**") through Platforms' own charging systems or their accounts maintained with third party payment vendors, or charging from the prepaid game cards they purchased. Generally, the payments received for purchasing the Group's Game Tokens or other virtual items are non-refundable and the related contracts are non-cancellable. Platforms and third party payment vendors collect the payment from the Paying Players and remit the cash net of commission charges which are pre-determined to the Group according to the relevant terms of the agreements entered into between the Group and Platforms or third party payment vendors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) *Revenue recognition* *(Continued)*

Upon the sales of Game Tokens or other virtual items, the Group typically has an implied obligation to provide the services which enable the Game Tokens or other virtual items to be displayed or used in the games. As a result, the proceeds received from sales of Game Tokens or other virtual items are initially recorded as service fees prepaid by game players and included in contract liabilities, while the proceeds received from sales of prepaid game cards are initially recorded as advance received from sales of prepaid game cards and included in contract liabilities. This advance is then transferred to service fees prepaid by game players when the game cards are activated by the players, i.e. the first time the players use the prepaid game cards to credit their game accounts. The attributable portion of the service fees prepaid by game players relating to values of the Game Tokens consumed and other virtual items purchased are immediately recognised as revenue only when the services are rendered to the respective Paying Players.

Prior to 1 January 2018, the proceeds received from sales of Game Tokens or other virtual items are initially recorded as deferred revenue, while the proceeds received from sales of prepaid game cards are initially recorded as advance received from sales of prepaid game cards in trade and other payables. This advance is then transferred to deferred revenue when the game cards are activated by the players, i.e. the first time the players use the prepaid game cards to credit their game accounts. The attributable portion of the deferred revenue relating to values of the Game Tokens consumed and other virtual items purchased are immediately recognised as revenue only when the services are rendered to the respective Paying Players.

In the current and comparative period, the Group render services to Paying Players to enhance their in-game experience through their consumption of virtual items. These virtual items are extinguished after consumption in the form of fixed charges levied on each round of games played. The Paying Players will not continue to benefit from the virtual items thereafter and the Group will not have further obligations to the Paying Players after the virtual items consumed. Revenue is immediately recognised (as a release from contract liabilities) when the items are consumed and the related services are rendered, which was taken to be the point in time.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Revenue recognition ***(Continued)***

Principal and agent consideration

The Group has evaluated the roles and responsibilities of the Group and Platforms or third party payment vendors in the delivery of game experience to the Paying Players in order to determine whether or not the Group acts as the principal or as an agent in the arrangement with each party respectively. The determination of whether to record the revenues on gross basis or net basis is depended on an assessment of various factors, including but not limited to whether the Group (i) is the primary obligor in the arrangement; (ii) has general inventory risk; (iii) changes the product or performs part of the services; (iv) has latitude in establishing the selling price; (v) has involvement in the determination of product and service specifications.

Under the arrangements with Platforms or third party payment vendors, the Group takes primary responsibilities of game operation, including determining distribution and payment channels, providing customer services, hosting and maintaining game servers, controlling game and services specifications and pricing. After considering these factors, the Group concluded itself as a principal to deliver in-game experience to Paying Players in these arrangements and accordingly, the Group records revenue on a gross basis, and commission charges by Platforms or third party payment vendors are recorded as cost of revenue.

(t) Interest income

Interest income mainly represents interest income from bank deposits and is recognised using effective interest method. For financial assets measured at amortised costs or fair value through other comprehensive income (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

(u) Dividend income

Dividend income is recognised when the right to receive payment is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) *Government grants*

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

(w) *Operating leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(x) *Dividend distribution*

Dividend distribution to the Company's ordinary shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

(y) *Provisions and contingent liabilities*

Provisions are recognised for other liabilities of uncertain timing or amount when the group or the company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Related parties

i. A person, or a close member of that person's family, is related to the group if that person:

(a) has control or joint control over the group;

(b) has significant influence over the group; or

(c) is a member of the key management personnel of the group or the group's parent.

ii. An entity is related to the group if any of the following conditions applies:

(a) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.

(f) The entity is controlled or jointly controlled by a person identified in i. above.

(g) A person identified in i.(a) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(h) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. FINANCIAL RISK MANAGEMENT

(a) *Financial risk factors*

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the board of directors of the Company (the "Board").

Market risk

i. Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB and 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.

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 year ended 31 December 2018 of the Group would have been approximately RMB1,569,000 higher/lower (2017: approximately RMB1,482,000 higher/lower), as a result of net foreign exchange gains/losses on translation of net monetary assets denominated in USD. For group companies outside of the PRC whose functional currencies are USD or Hong Kong dollars ("**HKD**"), if RMB had strengthened/weakened by 5% against USD and HKD with all other variables held constant, the other comprehensive income for the year ended 31 December 2018 would have been approximately RMB20,983,000 higher/lower (2017: approximately RMB20,477,000 higher/lower) mainly as a result of net foreign exchange gains/losses on translation of net monetary assets denominated in USD and HKD.

ii. Interest rate risk

Other than interest-bearing bank deposits, the Group has no other significant interest-bearing assets. The directors of the Company do not anticipate there is any significant impact to interest-bearing bank deposits resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors (Continued)

Market risk (Continued)

iii. Price risk

The Group is exposed to price risk because of investments held by the Group, which are classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income (2017: financial assets at fair value through profit or loss and available-for-sale financial assets). The Group is not exposed to commodity price risk.

The sensitivity analysis is determined based on the exposure to price risk of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income (2017: financial assets at fair value through profit or loss and available-for-sale financial assets) at the balance sheet date. If the fair value of the respective instruments held by the Group classified as fair value through profit or loss had been 5% higher/lower, the post-tax profit for the year ended 31 December 2018 would have been approximately RMB60,353,000 higher/lower (2017: approximately RMB52,477,000 higher/lower). If the fair value of the respective instruments held by the Group classified as financial assets at fair value through other comprehensive income had been 5% higher/lower, the other components for equity for the year ended 31 December 2018 would have been approximately RMB2,939,000 higher/lower (2017: available-for-sale financial assets – approximately RMB4,853,000 higher/lower).

Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, term deposits, trade receivables and other receivables. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

i. Credit risk of cash and cash equivalents and term deposits

To manage this risk arising from cash and cash equivalents and term deposits, the Group only transacts with reputable financial institutions and commercial banks which are all high-credit-quality financial institutions in the PRC and Hong Kong. There has been no recent history of default in relation to these financial institutions. The expected credit loss is close to zero.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) *Financial risk factors* (Continued)

Credit risk (Continued)

ii. Credit risk of trade receivables

Trade receivables at the end of each reporting period were due from the Platforms and third-party payment vendors in cooperation with the Group. If the strategic relationship with the Platforms and third-party payment vendors is terminated or scaled-back; or if the Platforms and third-party payment vendors alter the co-operative arrangements; or if they experience financial difficulties in paying the Group, the Group's trade receivables might be adversely affected in terms of recoverability. To manage this risk, the Group maintains frequent communications with the Platforms and third-party payment vendors to ensure effective credit control. In view of the history of cooperation with the Platforms and third-party payment vendors and the sound collection history of receivables due from them, the directors of the Company believe that the credit risk inherent in the Group's outstanding trade receivable balances due from the Platforms and third-party payment vendors is low.

The Group applies the simplified approach to provide for expected credit loss prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the shared credit risk characteristics and the days past due of each type of the trade receivables to measure the expected credit losses. For certain trade receivables for which the counterparties failed to make repayments demanded, the Group considered that they were defaulted and made 100% provision ("default receivables"). Except for the default receivables, the expected losses on trade receivables are estimated using provision matrix by reference to the past default experience of debtors, adjusted for current and forward-looking information on macroeconomic factors affecting the ability of the debtors to settle the receivables. As at 31 December 2018, the expected credit losses of trade receivables are determined according to provision matrix as follows:

	Expected credit loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	**0.5%**	**14,010**	**70**
1 – 90 days past due	**0.9%**	**3,174**	**29**
91 – 180 days past due	**5.7%**	**435**	**25**
Over 180 days past due	**20.9%**	**1,100**	**230**
		18,719	**354**
Default	**100.0%**	**4,236**	**4,236**
		22,955	**4,590**

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) *Financial risk factors* (Continued)

Credit risk (Continued)

iii. Credit risk of other receivables

Other receivables at the end of each reporting period were mainly loans to employees, advances to employees and interest receivables. The directors of the Company consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the year ended 31 December 2018. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the third party borrower's ability to meet its obligations;
- actual or expected significant changes in operating results of the third party borrower;
- significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrower;
- the employment relationship with the employee borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment/repayable demanded.

A default on a financial asset is when the counterparty fails to make contractual payments/repayments demanded within 90 days when they fall due, unless the Group has reasonable and supportable information that demonstrate otherwise.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorises a loan or receivable for write off when a debtor fails to make contractual payments/repayments demanded greater than 120 days past due. When loans or receivables have been written off, the Group continues to engage in enforcement activities to attempt to recover the receivables due. When the receivables are recovered, these are recognized in profit or loss.

As at 31 December 2018, the counterparties of the loans to employees of RMB494,000 and the loan to an associate of RMB2,000,000 fail to make repayments demanded, the Group considered that they were defaulted and made 100% provision.

Over the terms of the loans to employees, the Group accounts for its credit risk appropriately by providing for expected credit losses on a timely basis. In estimating the expected credit loss rate, the Group considers the historical loss rates for employees, and adjust for forward looking macroeconomic data. As at 31 December 2018, the Group estimated that the 12-month expected credit loss rate on loans to employees was 5% and therefore expected credit losses amounting RMB814,000 were recognised.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) *Financial risk factors* (Continued)

Credit risk (Continued)

iii. Credit risk of other receivables *(Continued)*

For the rest of the other receivables, the majority of the balances were expected to be settled within 12 months after the end of the reporting period based on the historical data and forward-looking information. The management of the Group did not consider there have been an significant increase in credit risk at the end of the reporting period since the initial recognition. As at 31 December 2018, the management of the Group considered the expected credit loss for these other receivables was insignificant.

Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2018					
Trade and other payables (excluding advances and other taxes payable)	**26,110**	**–**	**–**	**–**	**26,110**
At 31 December 2017					
Trade and other payables (excluding advances and other taxes payable)	48,194	–	–	–	48,194

There were no bank borrowings and overdrafts as at 31 December 2018 and 2017.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

The Group monitors capital (including share capital and share premium) by regularly reviewing the capital structure. As a part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares. In the opinion of the directors of the Company, the Group's capital risk is low.

(c) 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).

The Group does not have financial liabilities measured at fair value. The following table presents the Group's financial assets that are measured at fair value at 31 December 2018 and 2017:

	Level 1 RMB'000	**Level 2** RMB'000	**Level 3** RMB'000	**Total** RMB'000
At 31 December 2018				
Assets				
Financial assets at fair value through profit or loss	**–**	**–**	**1,409,045**	**1,409,045**
Financial assets at fair value through other comprehensive income	**60,719**	**–**	**3,806**	**64,525**
Total financial assets	**60,719**	**–**	**1,412,851**	**1,473,570**
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
Total financial assets	114,198	–	1,233,166	1,347,364

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) *Fair value estimation* *(Continued)*

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each reporting period, the finance department analyzes the movements in the values of financial instruments and determines the valuation methodology and major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for annual financial reporting.

i. Financial instruments in level 1

The fair value of financial instruments traded in active markets is determined based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

ii. Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) *Fair value estimation* ***(Continued)***

iii. Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 31 December 2018.

	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Opening balance	1,219,084	–	14,082	1,233,166
Transfer upon initial application of IFRS 9	–	14,082	(14,082)	–
Additions	2,553,463	3,000	–	2,556,463
Disposals	(2,353,305)	–	–	(2,353,305)
Unrealised fair value loss recognised in profit or loss	(50,765)	–	–	(50,765)
Unrealised fair value loss recognised in other comprehensive income	–	(965)	–	(965)
Currency translation differences	4,215	493	–	4,708
Closing balance	1,372,692	16,610	–	1,389,302
Total unrealised fair value loss for the year recognised in profit or loss under "other gains – net"	(50,765)	–	–	(50,765)

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Fair value estimation (Continued)

iii. Financial instruments in level 3 (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2017.

	Financial assets at fair value through profit or loss RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Opening balance	325,285	14,686	339,971
Additions	2,203,268	–	2,203,268
Disposals	(1,335,856)	–	(1,335,856)
Unrealised fair value gains recognised in profit or loss	30,403	–	30,403
Currency translation differences	(4,016)	(604)	(4,620)
Closing balance	1,219,084	14,082	1,233,166
Total unrealised fair value gains for the year recognised in profit or loss under "other gains – net"	30,403	–	30,403

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Fair value estimation *(Continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following tables give information about how the fair values of financial instruments are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

As at 31 December 2018

Financial assets	Fair value hierarchy	Valuation technique	Significant unobservable input	Sensitivity of fair value to the input
Financial assets at fair value through other comprehensive income				
– listed equity investments	Level 1	Quoted bid price in active market	N/A	N/A
– unlisted investments	Level 3	Market comparable approach	Lack of marketability discount (15.80%)	The higher the discount, the lower fair value
– preference shares of private companies	Level 3	Market comparable approach	Lack of marketability discount (15.80%)	The higher the discount, the lower fair value
Financial assets at fair value through profit or loss				
– assets management plan	Level 3	The combination of the following techniques:		
		– Discount cash flows model	Credit risk spread (9.13%)	The higher the credit risk spread, the lower fair value
		– Market comparable approach	Lack of marketability discount (9.60%)	The higher the discount, the lower fair value
– equity investment partnerships	Level 3	Market comparable approach	Lack of marketability discount (15.80%)	The higher the discount, the lower fair value
– wealth management products	Level 3	Discount cash flow model	Estimated return (2.90% - 5.20%)	The higher the estimated return, the higher fair value

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Fair value estimation *(Continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

As at 31 December 2018 *(Continued)*

During the year, the management of the Group revisited the valuation techniques of the Group's financial instruments measured at fair value upon initial application of IFRS 9. The Group engaged an independent professional valuer to determine the fair values of its certain financial instruments categorized at level 3 fair value hierarchy.

The valuation technique used in measuring the fair value of the Group's equity investment partnership with fair value of RMB485,298,000 has been changed to market comparable approach as, in the view of the management and the independent professional valuer, there are sufficient relevant comparables available to form a base for the fair value measurement during the year.

Also, the valuation technique used in measuring the fair value of the Group's investments in asset management plans has been changed to combination of discount cash flows model and market comparable approach because the proceeds collected upon from the maturities of the short-term loans and government bonds, which constituted the majority of underlying investment portfolios in the Group's asset management plans in last year, have been reinvested to investment funds during the year. In the opinion of the management and the independent professional valuer, the change in valuation technique was primarily to reflect the change of underlying investment portfolios of the Group's investments in asset management plans.

As at 31 December 2017

Financial assets	Fair value hierarchy	Valuation technique	Significant unobservable input	Sensitivity of fair value to the input
Available-for-sale financial assets				
– listed equity investments	Level 1	Quoted bid price in active market	N/A	N/A
Financial assets at fair value through profit or loss				
– assets management plan	Level 3	Subsequent realization method	N/A	N/A
– equity investment partnerships	Level 3	Share of net asset value of underlying investments	N/A	N/A
– wealth management products	Level 3	Discount cash flow model	Estimated return (4.90% - 6.00%)	The higher the estimated return, the higher fair value

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) *Critical accounting estimates and assumptions*

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

i. Revenue recognition

The Group recognised revenue when consumable virtual items represent items that are extinguished after consumption in the form of fixed charges levied on each round of games played. The paying players will not continue to benefit from the virtual items thereafter. Revenue is recognised (as a release from contract liabilities) when the items are consumed and the related services are rendered. Determining when revenue arising from such online game business is recognized is complex and requires significant judgment. Management has arrived at this judgement after taking into account the nature and characteristics of virtual items, and the ways of the players within the games to benefit from these virtual items. Future patterns of virtual items beneficial to the paying players may differ from the historical patterns and therefore the time of revenue recognition may change in the future.

ii. Recognition of share-based compensation expenses

The fair values of share options granted are measured on the respective grant dates based on the fair value of the underlying shares. In addition, the Group is required to estimate the expected percentage of grantees that will remain in employment with the Group or, where applicable, if the performance conditions for vesting will be met at the end of the vesting period. The Group only recognises an expense for those share options and RSUs expected to vest over the vesting period during which the grantees become unconditionally entitled to these share-based awards. Changes in these estimates and assumptions could have a material effect on the determination of the fair value of the share options and RSUs and the amount of such share-based awards expected to become vested, which may in turn significantly impact the determination of the share-based compensation expenses.

The fair value of share options and RSUs at the time of grant is to be expensed over the vesting period of these share-based awards based on an accelerated graded attribution approach. Under the accelerated graded attribution approach, each vesting installment of a graded vesting award is treated as a separate share-based award, which means that each vesting installment will be separately measured and attributed to expense, resulting in accelerated recognition of share-based compensation expense. Based on the fair value of the share-based awards, the expected turnover rate of grantees and the probability that the performance conditions for vesting are met, the corresponding share-based compensation expense recognised by the Group in respect of their services rendered for the year ended 31 December 2018 was approximately RMB3,221,000 (2017: approximately RMB9,865,000).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(b) Critical judgments in applying the Group's accounting policies

iii. Current and deferred income taxes

The Group is subject to income taxes in several jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

iv. Accounting for company governed under Contractual Arrangements as subsidiary

As detailed in Note 2(b)(i), the Company and its subsidiaries do not hold any equity interests in Boyaa Shenzhen. Nevertheless, under the Contractual Agreements entered into between Boyaa PRC, Boyaa Shenzhen and its owners, the management determines that the Group has the power to govern the financial and operating policies of Boyaa Shenzhen so as to obtain benefits from its activities. As such, Boyaa Shenzhen is accounted for as subsidiary of the Group for accounting purposes.

v. Non-consolidation of entities with 99% equity interests

The directors have determined that the Group does not have control over a limited partnership namely Jiaxing Boyaa ChunLei Equity Investments Limited Partnership Enterprise ("**Jiaxing Boyaa**", see Note 16(b). Jiaxing Boyaa is not a controlled entity because the Group does not have power over the entity to affect its returns, despite the Group having contributed 99% of total contributions into the entity. The Group as limited partner is purely an investor role and the decisions relating to the daily operations and investment strategy and activities of Jiaxing Boyaa are made solely by, and the decision making power is fully vested in, the general partner, an independent third party. The investment has a fair value of approximately RMB312,800,000 (2017: RMB198,175,000). Details please refer to Note 16(b).

vi. Existence of significant influence

Through the investment agreement, the Group is guaranteed a seat on the boards of directors of certain investee companies and hence has the power to participate in the making of significant financial and operating decisions in relation to these investee companies. The Group has therefore determined that it has significant influence over these investee companies and hence that these investee companies are associated companies of the Group, even though it only holds below 20% of the voting rights. Details please refer to Note 10.

5. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers by game forms:

	2018 **RMB'000**	2017 RMB'000
– Web-based games	**168,362**	220,730
– Mobile games	**284,872**	514,872
	453,234	735,602

For the years ended 31 December 2018 and 2017, substantially all revenue generated from online games are recognized at the point in time.

The directors of the Company consider that the Group's operations are operated and managed as a single segment. The directors of the Company, being the chief operating decision maker of the Group, review the operating results of the Group as a whole when making decisions about resource allocations and assessing performances. Hence it is determined that the Group has only one operating segment. Accordingly no segment information is presented.

The Group offers its games in various language versions in order to enable game players to play the games in different geographical locations. All revenue derived from the PRC (including Hong Kong). A breakdown of revenue derived from different language versions of the Group's games is as follows:

	2018 **RMB'000**	2017 RMB'000
Simplified Chinese	**143,658**	383,704
Other languages	**309,576**	351,898
	453,234	735,602

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

	2018 **RMB'000**	2017 RMB'000
Mainland China	**64,987**	66,807
Other locations	**16,238**	17,075
	81,225	83,882

6. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2017					
Cost	27,759	25,162	4,756	13,036	70,713
Accumulated depreciation	(1,359)	(14,426)	(2,571)	(9,804)	(28,160)
Net book amount	26,400	10,736	2,185	3,232	42,553
Year ended 31 December 2017					
Opening net book amount	26,400	10,736	2,185	3,232	42,553
Additions	–	2,450	2,021	3,547	8,018
Disposals	–	(87)	(27)	–	(114)
Currency translation differences	(1,006)	(208)	(4)	–	(1,218)
Depreciation	(1,294)	(4,308)	(991)	(2,632)	(9,225)
Closing net book amount	24,100	8,583	3,184	4,147	40,014
At 31 December 2017					
Cost	26,711	26,456	6,499	16,583	76,249
Accumulated depreciation	(2,611)	(17,873)	(3,315)	(12,436)	(36,235)
Net book amount	24,100	8,583	3,184	4,147	40,014
Year ended 31 December 2018					
Opening net book amount	**24,100**	**8,583**	**3,184**	**4,147**	**40,014**
Additions	**–**	**513**	**353**	**5,314**	**6,180**
Disposals	**–**	**(25)**	**(114)**	**(1,128)**	**(1,267)**
Currency translation differences	**648**	**84**	**28**	**–**	**760**
Depreciation	**(1,278)**	**(3,028)**	**(939)**	**(3,000)**	**(8,245)**
Closing net book amount	**23,470**	**6,127**	**2,512**	**5,333**	**37,442**
At 31 December 2018					
Cost	**27,453**	**27,008**	**5,774**	**20,769**	**81,004**
Accumulated depreciation	**(3,983)**	**(20,881)**	**(3,262)**	**(15,436)**	**(43,562)**
Net book amount	**23,470**	**6,127**	**2,512**	**5,333**	**37,442**

Depreciation charges were expensed in the following categories in the consolidated profit or loss and other comprehensive income:

	2018 RMB'000	2017 RMB'000
Cost of revenue	**2,375**	3,581
Administrative expenses	**5,854**	5,606
Selling and marketing expenses	**16**	38
	8,245	9,225

7. INTANGIBLE ASSETS

	Computer software RMB'000	Contractual customer relationships RMB'000	Total RMB'000
At 1 January 2017			
Cost	3,461	4,823	8,284
Accumulated amortisation	(2,022)	(1,849)	(3,871)
Net book amount	1,439	2,974	4,413
Year ended 31 December 2017			
Opening net book amount	1,439	2,974	4,413
Amortisation	(660)	(965)	(1,625)
Closing net book amount	779	2,009	2,788
At 31 December 2017			
Cost	3,461	4,823	8,284
Accumulated amortisation	(2,682)	(2,814)	(5,496)
Net book amount	779	2,009	2,788
Year ended 31 December 2018			
Opening net book amount	**779**	**2,009**	**2,788**
Amortisation	**(440)**	**(964)**	**(1,404)**
Closing net book amount	**339**	**1,045**	**1,384**
At 31 December 2018			
Cost	**3,461**	**4,823**	**8,284**
Accumulated amortisation	**(3,122)**	**(3,778)**	**(6,900)**
Net book amount	**339**	**1,045**	**1,384**

Amortisation of approximately RMB1,332,000 (2017: approximately RMB1,509,000) is included in "cost of revenue"; approximately RMB14,000 (2017: approximately RMB15,000) in "selling and marketing expenses"; and approximately RMB58,000 (2017: approximately RMB101,000) in "administrative expenses" in the consolidated profit or loss and other comprehensive income.

8. FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Total RMB'000
At 31 December 2018				
Trade and other receivables (excluding prepayments and undeducted input value-added tax ("VAT"))	**54,405**	**–**	**–**	**54,405**
Financial assets at fair value through profit or loss	**–**	**1,409,045**	**–**	**1,409,045**
Financial assets at fair value through other comprehensive income	**–**	**–**	**64,525**	**64,525**
Term deposits	**500,947**	**–**	**–**	**500,947**
Cash and cash equivalents	**390,350**	**–**	**–**	**390,350**
	945,702	**1,409,045**	**64,525**	**2,419,272**

	Loans and receivables RMB'000	Financial assets at fair value through profit or loss RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
At 31 December 2017				
Trade and other receivables (excluding prepayments and undeducted input VAT)	103,980	–	–	103,980
Financial assets at fair value through profit or loss	–	1,219,084	–	1,219,084
Available-for-sale financial assets	–	–	128,280	128,280
Term deposits	119,879	–	–	119,879
Cash and cash equivalents	858,193	–	–	858,193
	1,082,052	1,219,084	128,280	2,429,416

	Financial liabilities at amortised cost RMB'000
At 31 December 2018	
Trade and other payables (excluding advances and other taxes payables)	**26,110**
At 31 December 2017	
Trade and other payables (excluding advance and other taxes payables)	**48,194**

9. SUBSIDIARIES

The following is the list of the principal subsidiaries of the Group at 31 December 2018:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/paid-up capital	Controlling interests directly held by the Company (%)	Controlling interests held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
Boyaa Holdings Limited	BVI, Limited liability company	Investment holding, BVI	USD1	100%	100%	–
Boyaa Interactive (Hong Kong) Limited	Hong Kong, Limited liability company	Operation of online games, Hong Kong	HKD10,000	–	100%	–
Boyaa PRC	PRC, Limited liability company	Provision of advisory services, PRC	USD10,000,000	–	100%	–
Boyaa Shenzhen	PRC, Limited liability company	Development and operation of online games, PRC	RMB10,000,000	–	100% (Note (a))	–
Boyaa Interactive (Thailand) Limited*	Thailand, Limited liability company	Provision of advisory services relating to online game applications, Thailand	Thailand Baht ("**THB**") 8,000,000	–	99%	1%
Shanghai Chunlei Interactive Network Technology Co., Ltd. (上海春雷互動網絡科技有限公司)	PRC, Limited liability company	Provision of advisory services, PRC	RMB30,000,000	–	100%	–
Hainan Chunlei Interactive Technology Co., Ltd. (海南春雷互動科技有限公司)	PRC, Limited liability company	Provision of advisory services, PRC	RMB10,000,000	–	100% (Note (a))	–
Function Technology Co., Ltd.	Republic of Seychelles, Limited liability company	Operation of online games, PRC	Nil	–	100%	–
Shenzhen Fengxunsheng Technology Co., Ltd. (深圳市豐訊盛科技有限公司)	PRC, Limited liability company	Operation of online games, PRC	RMB6,248,000	–	100% (Note (a))	–
Shenzhen Coalaa Network Technology Co., Ltd. (深圳市卡拉網絡科技有限公司)	PRC, Limited liability company	Provision of advisory services, PRC	RMB8,100,000	–	100% (Note (a))	–
PT Boyaa Interactive Indonesia	Indonesia, Limited liability company	Operation of online games, PRC	Indonesian rupiah ("**IDR**") 3,000,000,000/ IDR1,301,310,097	–	100%	–
Boyaa Interactive (Viet Nam) Company Limited	Vietnam, Limited liability company	Provision of advisory services, Vietnam	Vietnam Dong ("**VND**") 5,000,000,000/ VND587,629,310	–	100%	–

* The directors of the Company consider that the non-controlling interests of this subsidiary was insignificant to the Group and thus the summarised financial information of this subsidiary is not disclosed.

9. SUBSIDIARIES *(Continued)*

The English names of certain subsidiaries referred herein represent the management's best efforts in translating the Chinese name of these companies as no English names have been registered.

Note:

As described in Note 2(b)(i), the Company does not have legal ownership in equity of Boyaa Shenzhen and its subsidiaries. Nevertheless, under certain contractual agreements entered into with the registered owners of Boyaa Shenzhen, Boyaa PRC controls these companies by way of controlling the voting rights, governing their financial and operating policies, and casting full votes at meetings of such authorities. In addition, such contractual agreements also transfer the risks and rewards of these companies to Boyaa PRC. As a result, these entities are consolidated as wholly owned subsidiaries of the Group.

The sum of revenue, expenses, total assets and total liabilities of Boyaa Shenzhen and its subsidiaries amounting to approximately RMB160.7 million and RMB160.4 million for the year ended 31 December 2018 and approximately RMB1,421.0 million and RMB747.5 million as at 31 December 2018, respectively.

The sum of revenue, expenses, total assets and total liabilities of Boyaa Shenzhen and its subsidiaries amounting to approximately RMB390.2 million and RMB411.2 million for the year ended 31 December 2017 and approximately RMB1,851.0 million and RMB1,158.7 million as at 31 December 2017, respectively.

10. INTERESTS IN ASSOCIATES

	2018 **RMB'000**	2017 RMB'000
At 1 January	**14,958**	14,466
Share of profit	**2,006**	492
At 31 December	**16,964**	14,958

As at 31 December 2018 and 2017, the Group had the following associates:

Name	**Principal activities/ Country of incorporation**	**% interest held**
Shenzhen Fanhou Technology Co., Ltd. (深圳市飯後科技有限公司)	Game development/PRC	24%
Shenzhen HuifuWorld Network Technology Co., Ltd. (深圳市匯富天下網絡科技有限公司)	Development and operation of Internet Protocol television ("IPTV") and Android Set-Top-Box related channels and platforms and lottery/PRC	14.7%
Shenzhen Easething Technology Co., Ltd. ("**Easething**") (深圳市易新科技有限公司)	Development and operation of intelligent hardware and artificial intelligence system/PRC	10%
Shenzhen Jisiwei Intelligent Technology Co., Ltd. ("**Jisiwei**") (深圳市極思維智能科技有限公司)	Development and sales of electronic products and development of intelligence applications/PRC	12%
Shanghai Allin Network Technology Co., Ltd. (上海傲英網絡科技有限公司)	Development and operation of IPTV platform and porker games/PRC	15.75%
Chengdu Boyu Interactive Technology Co., Ltd. ("**Chengdu Boyu**") (成都博娛互動科技有限公司)	Operation and promotion of chess and card games/ PRC	15%

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

10. INTERESTS IN ASSOCIATES *(Continued)*

The summarised financial information of individually immaterial associates on an aggregate basis is as follows:

	2018 **RMB'000**	2017 RMB'000
Carrying amount in the consolidated financial statements	**16,964**	14,958
Share of profit for the year	**2,006**	492
Share of total comprehensive income for the year	**2,006**	492

There were no contingent liabilities relating to the Group's interests in the associates as at 31 December 2018 (2017: Nil).

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENIVE INCOME

	2018 **RMB'000**	2017 RMB'000
At 1 January	**–**	–
Transfer from available-for-sale financial assets upon initial application of IFRS 9 (Note 2(a))	**128,280**	–
Additions	**43,670**	–
Fair value changes	**(109,007)**	–
Currency translation differences	**1,582**	–
At 31 December	**64,525**	–

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

	2018 **RMB'000**	2017 RMB'000
Listed equity securities in PRC (Note (a))	**60,719**	–
Unlisted equity investments (Note (b))	**3,035**	–
Preference shares of private companies (Note (c))	**771**	–
	64,525	–

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

(a) The listed equity securities represented the Group's (1) equity investment in Dalian Zeus Entertainment Co., Ltd. ("**Zeus Entertainment**"), a company whose shares are listed in the Shenzhen Stock Exchange; (2) equity investment in Xiaomi Corporation, a company whose shares are listed in the Hong Kong Stock Exchange; and (3) equity investment in Qudian Inc., a company whose shares are listed in the New York Stock Exchange. The fair value of these listed equity securities as at 31 December 2018 were approximately RMB34,994,000, RMB19,245,000 and RMB6,480,000 respectively.

(b) The unlisted equity investments mainly represented the Group's equity investments in (1) 進化時代科技(北京)有限公司 and (2) 北京春光里智力競技科技有限公司, private companies operating in the PRC. The fair value of these unlisted equity investments as at 31 December 2018 were approximately RMB35,000 and RMB3,000,000 respectively.

(c) The investments in preference shares of private companies represented the Group's investment in the preference shares of uSens, Inc. ("**uSens**") and Hangzhou Linggan Technology Co., Ltd. ("**Hangzhou Linggan**"). The preference shares entitle the holders to receive dividends at the rate equal to 8% of the original issue price of preference shares per annum, payable only when, as and if declared by the board of directors of the uSens and Hangzhou Linggan. The fair value of these preference shares as at 31 December 2018 were approximately RMB542,000 and RMB229,000 respectively.

(d) The management of the Group is of the view that the investments are not held for trading and does not expect that the Group will realise the financial assets at fair value through other comprehensive income within 12 months after the balance sheet date.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018 RMB'000	2017 RMB'000
At 1 January	**128,280**	179,639
Transfer to financial assets at fair value through other comprehensive income upon initial application of IFRS 9 (Note (a))	**(128,280)**	–
Fair value changes (Note (b))	**–**	(50,755)
Currency translation differences	**–**	(604)
At 31 December	**–**	128,280

Available-for-sale financial assets include the following:

	2018 RMB'000	2017 RMB'000
Listed equity securities in PRC (Note (b))	**–**	114,198
Unlisted equity investments	**–**	1,000
Preference shares of private companies	**–**	13,082
	–	128,280

(a) All available-for-sale financial assets were reclassified to financial assets at fair value through other comprehensive income (non-recycling) upon the initial application of IFRS 9 on 1 January 2018.

(b) The listed equity securities represented the Group's equity investment in Zeus Entertainment. The fair value of the investment in Zeus Entertainment as at 31 December 2017 was approximately RMB114,198,000.

Due to prolonged decline in the fair value of Zeus Entertainment below its cost, the directors of the Company considered that it was an evidence that the assets were impaired. Hence, the cumulative decrease in fair value recognised in "Other reserves" amounting to approximately RMB50,755,000 was reclassified as "Impairment loss of available-for-sale financial assets" included in "administrative expenses" in the consolidated profit or loss and other comprehensive income for the year ended 31 December 2017.

13. DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2018 **RMB'000**	2017 RMB'000
Deferred tax assets:		
– to be recovered after 12 months	**32,682**	–
– to be recovered within 12 months	**1,812**	1,055
	34,494	1,055
Deferred tax liabilities:		
– to be discharged after 12 months	**(12,423)**	(2,844)
– to be discharged within 12 months	**(6,388)**	(55)
	(18,811)	(2,899)
Deferred tax assets/(liabilities) – net	**15,683**	(1,844)

The gross movements on the deferred income tax accounts are as follows:

	2018 **RMB'000**	2017 RMB'000
At 1 January	**(1,844)**	(7,435)
Charged to profit or loss (Note 29)	**(1,370)**	(4,692)
Credited to other comprehensive income	**18,872**	10,283
Translation differences	**25**	–
At 31 December	**15,683**	(1,844)

13. DEFERRED INCOME TAX *(Continued)*

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction are analysed below.

The movements in deferred tax assets are as follows:

	Contract liabilities RMB'000	Tax losses RMB'000	Accrued advertising expenses RMB'000	Loss allowance RMB'000	Changes in fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income RMB'000	Total RMB'000
At 1 January 2017	1,249	5,477	1,034	–	–	7,760
Charged to profit or loss	(194)	(5,477)	(1,034)	–	–	(6,705)
At 31 December 2017 and 1 January 2018	**1,055**	**–**	**–**	**–**	**–**	**1,055**
(Charged)/credited to profit or loss	**(416)**	**–**	**–**	**1,148**	**2,303**	**3,035**
Credited to other comprehensive income	**–**	**–**	**–**	**–**	**30,379**	**30,379**
Currency translation differences	**–**	**–**	**–**	**25**	**–**	**25**
At 31 December 2018	**639**	**–**	**–**	**1,173**	**32,682**	**34,494**

No deferred tax asset has been recognised in respect of unused tax losses due to all tax losses were utilised to set-off against the taxable profits during the year ended 31 December 2017.

13. DEFERRED INCOME TAX *(Continued)*

The movements in deferred tax liabilities are as follows:

	Intangible assets acquired in business combination at fair value RMB'000	Changes in fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income RMB'000	Dilution gains on investment in an associate RMB'000	Total RMB'000
At 1 January 2017	169	14,435	591	15,195
Credited to other comprehensive income	–	(10,283)	–	(10,283)
Credited to profit or loss	(55)	(1,958)	–	(2,013)
At 31 December 2017 and 1 January 2018	**114**	**2,194**	**591**	**2,899**
Credited to other comprehensive income	**–**	**11,507**	**–**	**11,507**
(Credited)/charged to profit or loss	**(55)**	**4,460**	**–**	**4,405**
At 31 December 2018	**59**	**18,161**	**591**	**18,811**

As at 31 December 2018, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside PRC, for which no deferred income tax liability had been provided, amounted to approximately RMB1,189,895,000 (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 holding companies incorporated outside in the foreseeable future based on the management's estimation of overseas funding requirements.

14. TRADE RECEIVABLES

	2018 **RMB'000**	2017 RMB'000
Trade receivables	**22,955**	36,203
Less: loss allowance	**(4,590)**	–
	18,365	36,203

As at 31 December 2018 and 2017, the directors considered the carrying amount of the trade receivables approximated to their fair value.

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

	2018 **RMB'000**	2017 RMB'000
0 – 60 days	**16,718**	27,369
61 – 90 days	**995**	2,952
91 – 180 days	**1,737**	2,155
Over 180 days	**3,505**	3,727
	22,955	36,203

Further details on the Group's credit policy are set out in note 3(a)(ii).

14. TRADE RECEIVABLES *(Continued)*

(b) The Group's gross trade receivables are denominated in the following currencies:

	2018 **RMB'000**	2017 RMB'000
RMB	**2,194**	12,757
USD	**4,825**	9,807
THB	**3,713**	1,607
IDR	**5,763**	735
HKD	**4,546**	4,466
New Taiwan dollar	**49**	1,011
European dollar	**610**	801
Other currencies	**1,255**	5,019
	22,955	36,203

(c) The movements of loss allowance are as follows:

	2018 **RMB'000**	2017 RMB'000
Balance at the beginning of the year	**–**	–
Provision for the year	**6,314**	–
Amount written off as uncollectible	**(1,877)**	–
Currency translation differences	**153**	–
Balance at the end of the year	**4,590**	–

15. PREPAYMENTS AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Included in non-current assets		
Prepayments for purchase of property, plant and equipment (Note (a))	**9,171**	6,489
Loans to employees (Note (b))	**12,764**	16,133
Advances to employees	**3,500**	3,500
	25,435	26,122
Included in current assets		
Loans to employees (Note (b))	**2,624**	2,748
Advances to employees	**4,442**	5,671
Deposits	**1,186**	1,214
Prepayment for advertising costs	**2,555**	7,530
Prepaid commission charges	**1,546**	2,887
Prepayments for servers rental expenses	**1,222**	660
Interest receivables	**5,158**	2,240
Loans to an associate	**–**	2,000
Undeducted input VAT	**405**	276
Prepayment to Securities Broker	**3,675**	22,921
Others	**5,449**	11,350
	28,262	59,497
	53,697	85,619

As at 31 December 2018 and 2017, the carrying amount of other receivables approximated their fair values.

(a) They mainly represented the prepayments made to certain third parties for the leasehold improvements in PRC.

(b) Loans to employees represented housing or auto loans to certain employees. These loans are unsecured, interest-free and have initial repayment terms ranging from 1 to 10 years. 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 RMB2,000,000 (2017: approximately RMB1,435,000) between the initial fair values and the principals of these loans were recorded in "finance costs" (Note 28).

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
	RMB'000	RMB'000
Included in non-current assets		
Non-quoted investments in:		
– asset management plans (Notes (a) and (d))	**104,033**	160,000
– equity investment partnerships (Notes (b) and (d))	**485,298**	394,660
	589,331	554,660
Included in current assets		
Non-quoted investments in:		
– asset management plans (Note (a))	**6,875**	–
– wealth management products (Note (c))	**812,839**	664,424
	819,714	664,424
	1,409,045	1,219,084

(a) They represented the entrusted investments with the principal amount of RMB80 million each to 2 independent asset management companies incorporated in the PRC. The estimated minimum return of such asset management plans is 5.05% per annum. If the estimated annual return cannot be achieved, the Group or asset management companies have an option to early terminate the asset management plans. The Group will obtain the accumulated return and the entrusted principal in 2022 or upon early termination.

During the financial year 31 December 2018, the Group and one of the asset management company entered into a supplemental agreement, pursuant to which the principal investment amount is revised to RMB40 million and the remaining balance of RMB40 million was refunded to the Group in 2018. According to the supplemental agreement, the entrusted principal of RMB7million and its accumulated return will be returned to the Group in 2019.

(b) They represented investments in equity investment partnership as a limited partner, which are mainly engaged in investments in early-stage and high-growth companies in the technology, media and telecommunications industry in China. They have initial terms ranging from 7 to 10 years.

During the financial year 31 December 2017, the Group contributed RMB200 million out of the total capital commitment of RMB300 million in cash to Jiaxing Boyaa. During the financial year 31 December 2018, the Group contributed RMB100 million in cash to settle the remaining capital commitment. The contribution represented 99% of the total contribution of Jiaxing Boyaa.

(c) Investments in wealth management products are investments in wealth management plans provided by financial institutions in the PRC. They have initial terms ranging from 30 days to 364 days.

(d) The management of the Group is of the view that the investments are not held for trading and does not expect that the Group will realise the financial assets at fair value through profit or loss within 12 months after the balance sheet date.

17. TERM DEPOSITS

The Group's term deposits are denominated in HKD, RMB and USD and their original maturities are over 3 months but less than 1 year. They are analysed below:

	2018 RMB'000	2017 RMB'000
Included in current assets:		
HKD term deposits	**87,620**	–
RMB term deposits	**184,371**	28,000
USD term deposits	**228,956**	91,879
	500,947	119,879

The average effective annual interest rate for the term deposits of the Group for the year ended 31 December 2018 was 2.88% (2017: 1.63%) per annum.

18. CASH AND CASH EQUIVALENTS

	2018 RMB'000	2017 RMB'000
Cash at bank and cash in hand	**179,798**	207,754
Short-term bank deposits	**210,552**	650,439
	390,350	858,193

The short-term bank deposits have initial terms ranging from 14 days to 3 months. The average effective annual interest rate of these deposits for the year ended 31 December 2018 was 2.58% (2017: 3.97%) per annum.

Cash and cash equivalents are denominated in the following currencies:

	2018 RMB'000	2017 RMB'000
RMB	**270,028**	540,711
HKD	**73,260**	57,453
USD	**42,670**	256,958
Others	**4,392**	3,071
	390,350	858,193

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

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

The total authorised share capital of the Company comprises 2,000,000,000 ordinary shares (2017: 2,000,000,000 ordinary shares) with par value of USD0.00005 per share (2017: USD0.00005 per share).

As at 31 December 2018, the total number of issued ordinary shares of the Company was 724,583,301 shares (2017: 767,821,301 shares) which included 60,824,617 shares (2017: 72,764,226 shares) held under the RSU Scheme (Note 21(d)), and 1,411,000 repurchased shares (2017: 10,492,000 repurchased shares) repurchased for subsequent cancellation. They have been fully paid up.

	Notes	Number of ordinary shares '000	Nominal value of ordinary shares USD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Repurchased shares RMB'000	Shares held for RSU Scheme RMB'000
At 1 January 2017		765,504	38	248	609,826	–	(17)
Employee share option and RSU schemes							
– proceeds from shares issued	(a)	2,317	–	1	6,133	–	–
– vesting of shares held for RSU Scheme	21(d)	–	–	–	(2)	–	2
– exercise and lapse of share options and RSUs		–	–	–	26,408	–	–
Buy-back of shares	(b)	–	–	–	–	(27,283)	–
At 31 December 2017 and 1 January 2018		**767,821**	**38**	**249**	**642,365**	**(27,283)**	**(15)**
Employee share option and RSU schemes							
– proceeds from shares issued	(a)	**814**	**–**	**–**	**1,915**	**–**	**–**
– vesting of shares held for RSU Scheme	21(d)	**–**	**–**	**–**	**(1)**	**–**	**1**
– exercise and lapse of share options and RSUs		**–**	**–**	**–**	**11,700**	**–**	**–**
Buy-back of shares	(b)	**–**	**–**	**–**	**–**	**(87,049)**	**–**
Cancellation of shares		**(44,052)**	**(2)**	**(14)**	**(112,258)**	**112,272**	**–**
At 31 December 2018		**724,583**	**36**	**235**	**543,721**	**(2,060)**	**(14)**

(a) Share options exercised during the year ended 31 December 2018 resulted in 813,999 shares being issued (2017: 2,317,344 shares), with a total exercise proceeds of approximately RMB1,915,000 (2017: approximately RMB6,133,000). As at 31 December 2018, approximately RMB6,000 was due from The Core Admin Boyaa Option Limited (31 December 2017: approximately RMB660,000), being the nominee of the Group's share option scheme.

(b) The Group repurchased 34,971,000 of its own shares (2017: 10,492,000 shares) from the market during the year. The total amount paid to acquire the shares was approximately RMB87,049,000 (2017: approximately RMB27,283,000) and has been deducted from the shareholders' equity. The related weighted average price at the time of buy-back was HKD3.04 (2017: HKD3.11) per share. These repurchased shares, except for 1,411,000 shares which were repurchased in November 2018, were cancelled during the year ended 31 December 2018. Those 1,411,000 shares have not been cancelled yet up to the date of this annual report.

20. RESERVES

	Capital reserve RMB'000	Currency translation differences RMB'000	Statutory surplus reserve fund RMB'000 (Note)	Share-based compensation reserve RMB'000 (Note 21)	Other reserves* RMB'000	Total RMB'000
At 1 January 2018	**2,000**	**(4,300)**	**21,000**	**92,511**	**(17,577)**	**93,634**
Initial application 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	**–**	**–**	**–**	**3,221**	**–**	**3,221**
– exercise and lapse of share options and RSUs	**–**	**–**	**–**	**(11,700)**	**–**	**(11,700)**
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	**–**	**–**	**–**	**–**	**(96,525)**	**(96,525)**
Transfer to statutory surplus reserve fund	**–**	**–**	**7,474**	**–**	**–**	**7,474**
Currency translation differences	**–**	**17,779**	**–**	**–**	**–**	**17,779**
At 31 December 2018	**2,000**	**13,479**	**28,474**	**84,032**	**(215,509)**	**(87,524)**
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	–	–	–	9,865	–	9,865
– exercise and lapse of share options and RSUs	–	–	–	(26,408)	–	(26,408)
Changes in fair value of available-for-sale financial assets	–	–	–	–	(61,038)	(61,038)
Reclassification of changes in fair value of available-for-sale financial assets to profit or loss due to impairment, net of tax	–	–	–	–	50,755	50,755
Currency translation differences	–	(19,082)	–	–	–	(19,082)
At 31 December 2017	2,000	(4,300)	21,000	92,511	(17,577)	93,634

* The balance of other reserves as at 31 December 2018 included the balance of fair value reserve (non-recycling) amounting to approximately RMB197,932,000 (2017: Nil).

20. RESERVES *(Continued)*

Note:

In accordance with the relevant laws and regulations in the PRC and the Articles of Association of Boyaa Shenzhen, it is required to appropriate 10% of the annual statutory net profits after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the registered capital, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into capital, provided that the remaining balance of the statutory surplus reserve fund after such conversion is no less than 25% of the registered capital.

In addition, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions in the Articles of Association of Boyaa PRC, appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by Boyaa PRC to its statutory surplus reserve funds. The percentage of net profit to be appropriated to the reserve fund is not less than 10% of the net profit. When the balance of the reserve fund reaches 50% of the registered capital, such transfer needs not be made.

21. 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.

i. Outstanding share options

Movements in the number of share options outstanding:

	Number of share options	
	2018	2017
At 1 January	**10,707,790**	19,421,221
Exercised	**(813,991)**	(2,317,344)
Lapsed	**(1,570,484)**	(6,396,087)
At 31 December	**8,323,315**	10,707,790

Out of the 8,323,315 outstanding options, 4,369,924 options were exercisable as at 31 December 2018. Options exercised in 2018 resulted in 813,991 shares being issued at a weighted average price of USD0.37 each. The related weighted-average share price at the time of exercise was HKD3.28 per share (2017: HKD3.79 per share).

21. SHARE-BASED PAYMENTS *(Continued)*

(a) Share options *(Continued)*

i. Outstanding share options (Continued)

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

	Exercise price		Number of share options	
Expiry date	**Original currency**	**Equivalent to HKD**	**2018**	2017
31 January 2019	USD0.05	HKD0.388	**11,888**	56,888
1 March 2020	USD0.10	HKD0.775	**2,749**	14,749
30 June 2020	USD0.15	HKD1.163	**66,249**	72,240
6 September 2025	HKD3.108	HKD3.108	**8,242,429**	10,563,913
			8,323,315	10,707,790

(b) RSUs

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

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

21. SHARE-BASED PAYMENTS *(Continued)*

(b) RSUs *(Continued)*

The RSU Scheme will be valid and effective for a period of eight years from 4 March 2013 to 3 March 2021, commencing from the date of the first grant of the RSUs.

Movements in the number of RSUs outstanding:

	Number of RSUs	
	2018	2017
At January	**20,480,853**	37,170,304
Lapsed	**(904,631)**	(4,142,639)
Vested and transferred	**(11,794,609)**	(12,546,812)
At 31 December	**7,781,613**	20,480,853
Vested but not transferred as at 31 December	**6,973,402**	17,028,959

The related weighted-average share price at the time when the RSUs were vested and transferred was HKD3.09 per share (2017: HKD3.52 per share).

(c) Expected retention rate of 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 shares options and the RSUs (the "**Expected Retention Rate**") in order to determine the amount of share-based compensation expenses charged to the statement of profit or loss and other comprehensive income. As at 31 December 2018, the Expected Retention Rate was assessed to be 80% (2017: 80%).

(d) Shares held for RSU Scheme

The shares held for RSU Scheme were regarded as treasury shares and had been presented as a deduction against shareholders' equity. During the year, 11,794,609 of RSUs were vested and transferred (Note (b) above), and as a result, 60,824,617 ordinary shares of the Company underlying the RSUs were held by The Core Admin Boyaa RSU Limited as at 31 December 2018 (2017: 72,764,226 shares).

Meanwhile as a result of the vesting of 2,004,049 of RSUs during the year ended 31 December 2018 (see Note (b) above) (2017: 5,376,123 RSUs), approximately RMB1,000 (2017: approximately RMB2,000) of shares held for RSU Scheme was transferred from share premium upon vesting of these RSUs under the RSU Scheme.

22. TRADE AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Trade payables	**378**	837
Other taxes payable	**43,253**	44,927
Accrued expenses	**3,125**	3,105
Accrued commissions charges by Platforms	**15,138**	33,877
Accrued advertising expenses	**1,718**	2,155
Salary and staff welfare payables	**5,250**	6,858
Advance received from sales of prepaid game cards (Note 23)	**–**	4,097
Others	**501**	1,362
	69,363	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:

	2018 RMB'000	2017 RMB'000
0-30 days	**76**	542
31-90 days	**–**	6
Over 90 days	**302**	289
	378	837

23. CONTRACT LIABILITIES

	2018 RMB'000	2017 RMB'000
Contract liabilities:		
– Advance received from sales of prepaid game cards	**4,760**	–
– Service fees prepaid by the game players	**13,245**	–
	18,005	–

23. CONTRACT LIABILITIES *(Continued)*

Upon application of IFRS 15, advance received from sales of prepaid game cards disclosed in trade and other payables and deferred revenue, which were presented separately in the consolidated balance sheet, are now presented under contract liabilities in order to reflect their similar nature and terminology of IFRS 15.

Movements in contract liabilities are as follows:

	Service fees prepaid by the game players RMB'000	Advance received from sales of prepaid game cards RMB'000	Total RMB'000
Balance as at 1 January 2018	–	–	–
Transfer from advance received from sales of prepaid game cards and deferred revenue upon initial application of IFRS 15 (Notes 22 and 24)	18,176	4,097	22,273
Increase as a result of advance received from sales of prepaid game cards	–	108,464	108,464
Increase as a result of service fees prepaid by the game players	340,053	–	340,053
Transfer upon activation of prepaid game cards by game players	109,055	(109,055)	–
Decrease as a result of recognising revenue during the year	(453,234)	–	(453,234)
Currency translation differences	(805)	1,254	449
Balance as at 31 December 2018	13,245	4,760	18,005

24. DEFERRED REVENUE

Deferred revenue represented service fees prepaid by the game players for the Group's online games in the forms of game tokens and other virtual items, for which the related services had not been rendered as at 31 December 2017. Upon initial application of IFRS 15 at 1 January 2018, deferred revenue are presented under contract liabilities (Note 23).

25. EXPENSES BY NATURE

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

	2018 RMB'000	2017 RMB'000
Commission charges by Platforms and third party payment vendors (included in cost of revenue)	**128,904**	237,707
Employee benefit expenses (excluding share-based compensation expenses)	**103,227**	168,694
Share-based compensation expenses	**3,221**	9,865
Servers rental expenses	**12,992**	17,168
Office rental expenses	**8,378**	9,813
Depreciation of property, plant and equipment	**8,245**	9,225
Travelling and entertainment expenses	**3,700**	5,551
Other professional service fees	**5,690**	6,111
Auditor's remuneration	**2,200**	2,100
Advertising expenses	**14,626**	21,607
Amortisation of intangible assets	**1,404**	1,625
Impairment loss of available-for-sale financial assets	**–**	50,755
Impairment loss of trade receivables	**6,314**	–
Impairment loss of loan to an associate	**2,000**	–
Impairment loss of loans to employees	**1,308**	–
Other expenses	**8,231**	20,771
	310,440	560,992

Research and development expenses during the years ended 31 December 2018 and 2017 are analysed as below:

	2018 RMB'000	2017 RMB'000
Employee benefit expenses	**61,623**	111,160
Office rental expenses	**2,876**	3,051
Other expenses	**6,031**	13,469
	70,530	127,680

No research and development expenses were capitalised for the years ended 31 December 2018 and 2017.

26. EMPLOYEE BENEFIT EXPENSES

(a) Employee benefit expenses

	2018 **RMB'000**	2017 RMB'000
Wages, salaries and bonuses	**88,757**	143,633
Pension costs – defined contributions plans	**11,812**	17,943
Share-based compensation expenses	**3,221**	9,865
Others	**2,658**	7,118
	106,448	178,559

Employees of the Group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds which are calculated on fixed percentage of 14% of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees.

(b) Senior management's emoluments

Senior management includes directors, chief executive officer ("CEO") and other senior executives. The aggregate compensation paid/payable to senior management for employee services excluding the directors and the CEO whose details have been reflected in Note 37 is as follows:

	2018 **RMB'000**	2017 RMB'000
Salaries, allowances and benefits in kind	**1,009**	964
Bonuses	**100**	–
Contributions to pension plans	**42**	42
Share-based compensation expenses	**94**	291
	1,245	1,297

26. EMPLOYEE BENEFIT EXPENSES *(Continued)*

(b) *Senior management's emoluments* *(Continued)*

The emoluments of these members of senior management, excluding the directors and the CEO, fell within the following bands:

	2018	2017
Emoluments bands		
Nil to HKD1,000,000	**2**	3
HKD1,000,001 – HKD2,000,000	**–**	–
	2	3

In 2018, one senior executive resigned from the Group (2017: nil).

(c) *Five highest paid individuals*

The five individuals whose emoluments were the highest in the Group in 2018 include 1 director (2017: 1) whose emoluments are reflected in the analysis presented in Note 37. The aggregate amount of emoluments for the remaining 4 individuals in 2018 (2017: 4) are set out below:

	2018 **RMB'000**	2017 RMB'000
Wages and salaries	**2,073**	1,928
Bonuses	**300**	–
Pension costs – defined contributions plans	**67**	67
Share-based compensation expenses	**296**	831
	2,736	2,826

The emoluments payable to 4 individuals (2017: 4) for the years ended 31 December 2018 and 2017 fell within the following bands:

	2018	2017
Emoluments band		
Nil to HKD1,000,000	**4**	4

None of the directors nor the five highest paid individuals waived or agreed to waive any emoluments during the year ended 31 December 2018 (2017: Nil). No emoluments were paid by the Group to any director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 December 2018 (2017: Nil).

27. OTHER GAINS – NET

	2018 RMB'000	2017 RMB'000
Realised fair value gain on financial assets at fair value through profit or loss	**37,967**	19,445
Unrealised fair value (loss)/gain on financial assets at fair value through profit or loss	**(14,217)**	30,403
Dividends from financial assets at fair value through profit or loss	**12,313**	–
Dividends from financial assets at fair value through other comprehensive income	**134**	–
Dividends from available-for-sale financial assets	**–**	1,576
Government subsidies and tax rebates (Note)	**10,723**	3,860
Gain/(loss) on disposal of property, plant and equipment	**139**	(87)
Foreign exchange losses, net	**(970)**	(66)
Others	**(2,693)**	734
Other gains-net	**43,396**	55,865

Note: 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.

28. FINANCE INCOME – NET

	2018 RMB'000	2017 RMB'000
Finance income		
Interest income	**18,489**	34,588
Interest income on non-current loans to employees	**2,097**	827
Foreign exchange gains, net	**435**	4,766
	21,021	40,181
Finance costs		
Discounting effects of non-current loans to employees (Note 15)	**(2,000)**	(1,435)
Finance income – net	**19,021**	38,746

29. INCOME TAX EXPENSES

The income tax expense of the Group for the years ended 31 December 2018 and 2017 are analysed as follows:

	2018 RMB'000	2017 RMB'000
Current income tax – PRC		
– Provision for the year	**9,743**	2,835
– (Over)/Under-provision in prior years	**(18,619)**	1,121
	(8,876)	3,956
Current income tax – Hong Kong		
– Provision for the year	**13,116**	17,820
	4,240	21,776
Current income tax – Other jurisdictions		
– Provision for the year	**75**	–
	4,315	21,776
Deferred tax (Note 13)	**1,370**	4,692
	5,685	26,468

(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 year ended 31 December 2018 (2017: 16.5% on all assessable profits).

29. INCOME TAX EXPENSES *(Continued)*

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

The income tax provision of the Group in respect of operations in the PRC has been calculated at the tax rate of 25% on the estimated assessable profits for the years ended 31 December 2018 and 2017, based on the existing legislation, interpretations and practices in respect thereof.

Boyaa Shenzhen has successfully renewed its "High and New Technology Enterprise" ("**HNTE**") qualification under the Corporate Income Tax Law during the year and as a result, Boyaa Shenzhen enjoys a preferential tax rate of 15% from 1 January 2018 to 31 December 2020. Therefore, the actual income tax rate for Boyaa Shenzhen was 15% for the year ended 31 December 2018 (2017: 15%).

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

According to policies 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 175% (2017: 150%) of the research and development expenses so incurred in a year as tax deductible expenses in determining its tax assessable profits for that year ("**Super Deduction**"). Boyaa Shenzhen and Boyaa PRC had claimed such Super Deduction in ascertaining its tax assessable profits for the years ended 31 December 2018 and 2017 respectively.

(d) PRC withholding tax ("WHT")

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

As at 31 December 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 RMB1,189,895,000 (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 the management's estimation of overseas funding requirements.

29. INCOME TAX EXPENSES *(Continued)*

(e) Tax reconciliation

The tax on the Group's profit before tax differs 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:

	2018 RMB'000	2017 RMB'000
Profit before income tax	**207,217**	269,713
Less: Share of profit of associates	**(2,006)**	(492)
	205,211	269,221
Tax calculated at a tax rate of 25%	**51,302**	67,305
Tax effects:		
– Tax concession on assessable profits of Boyaa Shenzhen and Boyaa PRC	**(13,099)**	(12,847)
– Different tax rates available to different subsidiaries of the Group outside PRC	**(7,342)**	(9,778)
– Expenses not deductible for tax purposes	**3,319**	3,431
– Income not subject to tax	**(1,133)**	(11,676)
– Tax losses not recognised	**10**	617
– Super Deduction	**(7,611)**	(9,347)
– Utilisation of tax losses not recognised in prior years	**–**	(2,358)
– (Over)/under-provision in prior years	**(18,619)**	1,121
– Others	**(1,142)**	–
Income tax expenses	**5,685**	26,468

30. EARNINGS PER SHARE

(a) Basic

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

	2018	2017
Profit attributable to owners of the Company (RMB'000)	**201,532**	243,245
Weighted average number of ordinary shares in issue (thousand shares)	**672,468**	686,741
Basic earnings per share (expressed in RMB cents per share)	**29.97**	35.42

(b) Diluted

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

For the years ended 31 December 2018 and 2017, the Group had two categories of dilutive potential ordinary shares, share options and RSUs of the Company. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options and RSUs. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and RSUs.

	2018	2017
Profit used to determine diluted earnings per share (RMB'000)	**201,532**	243,245
Weighted average number of ordinary shares in issue (thousand shares)	**672,468**	686,741
Adjustment for RSUs (thousand shares)	**9,594**	21,627
Adjustment for share options (thousand shares)	**63**	1,945
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share (thousand shares)	**682,125**	710,313
Diluted earnings per share (expressed in RMB cents per share)	**29.54**	34.24

31. DIVIDENDS

Subsequent to the end of the reporting period, a one-off special dividend of approximately HKD0.276 per share (equivalent to approximately RMB0.237 per share) (2017: Nil) has been proposed by the Board of Directors and is subject to approval by the Shareholders at the forthcoming annual general meeting. The proposed special dividend of approximately HKD200 million (equivalent to approximately RMB171 million) (2017: Nil), calculated based on the Company's number of ordinary shares in issue at the date of this annual report has not been recognised as a liability in the consolidated balance sheet.

32. CASH GENERATED FROM OPERATIONS

	Notes	**2018 RMB'000**	2017 RMB'000
Profit before tax		**207,217**	269,713
Adjustments for:			
– Depreciation of property, plant and equipment	6	**8,245**	9,225
– Amortisation of intangible assets	7	**1,404**	1,625
– Impairment loss of trade receivables	25	**6,314**	–
– Impairment loss of loan to an associate	25	**2,000**	–
– Impairment loss of loans to employees	25	**1,308**	–
– (Gain)/loss on disposals of property, plant and equipment	27	**(139)**	87
– Impairment loss of fair value of available-for-sale financial assets	25	**–**	50,755
– Share-based compensation expenses	26	**3,221**	9,865
– Realised fair value gain on financial assets at fair value through profit or loss	27	**(37,967)**	(19,445)
– Unrealised fair value loss/(gain) on financial assets at fair value through profit or loss	27	**14,217**	(30,403)
– Share of profit of associates	10	**(2,006)**	(492)
– Interest income		**(20,586)**	(34,588)
– Dividend from financial assets at fair value through other comprehensive income	27	**(134)**	–
– Dividend from financial assets at fair value through profit or loss	27	**(12,313)**	–
– Dividend from available-for-sale financial assets	27	**–**	(1,576)
– Foreign exchange loss/(gains), net		**533**	(8,391)
		171,314	246,375
Changes in working capital:			
– Trade receivables		**11,677**	37,071
– Prepayments and other receivables		**31,296**	(39,086)
– Trade and other payables		**(23,758)**	13,145
– Contract liabilities		**(4,717)**	–
– Deferred revenue		**–**	(2,508)
Cash generated from operations		**185,812**	254,997

32. CASH GENERATED FROM OPERATIONS *(Continued)*

In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

	2018 RMB'000	2017 RMB'000
Net book amount (Note 6)	**1,267**	114
Gain/(loss) on disposals (Note 27)	**139**	(87)
Proceeds from disposals	**1,406**	27

33. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

Save as disclosed in other notes, the following significant transactions were carried out between the Group and its related parties for the years ended 31 December 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.

(a) *Transactions with related parties:*

	2018 RMB'000	2017 RMB'000
Commission charges paid/payable to an associate:		
Chengdu Boyu	**180**	1,612
Repayment of the loan due from an associate:		
Jisiwei	**–**	2,000
Repayment of other receivables due from a related company:		
Shenzhen Chun Lei Dong Fang Technology Co., Ltd ("**Chun Lei**") (Note)	**–**	300

Note: Chun Lei is a company controlled by Mr. Zhang Wei, an former executive director of the Company. The amount due from Chun Lei was unsecured, interest-free and repayable on demand.

33. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(b) *Balances with related parties*

	2018 **RMB'000**	2017 RMB'000
Loan to an associate included in "other receivables":		
Easething	**–**	2,000

The loan to an associate was unsecured, interest-free and repayable on demand.

Amounts due to an associate included in "other payables":

	2018 **RMB'000**	2017 RMB'000
Chengdu Boyu	**17**	448

The amounts due to an associate are unsecured, interest-free and repayable on demand.

34. COMMITMENTS

(a) *Capital commitments*

Capital commitment as at 31 December 2018 are analysed as follows:

	2018 **RMB'000**	2017 RMB'000
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 5 years, and majority of lease agreements are renewable at the end of the lease period.

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

	2018 **RMB'000**	2017 RMB'000
Not later than 1 year	**7,253**	7,176
Later than 1 year but not later than 5 years	**10,745**	982
	17,998	8,158

35. MATERIAL EVENT/LITIGATION

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

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

Regarding the Appeal, the Board was informed that, the Higher People's Court upheld the original verdict of the Municipal of Intermediate People's Court on 21 September 2018. This decision became a final ruling under the PRC legal jurisdiction.

In respect of the outcome of the Appeal, the Company has obtained a legal opinion from an independent lawyer firm, regarding its impact on the legal enforceability of VIE arrangement. As stated in that legal opinion, there are no provisions in the relevant laws and regulations that criminal offence committed by an entity under the VIE arrangement will invalidate the Contractual Arrangement. Accordingly, the penalty imposed on Boyaa Shenzhen and Mr. Zhang do not affect the legal enforceability of the Contractual Arrangement and hence the Group still has control over Boyaa Shenzhen.

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

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

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

(b) On 15 March 2019, the Foreign Investment Law of the People's Republic of China ("Foreign Investment Law 2018") was adopted by the Second Session of the Thirteenth National People's Congress of the People's Republic of China and will take effect on 1 January 2020. Since the forms of foreign investment stipulated in the Foreign Investment Law 2018 include "investment in accordance with laws, administrative regulations or other forms stipulated by the State Council", it cannot be ruled out that the future laws, administrative regulations and the provisions of the State Council stipulate contractual arrangements as one of the forms of foreign investment. There are still some uncertainties as to whether the contractual arrangement will be identified as foreign investment in the future or whether it will be regarded as a violation of the requirements for foreign investment access. Under the Foreign Investment Law 2018, the existing enterprises established under the former Foreign Investment Law may maintain their existing organizational structure within five years from the effective date of the Foreign Investment Law 2018. Therefore, the Group, according to the opinion of its Chinese legal counsel, considered that the Group's contractual arrangements will not be affected by the 2018 Foreign Investment Law, and the management of the Group will closely monitor the impact of future laws on the Group's contractual arrangements to ensure the Group persistently complies with all relevant laws and regulations in China.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

36. BALANCE SHEET AND MOVEMENTS OF RESERVES OF THE COMPANY

Balance Sheet of the Company

	Note	As at December 2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries		**540,847**	628,004
Financial assets at fair value through other comprehensive income		**25,725**	–
		566,572	628,004
Current assets			
Prepayments and other receivables		**4,718**	24,073
Term deposits		**40,181**	–
Cash and cash equivalents		**4,251**	44,015
		49,150	68,088
Total assets		**615,722**	696,092
EQUITY AND LIABILITIES			
Equity			
Share capital		**235**	249
Share premium		**543,721**	642,365
Repurchased shares		**(2,060)**	(27,283)
Shares held for RSU Scheme		**(14)**	(15)
Reserves	(a)	**102,825**	106,721
Accumulated losses	(a)	**(30,304)**	(26,660)
Total equity		**614,403**	695,377
Liabilities			
Current liabilities			
Other payables		**1,319**	715
Total liabilities		**1,319**	715
Total equity and liabilities		**615,722**	696,092

The Balance Sheet of the Company was approved and authorised for the issue by the Board of Directors on 29 March 2019 and was signed on its behalf by:

Tao Ying
Director

Dai Zhikang
Director

36. BALANCE SHEET AND MOVEMENTS OF RESERVES OF THE COMPANY *(Continued)*

(a) Movements of reserves and accumulated losses of the Company

	Currency translation differences RMB'000	Share-based compensation reserve RMB'000 (Note 20)	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2018	**32,294**	**92,511**	**(18,084)**	**(26,660)**	**80,061**
Loss for the year	**–**	**–**	**–**	**(3,644)**	**(3,644)**
Change in fair value of financial assets at fair value through other comprehensive income	**–**	**–**	**(16,034)**	**–**	**(16,034)**
Employee share option and RSU schemes					
– value of employee services	**–**	**3,221**	**–**	**–**	**3,221**
– exercise and lapse of share options and RSUs	**–**	**(11,700)**	**–**	**–**	**(11,700)**
Currency translation differences	**20,617**	**–**	**–**	**–**	**20,617**
At 31 December 2018	**52,911**	**84,032**	**(34,118)**	**(30,304)**	**72,521**
At 1 January 2017	73,073	109,054	(18,084)	(27,421)	136,622
Profit for the year	–	–	–	761	761
Employee share option and RSU schemes					
– value of employee services	–	9,865	–	–	9,865
– exercise and lapse of share options and RSUs	–	(26,408)	–	–	(26,408)
Currency translation differences	(40,779)	–	–	–	(40,779)
At 31 December 2017	32,294	92,511	(18,084)	(26,660)	80,061

37. BENEFITS AND INTERESTS OF DIRECTORS

Directors' emoluments

The remuneration of each director for the year ended 31 December 2018 is set out below:

Name of director		Fees RMB'000	Salaries, allowance and benefits RMB'000	Discretionary bonuses RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Mr. Zhang Wei	(i)	–	1,023	350	14	–	1,387
Mr. Dai Zhikang	(ii)	–	–	–	–	–	–
Ms. Tao Ying	(iii)	–	77	–	4	18	99
Mr. Cheung Ngai Lam	(iv)	254	–	–	–	–	254
Mr. Choi Hong Keung Simon	(v)	212	–	–	–	–	212
Mr. You Caizhen	(vi)	169	–	–	–	–	169

The remuneration of each director for the year ended 31 December 2017 is set out below:

Name of director		Fees RMB'000	Salaries, allowance and benefits RMB'000	Discretionary bonuses RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Mr. Zhang Wei	(i)	–	1,412	–	9	–	1,421
Mr. Dai Zhikang	(ii)	–	–	–	–	–	–
Mr. Cheung Ngai Lam	(iv)	260	–	–	–	–	260
Mr. Choi Hong Keung Simon	(v)	216	–	–	–	–	216
Mr. You Caizhen	(vi)	173	–	–	–	–	173

(i) Mr. Zhang Wei was appointed on 14 June 2010. He was also the chief executive officer of the Group before his resignation. He resigned on 21 September 2018.

(ii) Mr. Dai Zhikang was appointed on 19 August 2013.

(iii) Ms. Tao Ying was appointed on 21 September 2018. She has been also appointed as the acting chief executive officer of the Group with effect from 21 September 2018.

(iv) Mr. Cheung Ngai Lam was appointed on 25 October 2013.

(v) Mr. Choi Hon Keung Simon was appointed on 25 October 2013.

(vi) Mr. You Caizhen was appointed on 14 July 2016.

37. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

Directors' emoluments *(Continued)*

Salaries, allowances and other benefits paid to or for the executive directors are generally entitlements paid or payable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

None of the directors waived or agreed to waive any emoluments during the year ended 31 December 2018 (2017: Nil). No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 December 2018 (2017: Nil).

Interests of directors

Save as disclosed in Note 33 to the consolidated financial statements, no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of the year or at any time during the year.