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Boyaa Interactive International Limited

博雅互動國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0434)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2016

FINANCIAL HIGHLIGHTS

	For the nine months ended 30 September		Year-on-Year Change*	For the year ended 31 December 2015
	2016	2015		
	RMB'000	RMB'000	%	RMB'000
	(Unaudited)	(Unaudited)		(Audited)
Revenue	536,604	626,957	(14.4)	813,480
– Web-based games	194,608	258,784	(24.8)	333,941
– Mobile games	341,996	368,173	(7.1)	479,539
Gross profit	341,849	328,178	4.2	427,944
Profit attributable to owners of the Company	197,569	136,038	45.2	357,799
Non-IFRS adjusted net profit***	215,384	150,332	43.3	379,726
	For the three months ended 30 September		Year-on-Year Change*	
	2016	2015		
	RMB'000	RMB'000	%	
	(Unaudited)	(Unaudited)		
Revenue	185,748	189,921	(2.2)	
– Web-based games	62,123	80,584	(22.9)	
– Mobile games	123,625	109,337	13.1	
Gross profit	118,269	106,305	11.3	
Profit attributable to owners of the Company	67,894	62,208	9.1	
Non-IFRS adjusted net profit***	72,993	67,768	7.7	

REVENUE BY GAMES

	For the nine months ended 30 September		Year-on-Year Change*
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	%
Texas Hold'em Series	403,314	440,104	(8.4)
Fight the Landlord	53,150	113,120	(53.0)
Others	80,140	73,733	8.7
Total	536,604	626,957	(14.4)

	For the three months ended 30 September		Year-on-Year Change*
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	%
Texas Hold'em Series	135,082	134,315	0.6
Fight the Landlord	15,059	26,067	(42.2)
Others	35,607	29,539	20.5
Total	185,748	189,921	(2.2)

REVENUE BY LANGUAGE VERSIONS OF GAMES

	For the nine months ended 30 September		Year-on-Year Change*
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	%
Simplified Chinese	235,419	263,968	(10.8)
Other languages	301,185	362,989	(17.0)
Total	536,604	626,957	(14.4)

	For the three months ended 30 September		Year-on-Year Change*
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	%
Simplified Chinese	80,048	68,542	16.8
Other languages	105,700	121,379	(12.9)
Total	185,748	189,921	(2.2)

OPERATIONAL HIGHLIGHTS

	For the three months ended			Year-	Quarter-
	30 September	30 June	30 September	on-Year	on-Quarter
	2016	2016	2015	Change*	Change**
				%	%
Paying Players (<i>in thousands</i>)	1,781	1,544	2,112	(15.7)	15.3
– Web-based games	43	60	100	(57.0)	(28.3)
– Mobile games	1,738	1,484	2,012	(13.6)	17.1
Daily Active Players (“DAUs”)					
(<i>in thousands</i>)****	5,536	5,300	6,318	(12.4)	4.5
– Web-based games	622	641	988	(37.0)	(3.0)
– Mobile games	4,914	4,659	5,330	(7.8)	5.5
Monthly Active Players (“MAUs”)					
(<i>in thousands</i>)****	22,438	22,067	29,384	(23.6)	1.7
– Web-based games	2,437	2,926	6,691	(63.6)	(16.7)
– Mobile games	20,001	19,141	22,693	(11.9)	4.5
Average Revenue Per Paying Player (“ARPPU”) for Texas Hold’em Series (<i>in RMB</i>)					
– Web-based games	501.8	382.9	288.6	73.9	31.1
– Mobile games	137.4	131.0	79.1	73.7	4.9
ARPPU for Fight the Landlord (<i>in RMB</i>)					
– Web-based games	92.3	120.0	30.4	203.6	(23.1)
– Mobile games	13.1	11.5	8.8	48.9	13.9
ARPPU for other games (<i>in RMB</i>)					
– Web-based games	43.0	47.2	65.5	(34.4)	(8.9)
– Mobile games	10.0	10.0	11.8	(15.3)	0.0

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

** *Quarter-on-Quarter Change % represents a comparison between the quarter ended 30 September 2016 and the immediately preceding quarter.*

*** *Non-IFRS adjusted net profit was derived from the unaudited profit for the period excluding share-based compensation expenses.*

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

The board of directors (the “**Board**”) of Boyaa Interactive International Limited (the “**Company**” or “**we**” or “**our**” or “**us**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**” or “**we**” or “**our**” or “**us**”) for the three and nine months ended 30 September 2016 (the “**Reporting Period**”) (the “**Third Quarterly Results**”). The Third Quarterly Results have been reviewed by Pan-China (H.K.) CPA Limited, the auditor of the Company, in accordance with International Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the International Auditing and Assurance Standards Board, and by the audit committee of the Company. This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

BUSINESS OVERVIEW AND OUTLOOK

In the third quarter of 2016, we continued to advance steadily in our focus area of online card and board games. We have also actively propelled the strategic planning of domestic and overseas card and board game products, and exerted heightened efforts in online and offline marketing. In terms of our performance, our revenue has remained stable in general, with no significant fluctuations in our net profits, and a slight rebound in the number of players compared to the preceding quarter.

In terms of financial performance, following the trend in the second quarter of 2016, our revenue in the third quarter of 2016 continued to remain stable, and the amplitude of the change in the non-IFRS adjusted net profit was relatively small. In the third quarter of 2016, we recorded revenue of approximately RMB185.7 million, representing a year-on-year decrease of approximately 2.2% compared to the third quarter of 2015, and a quarter-on-quarter increase of approximately 2.8% compared to the second quarter of 2016. In the third quarter of 2016, we recorded unaudited non-IFRS adjusted net profit of approximately RMB73.0 million, representing a year-on-year increase of approximately 7.7% compared to the third quarter of 2015, and a quarter-on-quarter decrease of approximately 3.7% compared to the second quarter of 2016.

In terms of performance with respect to operational data, our number of players in the third quarter of 2016 increased compared to the second quarter of 2016. The number of paying players increased by 15.3% from approximately 1.5 million players in the second quarter of 2016 to approximately 1.8 million players in the third quarter of 2016. The number of DAUs increased by 4.5% from approximately 5.3 million players in the second quarter of 2016 to approximately 5.5 million players in the third quarter of 2016. The number of MAUs increased by 1.7% from approximately 22.1 million players in the second quarter of 2016 to approximately 22.4 million players in the third quarter of 2016. In the third quarter of 2016, the ARPPUs of the mobile-based Texas Hold'em and Fight the Landlord, our important games, both recorded growth.

In terms of games products, we continued to enlarge our card and board games product portfolio in the third quarter of 2016. Our newly-added products cover domestic and overseas regions, and we dedicate to further expand our reach to different segments of such markets, enriching the variety of games available for selection by our players. Meanwhile, through our persistent efforts in the relentless innovation and improvement of our products, we have consistently enhanced refined operations for and diversification of our products, and constantly elevated the quality of our games effectively.

In the third quarter of 2016, we have devoted considerable efforts to organizing the 2016 Boyaa Poker Tour (“**BPT**”), the online qualifying rounds of which have begun. This year’s BPT covers five tournament regions, namely the People’s Republic of China (“**PRC**”); Hong Kong, Macau and Taiwan; Southeast Asia; Europe and the Middle East. After the online qualifying rounds, around 300 selected players will emerge from more than 2.6 million players from the tournament regions, who will receive invitations to Macau to take part in the BPT World Final, bringing about a carnival for players offline. After the probing and consolidation from the first tournament held last year, we believe that the program for this year’s BPT will be more mature and professional.

In addition, while Two-on-one Competitive Poker (the prototype of which is based on Fight the Landlord) has formally become an intellectual competitive sports event officially recognised by the State, we, being the strategic cooperative partner of the Qipai management centre of the General Administration of Sport of China, have been granted a license in the third quarter of 2016 to host the “Two-on-one Competition National Championships”.

In the fourth quarter of 2016, we will be organizing a professional poker competition named Boyaa Board Games Tour with the Visun Group in Sanya. A number of different types of peripheral competitions will be in place for the competition this year and top poker players from the PRC and Hong Kong, Macau and Taiwan will be taking part. We will devote more resources to the offline competition, with an aim to organizing a competition that is professional and high-quality, thereby creating a grand occasion for the global poker competition.

We will persistently focus on the area of card and board games, and making use of our technology infrastructure which is being continuously refined, service for players which is being continuously improved, and the variety of games which is being continuously enriched. We will constantly refine the functionalities of our games and improve the features of our games, and also perform steadily and continue to move forward.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Our revenue for the three months ended 30 September 2016 amounted to approximately RMB185.7 million, representing year-on-year decrease of 2.2% from approximately RMB189.9 million recorded for the same period of 2015. For the three months ended 30 September 2016, revenue generated from mobile games amounted to approximately RMB123.6 million, representing year-on-year increase of 13.1% from approximately RMB109.3 million recorded for the same period of 2015, which was mainly due to game optimization and new product enrichment. Revenue generated from web-based games for the three months ended 30 September 2016 was approximately RMB62.1 million, representing year-on-year decrease of 22.9% from approximately RMB80.6 million recorded for the same period of 2015. For the three months ended 30 September 2016, revenue generated from our mobile games and web-based games accounted for approximately 66.6% and 33.4% of our total revenue, respectively, as compared with 57.6% and 42.4%, respectively, for the three months ended 30 September 2015.

Cost of revenue

Our cost of revenue for the three months ended 30 September 2016 amounted to approximately RMB67.5 million, representing year-on-year decrease of 19.3% from approximately RMB83.6 million recorded for the same period in 2015. The year-on-year decrease was mainly due to the decrease in the average rate of commission and a decrease in employee benefit expenses recorded in cost of revenue resulting from the increase the proportion of research and development (“**R&D**”) personnel due to personnel movement.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit for the three months ended 30 September 2016 amounted to approximately RMB118.3 million, representing year-on-year increase of 11.3% from approximately RMB106.3 million recorded for the same period in 2015.

Our gross profit margin were approximately 63.7% and 56.0%, respectively, for the three months ended 30 September 2016 and the same period in 2015.

Selling and marketing expenses

Our selling and marketing expenses for the three months ended 30 September 2016 amounted to approximately RMB10.9 million, representing year-on-year decrease of 46.6% from approximately RMB20.5 million recorded for the same period in 2015. The year-on-year decrease was mainly attributable to reduced advertising and promotional activities and a decrease in employee benefit expenses recorded in selling and marketing expenses resulting from the increase in the proportion of R&D personnel due to personnel movement.

Administrative expenses

Our administrative expenses for the three months ended 30 September 2016 amounted to approximately RMB57.4 million, representing year-on-year increase of 72.4% from approximately RMB33.3 million recorded for the same period in 2015. The year-on-year increase was mainly due to an increase in employee benefit expenses recorded in administrative expenses resulting from the increase in the proportion of R&D personnel due to personnel movement.

Other income and gains – net

For the three months ended 30 September 2016, we recorded other income and gains – net of approximately RMB19.5 million, compared to approximately RMB5.0 million recorded for the same period in 2015. The other income and gains – net primarily consisted of fair value gains on financial assets at fair value through profit or loss relating to the non-quoted investments in asset management companies, equity investment partnerships and certain wealth management products we purchased.

Finance income – net

Our net finance income for the three months ended 30 September 2016 was approximately RMB8.0 million, compared to the net finance income of approximately RMB12.2 million recorded for the same period of 2015. The year-on-year change was primarily due to the decrease in interest income as compared to the same period of 2015.

Share of (loss)/profit of associates

We held investments in six associates, namely Shenzhen Fanhou Technology Co., Ltd. (深圳市飯後科技有限公司), Shenzhen HuifuWorld Network Technology Co., Ltd. (深圳市匯富天下網絡科技有限公司), Shenzhen Easething Technology Co., Ltd. (深圳市易新科技有限公司), Shenzhen Jisiwei Intelligent Technology Co., Ltd. (深圳市極思維智能科技有限公司), Chengdu BoYu Interactive Technology Co., Ltd. (成都博娛互動科技有限公司) and Allin Interactive International Limited (傲英互動國際有限公司) and its subsidiaries as at 30 September 2016 (31 December 2015: six), all of which were online game or Internet technology companies. We recorded a share of loss of associates of approximately RMB0.3 million for the three months ended 30 September 2016, compared to a share of profit of associates of approximately RMB3.2 million recorded for the same period in 2015.

Income tax expense

Our income tax expense for the three months ended 30 September 2016 was approximately RMB9.4 million, representing year-on-year decrease of 12.9% from approximately RMB10.8 million recorded for the three months ended 30 September 2015. The effective tax rate were 12.1% and 14.7%, respectively, for the three months ended 30 September 2016 and the same period in 2015. The decrease in effective tax rate for the three months ended 30 September 2016 compared to the corresponding period in 2015 is primarily due to the increase in R&D expenses that constitute additional deduction for income tax purposes.

Profit for the period

As a result of the foregoing, our profit attributable to owners of the Company for the three months ended 30 September 2016 amounted to approximately RMB67.9 million, representing year-on-year increase of 9.1% from approximately RMB62.2 million recorded for the same period in 2015.

Non-IFRS Measure – Adjusted net profit

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

Our unaudited non-IFRS adjusted net profit for the three months ended 30 September 2016 of approximately RMB73.0 million was derived from our unaudited profit of the same period excluding share-based compensation expenses of approximately RMB1.2 million, RMB1.3 million and RMB2.6 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively. Our unaudited non-IFRS adjusted net profit for the three months ended 30 September 2015 of approximately RMB67.8 million was derived from our unaudited profit for the same period excluding share-based compensation expenses of approximately RMB1.4 million, RMB1.3 million and RMB2.9 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively.

Cash and cash equivalents

As at 30 September 2016, we had cash and cash equivalents of approximately RMB1,425.8 million (31 December 2015: approximately RMB1,065.8 million), which primarily consisted of cash at bank and in hand and short-term bank deposits. Out of the RMB1,425.8 million, approximately RMB1,149.1 million is denominated in Renminbi and approximately RMB276.7 million is denominated in other currencies (primarily US dollars). We currently do not hedge transactions undertaken in foreign currencies. Due to our persistent efforts in managing our exposure to foreign currencies through constant monitoring to limit as much as possible the amount of foreign currencies held by us, fluctuations in currency exchange rates do not have any material adverse impact on our financial results.

Up to 30 September 2016, a total amount of RMB444.0 million from the net proceeds from our initial public offering had been utilized for expanding our marketing and promotion activities, for equity investments, for research and development activities and other general corporate purposes. The unutilized net proceeds has been deposited into short-term demand deposits in a bank account maintained by the Group.

Available-for-sale financial assets

We accounted for available-for-sale financial assets at their respective fair values. As at 30 September 2016, the fair value of our unlisted and listed investments classified as available-for-sale financial assets amounted to approximately RMB184.6 million (31 December 2015: RMB280.5 million). These available-for-sale financial assets consisted of both listed and unlisted equity securities, which are mainly represented by our equity investment in Dalian Zeus Entertainment Group Co. Ltd. (大連天神娛樂股份有限公司), a company established in the PRC, the issued shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 002354) (“**Zeus Entertainment**”). Zeus Entertainment is mainly engaged in research and development and publication of web-based and mobile games.

As at 30 September 2016, we held 2,385,093 shares in Zeus Entertainment, which represented approximately 0.82% of the share capital of Zeus Entertainment. The fair value of the investment in Zeus Entertainment as at 30 September 2016 was RMB179.0 million (31 December 2015: RMB228.9 million).

For the nine months ended 30 September 2016, the fair value loss in available-for-sale financial assets recorded in the reserves of the Company was approximately RMB80.8 million (for the nine months ended 30 September 2015: RMB10.1 million), of which, the fair value loss in available-for-sale financial assets attributable to our investment in Zeus Entertainment amounted to RMB42.5 million for the nine months ended 30 September 2016 (for the nine months ended 30 September 2015: nil). The increased fair value loss in available-for-sale financial assets for the nine months ended 30 September 2016 was mainly the result of the volatile stock market in the PRC in the first three quarters of 2016.

As disclosed in the third quarterly report of Zeus Entertainment for the nine months ended 30 September 2016, it generated a total revenue of RMB1,309.9 million and recorded a net profit attributable to shareholders of the parent company of RMB338.5 million, representing a year-on-year increase of 147.76% and 39.42%, respectively. Although we expect that the stock market in the PRC will continue to be volatile in the rest of 2016 and such investment environment may affect the value of our investment in Zeus Entertainment, based on the high revenue and profit growth of Zeus Entertainment, we are optimistic about the on-going performance of Zeus Entertainment. Nevertheless, we will closely monitor the performance of Zeus Entertainment on an on-going basis and consider making adjustment to this investment as and when the circumstances, including market conditions, are appropriate.

We consider that, save for our investment in the listed equity securities of Zeus Entertainment, none of the other unlisted and listed investments classified as available-for-sale financial assets in our investment portfolio is a significant investment as none of such investments has a carrying amount that account for more than 5% of our total assets as at 30 September 2016.

Financial assets at fair value through profit or loss

As at 30 September 2016, we also recorded financial assets at fair value through profit or loss amounted to approximately RMB395.0 million (31 December 2015: approximately RMB482.4 million), which consisted of non-quoted investments in asset management companies, equity investment partnerships and preferred shares issued by a private company included in non-current assets and non-quoted investments in certain wealth management products included in current assets. As at 30 September 2016, the fair values of the investments in asset management companies were determined mainly with reference to the estimated return; the fair values of the investments in equity investment partnerships were determined mainly with reference to the Group's share of their respective net asset values; and the fair value of preferred shares issued by a private company was determined using the discounted cash flow method. These wealth management products have an initial term which is 1 year. The fair values of these investments were based on the quotations or statements provided by the counterparties. The above financial assets were designated as financial assets at fair value through profit or loss upon their initial recognition as the performance of these financial assets is evaluated on a fair value basis pursuant to the Group's investment strategy. For the nine months ended 30 September 2016, we recorded a realized/unrealized fair value gains on financial assets at fair value through profit or loss of approximately RMB50.2 million (for the nine months ended 30 September 2015: RMB18.7 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 therefore are 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. Each of such investments does not constitute a notifiable transaction or connected transaction of the Company under the Listing Rules. As agreed with the financial institutions and/or asset management companies, the underlying investment portfolio of the short-term investments and 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.

No 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 account for more than 5% of our total assets as at 30 September 2016.

Borrowings

During the nine months ended 30 September 2016, we did not have any short-term or long-term bank borrowings and we had no outstanding, utilized or unutilized banking facilities.

Capital expenditures

For the nine months ended 30 September 2016, our capital expenditure amounted to approximately RMB19.1 million (for the nine months ended 30 September 2015: approximately RMB15.7 million). The capital expenditure mainly included payment for equity investments of RMB0.2 million (for the nine months ended 30 September 2015: RMB5.6 million); and purchasing of additional furniture and equipment, motor vehicles, leasehold improvements and computer software of approximately RMB18.9 million (for the nine months ended 30 September 2015: approximately RMB10.1 million), which was funded by using the net proceeds from our initial public offering and our cash flow generated from our operations.

FINANCIAL INFORMATION
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016

		30 September 2016	31 December 2015
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		39,585	28,164
Intangible assets		4,776	5,473
Investments in associates		14,737	18,829
Available-for-sale financial assets	3	184,577	280,484
Deferred income tax assets		9,659	7,029
Prepayments and other receivables		16,434	17,611
Financial assets at fair value through profit or loss	5	324,191	259,857
		593,959	617,447
Current assets			
Trade receivables	4	66,578	77,858
Prepayments and other receivables		32,152	30,664
Financial assets at fair value through profit or loss	5	70,774	222,561
Term deposits		26,711	65,468
Cash and cash equivalents		1,425,838	1,065,802
		1,622,053	1,462,353
Total assets		2,216,012	2,079,800
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		248	248
Share premium		590,380	590,113
Share held for RSU Scheme		(17)	(18)
Reserves		99,087	155,266
Retained earnings		1,258,264	1,060,695
Total equity		1,947,962	1,806,304

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

AS AT 30 SEPTEMBER 2016

		30 September 2016	31 December 2015
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		24,236	41,628
		-----	-----
Current liabilities			
Trade and other payables	7	90,570	95,760
Deferred revenue		24,846	22,774
Current income tax liabilities		128,398	113,334
		-----	-----
		243,814	231,868
		-----	-----
Total liabilities		268,050	273,496
		-----	-----
Total equity and liabilities		2,216,012	2,079,800
		-----	-----
Net current assets		1,378,239	1,230,485
		-----	-----
Total assets less current liabilities		1,972,198	1,847,932
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INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2016

		Three months ended 30 September		Nine months ended 30 September	
		2016	2015	2016	2015
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	2	185,748	189,921	536,604	626,957
Cost of revenue	8	(67,479)	(83,616)	(194,755)	(298,779)
Gross profit		118,269	106,305	341,849	328,178
Selling and marketing expenses	8	(10,943)	(20,485)	(24,843)	(128,429)
Administrative expenses	8	(57,363)	(33,268)	(162,891)	(102,271)
Other income and gains – net	9	19,545	5,007	53,096	21,346
Operating profit		69,508	57,559	207,211	118,824
Finance income	10	8,331	13,047	21,289	34,101
Finance costs	10	(297)	(799)	(630)	(6,078)
Finance income – net	10	8,034	12,248	20,659	28,023
Share of (loss)/profit of associates		(278)	3,162	(1,737)	8,586
Profit before income tax		77,264	72,969	226,133	155,433
Income tax expense	11	(9,370)	(10,761)	(28,564)	(20,557)
Profit for the period		67,894	62,208	197,569	134,876
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
– Changes in fair value of available-for-sale financial assets, net of tax		(25,375)	(152)	(80,781)	(10,138)
– Less: reclassification of changes in fair value of available-for-sale financial assets to profit or loss upon disposal of available-for-sale financial assets, net of tax		106	–	106	(258)
– Currency translation differences		1,181	5,971	6,681	5,649
Other comprehensive (loss)/income for the period, net of tax		(24,088)	5,819	(73,994)	(4,747)
Total comprehensive income for the period		43,806	68,027	123,575	130,129

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2016

		Three months ended 30 September		Nine months ended 30 September	
		2016	2015	2016	2015
	Notes	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Profit attributable to:					
– Owners of the Company		67,894	62,208	197,569	136,038
– Non-controlling interests		–	–	–	(1,162)
		<u>67,894</u>	<u>62,208</u>	<u>197,569</u>	<u>134,876</u>
Total comprehensive income attributable to:					
– Owners of the Company		43,806	68,027	123,575	131,291
– Non-controlling interests		–	–	–	(1,162)
		<u>43,806</u>	<u>68,027</u>	<u>123,575</u>	<u>130,129</u>
Earnings per share					
<i>(expressed in RMB cents per share)</i>					
– Basic	12	<u>10.03</u>	<u>8.68</u>	<u>29.22</u>	<u>19.15</u>
– Diluted	12	<u>9.51</u>	<u>8.67</u>	<u>27.77</u>	<u>18.83</u>
Dividends	13	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

	(Unaudited)					
	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Shares held for RSU Scheme <i>RMB'000</i>	Reserves <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at 1 January 2016	248	590,113	(18)	155,266	1,060,695	1,806,304
Comprehensive income						
Profit for the period	–	–	–	–	197,569	197,569
Other comprehensive income						
– change in fair value of available-for-sale financial assets, net of tax	–	–	–	(80,781)	–	(80,781)
– reclassification of changes in fair value of available-for- sale financial assets to profit or loss upon disposal, net of tax	–	–	–	106	–	106
– currency translation differences	–	–	–	6,681	–	6,681
Total comprehensive income for the period	–	–	–	(73,994)	197,569	123,575
Employee share option and RSU scheme						
– value of employee services	–	–	–	17,815	–	17,815
– proceeds from shares issued	–	268	–	–	–	268
– vesting of shares under RSU scheme	–	(1)	1	–	–	–
Total transactions with owners, recognized directly in equity	–	267	1	17,815	–	18,083
Balance at 30 September 2016	248	590,380	(17)	99,087	1,258,264	1,947,962

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

	(Unaudited)							
	Share capital RMB'000	Share premium RMB'000	Shares held for RSU Scheme RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2015	245	632,329	(19)	137,045	702,896	1,472,496	9,130	1,481,626
Comprehensive income								
Profit for the period	–	–	–	–	136,038	136,038	(1,162)	134,876
Other comprehensive income								
– change in fair value of available-for-sale financial assets, net of tax	–	–	–	(10,138)	–	(10,138)	–	(10,138)
– reclassification of changes in fair value of available-for-sale financial assets to profit or loss upon disposal, net of tax	–	–	–	(258)	–	(258)	–	(258)
– currency translation differences	–	–	–	5,649	–	5,649	–	5,649
Total comprehensive income for the period	–	–	–	(4,747)	136,038	131,291	(1,162)	130,129
Employee share option and RSU scheme								
– value of employee services	–	–	–	15,456	–	15,456	–	15,456
– proceeds from shares issued	3	2,896	–	–	–	2,899	–	2,899
– vesting of shares under RSU scheme	–	(5)	5	–	–	–	–	–
Dividends relating 2014	–	(45,122)	–	–	–	(45,122)	–	(45,122)
Total contributions by and distributions to owners of the Company, recognized directly in equity	3	(42,231)	5	15,456	–	(26,767)	–	(26,767)
Disposal of subsidiaries	–	–	–	–	–	–	(7,968)	(7,968)
Total transactions with owners, recognized directly in equity	3	(42,231)	5	15,456	–	(26,767)	(7,968)	(34,735)
Balance at 30 September 2015	248	590,098	(14)	147,754	838,934	1,577,020	–	1,577,020

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

	Nine months ended	
	30 September	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash generated from operations	597,100	95,258
Income tax paid	(33,485)	(1,508)
Net cash generated from operating activities	563,615	93,750
Cash flows from investing activities		
Purchase of property, plant and equipment	(18,359)	(9,862)
Purchase of intangible assets	(547)	(269)
Purchase of financial assets at fair value through profit or loss	(1,639,488)	(1,142,440)
Investments in associates	(150)	(4,600)
Purchase of available-for-sale financial assets	–	(1,000)
Net proceeds from disposal of subsidiaries	–	4,666
Proceeds from disposal of investment in associate	2,505	28
Placement of term deposits with original maturities over three months	38,757	–
Acquisition of subsidiaries, net of cash acquired	–	19
Proceeds from disposal of financial assets at fair value through profit or loss	1,391,150	826,420
Proceeds from disposal of short-term investments	–	370,000
Proceeds from disposal of available-for-sale financial assets	932	1,927
Proceeds from disposal of property, plant and equipment	–	29
Return on short-term investments received	–	1,894
Interest received	19,075	33,196
Net cash (used in)/generated from investing activities	(206,125)	80,008
Cash flows from financing activities		
Dividends paid to equity holders of the Company	–	(45,122)
Proceeds from issuance of ordinary shares	268	2,991
Net cash generated from/(used in) financing activities	268	(42,131)
Net increase in cash and cash equivalents	357,758	131,627
Cash and cash equivalents at beginning of the period	1,065,802	1,029,331
Exchange gains on cash and cash equivalents	2,278	4,003
Cash and cash equivalents at end of the period	1,425,838	1,164,961

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

Boyaa Interactive International Limited (the “**Company**”) was incorporated in the Cayman Islands. The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 12 November 2013 (the “**Listing**”).

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

The interim consolidated statement of financial position as at 30 September 2016, the interim consolidated statements of profit or loss and other comprehensive income for the three and nine months then ended, the interim consolidated statement of changes in equity and the interim consolidated statement of cash flows for the nine months then ended, and a summary of significant accounting policies and other explanatory notes (collectively defined as the “**Interim Financial Information**”) of the Group have been approved by the Board of Director (the “**Board**”) on 29 November 2016.

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

The Interim Financial Information is prepared in accordance with applicable disclosure provisions of the Rules Governing the Listings of Securities on the Stock Exchange of Hong Kong Limited and International Accounting Standards (“**IAS**”) 34 ‘Interim Financial Reporting’ issued by the International Accounting Standards Board. This Interim Financial Information should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2015 as set out in the 2015 annual report of the Company dated 23 March 2016 (the “**2015 Financial Statements**”).

Except as described below, the accounting policies applied are consistent with those used in the 2015 Financial Statements, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and available-for-sale financial assets, which were carried at fair value.

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

In the current interim period, the Group has applied, for the first time, certain amendments to IFRSs that are mandatorily effective for the current interim period.

The application of the new and revised IFRSs had no material impact on the Group’s consolidated financial statements.

The following new standards and amendments to standards have been issued and are relevant to the Group, but are not effective for the financial year beginning on 1 January 2016 and have not been early adopted:

		Effective for the financial year beginning on or after
IFRS 15	“Revenue from contracts with customers”	1 January 2018
IFRS 9	“Financial instruments”	1 January 2018
IFRS16	“Leases”	1 January 2019

The Group is in the process of assessing the impact of the above new standards and amendments to existing standards on the Group’s consolidated financial statements.

2. REVENUE AND SEGMENT INFORMATION

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Development and operations of online game				
– Web-based game	62,123	80,584	194,608	258,784
– Mobile games	123,625	109,337	341,996	368,173
	185,748	189,921	536,604	626,957

The directors of the Company consider that the Group’s operations are operated and managed as a single segment; accordingly no segment information is presented.

The Group offers their games in various language versions in order to enable game players to play the games in different regions. A breakdown of revenue derived from different language versions of the Group’s games is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Simplified Chinese	80,048	68,542	235,419	263,968
Other languages	105,700	121,379	301,185	362,989
	185,748	189,921	536,604	626,957

The Group has a large number of game players, none of whom contributed 10% or more of the Group’s revenue for the three and nine months ended 30 September 2016 and 2015.

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

	30 September 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Mainland China	56,512	61,626
Other locations	19,020	8,451
	<u>75,532</u>	<u>70,077</u>

3. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	RMB'000 (Unaudited)
Balance at 1 January 2016	280,484
Net losses from changes in fair value	(95,001)
Currency translation differences	26
Disposals	(932)
Balance at 30 September 2016	<u>184,577</u>

Available-for-sale financial assets include the following:

	30 September 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Listed equity securities	178,977	229,791
Unlisted equity investments	5,600	50,693
	<u>184,577</u>	<u>280,484</u>

The listed equity securities mainly represented the Group's equity investment in Zeus Entertainment, the fair value of the investment in Zeus Entertainment as at 30 September 2016 was RMB178,977,000 (31 December 2015: RMB228,921,000).

The unlisted equity investment mainly represented the Group's equity investment in Blingstorm Entertainment Ltd. (“**Blingstorm**”, 晶合思動(北京)科技有限公司). Blingstorm is mainly engaged in development and operation of mobile games in the PRC. The Group held 9.36% equity interest in Blingstorm as at 30 September 2016 (31 December 2015: 9.36%). The fair value of the investment in Blingstorm as at 30 September 2016 was RMB4,600,000 (31 December 2015: RMB49,693,000).

4. TRADE RECEIVABLES

	30 September 2016 <i>RMB'000</i> (Unaudited)	31 December 2015 <i>RMB'000</i> (Audited)
Trade receivables	66,578	77,858
Less: impairment provision	—	—
	<u>66,578</u>	<u>77,858</u>

Trade receivables were arising from the development and operation of online game business. The credit terms of trade receivables granted to the platforms and third party payment vendors are usually 30 to 120 days. Ageing analysis based on recognition date of the gross trade receivables at the end of respective reporting period is as follows:

	30 September 2016 <i>RMB'000</i> (Unaudited)	31 December 2015 <i>RMB'000</i> (Audited)
0 – 60 days	45,610	51,724
61 – 90 days	6,208	12,687
91 – 180 days	6,665	6,139
Over 180 days	8,095	7,308
	<u>66,578</u>	<u>77,858</u>

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Included in non-current assets		
Non-quoted investments in <i>(Note (a))</i>		
– asset management companies	169,286	163,221
– equity investment partnerships	141,607	96,636
– preferred shares issued by a private company	13,298	–
	<u>324,191</u>	<u>259,857</u>
Included in current assets		
Non-quoted investments in certain wealth management products <i>(Note (b))</i>	70,774	222,561
	<u>394,965</u>	<u>482,418</u>

- (a) As at 30 September 2016, the fair values of the investments in asset management companies were determined mainly with reference to the estimated return; the fair values of the investments in equity investment partnerships were determined mainly with reference to the Group's share of their respective net asset values; and the fair value of preferred shares issued by private companies was RMB13,298,000.
- (b) These wealth management products are investments in trust schemes and private investment funds. They have an initial term of 1 year. The fair values of these investments were based on the quotations or statements provided by the counterparties.
- (c) The above financial assets were designated as financial assets at fair value through profit or loss upon their initial recognition as the performance of these financial assets is evaluated on a fair value basis pursuant to the Group's investment strategy.

6. SHARE-BASED PAYMENTS

(a) Share options

On 7 January 2011, the Board of the Company approved the establishment of a share option scheme (the “**Pre-IPO Share Option Scheme**”) with the objective to recognize 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 (the “**Post-IPO Share Option Scheme**”) with the objective to recognize 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) *Movements in the number of share options outstanding:*

	Number of share options	
	2016	2015
	(Unaudited)	(Unaudited)
At 1 January	25,563,721	8,827,506
Granted	–	26,360,000
Exercised	(134,709)	(7,052,437)
Lapsed	(5,515,791)	(1,478,637)
At 30 September	<u>19,913,221</u>	<u>26,656,432</u>

The related weighted average share price at the time of exercise was HKD3.97 per share.

Details of the exercise prices and the respective numbers of share options which remained outstanding as at 30 September 2016 and 2015 are as follows:

Expiry Date	Price	Number of share options	
		30 September 2016	30 September 2015
		(Unaudited)	(Unaudited)
31 January 2019	USD0.05	101,232	132,732
1 March 2020	USD0.10	45,749	81,280
30 June 2020	USD0.15	72,240	82,420
6 September 2025	HKD3.108	<u>19,694,000</u>	<u>26,360,000</u>
		<u>19,913,221</u>	<u>26,656,432</u>

(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 incentivize Directors, senior management and employees for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

RSUs held by a participant that are vested may be exercised (in whole or in part) by the participant serving an exercise notice in writing on the The Core Trust Company Limited (the “**RSU Trustee**”) and copied to the Company.

The RSU Scheme will be valid and effective for a period of eight years, commencing from the date of the first grant of the RSUs.

Movements in the number of RSUs outstanding:

	Number of RSUs	
	2016	2015
	(Unaudited)	(Unaudited)
At 1 January	47,383,431	74,215,932
Granted	–	4,955,000
Lapsed	(5,039,013)	(13,532,309)
Vested and transferred	(3,187,979)	(14,562,524)
	<u>39,156,439</u>	<u>51,076,099</u>
At 30 September	<u>39,156,439</u>	<u>51,076,099</u>
Vested but not transferred as at 30 September	<u>37,724,463</u>	<u>44,152,817</u>

The related weighted average share price at the time of vested and transferred was HKD3.13 per share.

7. TRADE AND OTHER PAYABLES

	30 September	31 December
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade payables	670	727
Other taxes payable	45,706	44,967
Accrued expenses	19,032	25,640
Salary and staff welfare payables	16,212	12,946
Payables for the remaining considerations for the acquisitions of subsidiaries	5,000	5,000
Advance received from sales of prepaid game cards	3,536	3,099
Others	414	3,381
	<u>90,570</u>	<u>95,760</u>

Trade payables were mainly arising from the leasing of servers. The credit terms of trade payables granted by the vendors are usually 30 to 90 days. The ageing analysis of trade payables based on recognition date is as follows:

	30 September 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
0 – 30 days	375	420
31 – 60 days	–	39
61 – 90 days	–	–
Over 90 days	295	268
	<u>670</u>	<u>727</u>

8. EXPENSES BY NATURE

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

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Commission charges by platforms and third party payment vendors	57,607	66,630	164,599	240,417
Advertising expenses	6,655	11,815	10,684	98,365
Employee benefit expenses (excluding share-based compensation expenses)	51,292	35,598	135,702	110,946
Share-based compensation expenses	5,099	5,560	17,815	15,456
Servers rental expenses	4,765	5,363	14,641	17,866
Travelling and entertainment expenses	1,292	807	6,515	8,503
Other professional service fees	1,717	3,227	5,305	8,666
Office rental expenses	2,423	2,669	7,310	7,695
Depreciation of property, plant and equipment	2,285	1,833	6,938	5,245
Auditor's remuneration	350	1,000	1,350	3,000
Amortization of intangible assets	432	386	1,244	1,824
Other expenses	1,868	2,481	10,386	11,496
	<u>135,785</u>	<u>137,369</u>	<u>382,489</u>	<u>529,479</u>

Research and development expenses during the three and nine months ended 30 September 2016 and 2015 were analyzed as below:

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Employee benefit expenses	34,784	12,057	89,961	39,005
Depreciation of property, plant and equipment	404	454	1,264	1,267
Rental expenses	864	893	2,661	2,609
Other expenses	430	–	6,496	–
	36,482	13,404	100,382	42,881

No development expenses were capitalized for the three and nine months ended 30 September 2016 and 2015.

9. OTHER INCOME AND GAINS – NET

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Return on short-term investments	–	–	–	4,197
Realized/unrealized fair value gains on financial assets at fair value through profit or loss	18,932	8,269	50,159	18,714
Government subsidies	392	–	1,547	1,397
Foreign exchange gains/(losses), net	308	(3,270)	(1,211)	(5,198)
Deregistration of a subsidiary	–	–	227	–
Gain on disposal of subsidiaries	–	–	–	1,707
(Loss)/gain on disposal of available-for-sale financial assets	(71)	–	(71)	250
Gain arising from partial disposal of an associate	–	–	695	175
Loss on disposal of property, plant and equipment	–	(12)	–	(26)
Dilution gains arising from deemed disposal of investment in certain associate	–	49	–	49
Others	(16)	(29)	1,750	81
	19,545	5,007	53,096	21,346

10. FINANCE INCOME – NET

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Finance income				
Interest income	8,163	12,902	19,075	33,234
Interest income on non-current loans to employees	168	145	551	867
Foreign exchange gains, net	–	–	1,663	–
	<u>8,331</u>	<u>13,047</u>	<u>21,289</u>	<u>34,101</u>
Finance costs				
Discounting effects of non-current loans to employees	(168)	(692)	(501)	(4,872)
Foreign exchange losses, net	(129)	(107)	(129)	(1,206)
	<u>(297)</u>	<u>(799)</u>	<u>(630)</u>	<u>(6,078)</u>
Finance income – net	<u>8,034</u>	<u>12,248</u>	<u>20,659</u>	<u>28,023</u>

11. INCOME TAX EXPENSE

The income tax expense of the Group for the three and nine months ended 30 September 2016 and 2015 is analyzed as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax				
– Charge for the period	15,160	9,761	33,524	27,557
– Under-provisions in prior years	806	–	806	–
Deferred tax	(6,596)	1,000	(5,766)	(7,000)
	<u>9,370</u>	<u>10,761</u>	<u>28,564</u>	<u>20,557</u>

(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 for as there was business operation that is subject to Hong Kong profits tax. It has been provided for at the rate of 16.5% on the estimated assessable profits for the three and nine months ended 30 September 2016 and 2015.

(c) PRC Corporate Income Tax (“CIT”)

The income tax provision of the Group in respect of operations in the PRC has been calculated at the tax rate of 25% on the estimated assessable profits for the three and nine months ended 30 September 2016 and 2015, based on the existing legislation, interpretations and practices in respect thereof.

Shenzhen Dong Fang Bo Ya Technology Co., Ltd (“**Boyaa Shenzhen**”) qualified as a “High and New Technology Enterprise” (“**HNTE**”) under the Corporate Income Tax Law in 2015 and as a result, Boyaa Shenzhen enjoys a preferential tax rate of 15% from 1 January 2015 to 31 December 2017. Therefore, the actual income tax rate for Boyaa Shenzhen was 15% for the three and nine months ended 30 September 2016 and 2015.

Boyaa Online Game Development (Shenzhen) Co., Ltd. (“**Boyaa PRC**”) qualified as a HNTE under the Corporate Income Tax Law in 2013 and as a result, Boyaa PRC enjoys a preferential tax rate of 15% from 1 January 2013 to 31 December 2015. Boyaa PRC has applied for the renewal of the HNTE qualification for the next 3 years ending 31 December 2018 and based on management’s self-assessment made on 30 September 2016, it is highly probable that the above application would be successful. Therefore, the expected income tax rate for Boyaa PRC was 15% for the three and nine months ended 30 September 2016 (actual income tax rate for the three and nine months ended 30 September 2015: 15%).

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engage in research and development activities are entitled to claim 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 are entitled to claim such Super Deduction in ascertaining its tax assessable profits for the three and nine months ended 30 September 2016 and 2015.

(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%.

The tax on the Group's profit before tax differ from the theoretical amount that would arise using the weighted average tax rate applicable to profits of consolidated entities in the respective jurisdictions as follows:

	Three months ended		Nine months ended	
	30 September		30 September	
	2016	2015	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit before income tax	77,264	72,969	226,133	155,433
Less: Share of loss/(profit) of associates, net of tax	278	(3,162)	1,737	(8,586)
	77,542	69,807	227,870	146,847
Tax calculated at the tax rate of 25% (2015: 25%)	19,386	17,452	56,968	36,712
Tax effects of:				
– Different tax rates available to different subsidiaries of the Group	(6,172)	(6,025)	(14,907)	(19,873)
– Tax concession on assessable profits of Boyaa Shenzhen and Boyaa PRC	(1,775)	(1,215)	(6,897)	2,892
– Expenses not deductible for tax purposes	34	1,167	179	2,885
– Income not subject to tax	(238)	(232)	(256)	(668)
– Effect of Super Deduction	(2,671)	(386)	(7,329)	(1,391)
– under-provisions in prior years	806	–	806	–
Income tax expenses	9,370	10,761	28,564	20,557

12. 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 period, excluding ordinary shares held for the RSU Scheme which are treated as treasury shares.

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company	67,894	62,208	197,569	136,038
Weighted average number of ordinary shares in issue (thousand shares)	677,195	716,710	676,088	710,405
Basic earnings per share (expressed in RMB cents per share)	10.03	8.68	29.22	19.15

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the three and nine months ended 30 September 2016 and 2015, the Company had two categories of dilutive potential ordinary shares, namely share options and RSUs. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options and RSUs. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and RSUs.

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit used to determine diluted earnings per share	<u>67,894</u>	<u>62,208</u>	<u>197,569</u>	<u>136,038</u>
Weighted average number of ordinary shares in issue (<i>thousand shares</i>)	677,195	716,710	676,088	710,405
Adjustment for RSUs (<i>thousand shares</i>)	35,221	532	35,137	9,322
Adjustment for share options (<i>thousand shares</i>)	<u>1,664</u>	<u>491</u>	<u>188</u>	<u>2,817</u>
Weighted average number of ordinary shares for calculating diluted earnings per share (<i>thousand shares</i>)	<u>714,080</u>	<u>717,733</u>	<u>711,413</u>	<u>722,544</u>
Diluted earnings per share (<i>expressed in RMB cents per share</i>)	<u>9.51</u>	<u>8.67</u>	<u>27.77</u>	<u>18.83</u>

13. DIVIDENDS

The Board did not declare interim dividend for the nine months ended 30 September 2016 and 2015.

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

FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2016

	For the nine months ended 30 September		Year-on-Year Change*
	2016	2015	
	RMB'000	RMB'000	%
	(Unaudited)	(Unaudited)	
Revenue	536,604	626,957	(14.4)
Cost of revenue	<u>(194,755)</u>	<u>(298,779)</u>	(34.8)
Gross profit	341,849	328,178	4.2
Selling and marketing expenses	(24,843)	(128,429)	(80.7)
Administrative expenses	(162,891)	(102,271)	59.3
Other income and gains – net	<u>53,096</u>	<u>21,346</u>	148.7
Operating profit	207,211	118,824	74.4
Finance income – net	20,659	28,023	(26.3)
Share of (loss)/profit of associates	<u>(1,737)</u>	<u>8,586</u>	(120.2)
Profit before income tax	<u>226,133</u>	<u>155,433</u>	45.5
Income tax expense	<u>(28,564)</u>	<u>(20,557)</u>	39.0
Profit for the period	<u>197,569</u>	<u>134,876</u>	46.5
Non-IFRS Adjustment (unaudited)			
Share-based compensation expense included in cost of revenue	4,315	4,493	(4.0)
Share-based compensation expense included in selling and marketing expenses	4,459	3,229	38.1
Share-based compensation expense included in administrative expenses	<u>9,041</u>	<u>7,734</u>	16.9
Non-IFRS adjusted net profit	<u>215,384</u>	<u>150,332</u>	43.3

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

	For the three months ended			Year-on-	Quarter-on-
	30 September	30 June	30 September	Year	Quarter
	2016	2016	2015	Change*	Change**
	RMB'000	RMB'000	RMB'000	%	%
	(Unaudited)	(Unaudited)	(Unaudited)		
Revenue	185,748	180,660	189,921	(2.2)	2.8
Cost of revenue	<u>(67,479)</u>	<u>(64,524)</u>	<u>(83,616)</u>	(19.3)	4.6
Gross profit	118,269	116,136	106,305	11.3	1.8
Selling and marketing expenses	(10,943)	(8,140)	(20,485)	(46.6)	34.4
Administrative expenses	(57,363)	(54,170)	(33,268)	72.4	5.9
Other income and gains – net	<u>19,545</u>	<u>22,469</u>	<u>5,007</u>	290.4	(13.0)
Operating profit	69,508	76,295	57,559	20.8	(8.9)
Finance income – net	8,034	4,819	12,248	(34.4)	66.7
Share of (loss)/profit of associates	<u>(278)</u>	<u>(633)</u>	<u>3,162</u>	(108.8)	(56.1)
Profit before income tax	77,264	80,481	72,969	5.9	(4.0)
Income tax expense	<u>(9,370)</u>	<u>(10,436)</u>	<u>(10,761)</u>	(12.9)	(10.2)
Profit for the period	67,894	70,045	62,208	9.1	(3.1)
Non-IFRS Adjustment (unaudited)					
Share-based compensation expense included in cost of revenue	1,216	1,426	1,414	(14.0)	(14.7)
Share-based compensation expense included in selling and marketing expenses	1,294	1,421	1,288	0.5	(8.9)
Share-based compensation expense included in administrative expenses	<u>2,589</u>	<u>2,885</u>	<u>2,858</u>	(9.4)	(10.3)
Non-IFRS adjusted net profit	72,993	75,777	67,768	7.7	(3.7)

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

** Quarter-on-Quarter Change % represents a comparison between the quarter ended 30 September 2016 and the immediately preceding quarter.

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

By Order of the Board
Boyaa Interactive International Limited
ZHANG Wei
Chairman and Executive Director

Hong Kong, 29 November 2016

As at the date of this announcement, the executive directors are Mr. ZHANG Wei and Mr. DAI Zhikang; the independent non-executive directors are Mr. CHEUNG Ngai Lam, Mr. CHOI Hon Keung Simon and Mr. YOU Caizhen.