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 MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2014

FINANCIAL HIGHLIGHTS

	For the nine months ended 30 September			For the year ended 31 December
	2014	2013	Year-on-Year Change*	2013
	RMB' 000	*RMB' 000*	*%*	*RMB' 000*
	(unaudited)	(unaudited)		(audited)
Revenue	**701,413**	481,821	45.6	681,262
- Web-based games	**317,129**	303,664	4.4	406,197
- Mobile games	**384,284**	178,157	115.7	275,065
Gross profit	**429,537**	297,299	44.5	416,209
Profit attributable to equity holders of the Company	**214,086**	101,508	110.9	135,507
Non-IFRS adjusted net profit***	**235,931**	160,694	46.8	218,676

	For the three months ended 30 September		
	2014	2013	Year-on-Year Change*
	RMB'000	*RMB'000*	%
	(unaudited)	(unaudited)	
Revenue	**243,462**	172,894	40.8
- Web-based games	**100,147**	87,570	14.4
- Mobile games	**143,315**	85,324	68.0
Gross profit	**145,686**	106,068	37.4
Profit attributable to equity holders of the Company	**76,250**	31,348	143.2
Non-IFRS adjusted net profit***	**82,108**	56,761	44.7

REVENUE BY GAMES

	For the nine months ended 30 September		
	2014	2013	Year-on-Year Change*
	RMB'000	*RMB'000*	%
	(unaudited)	(unaudited)	
Texas Hold'em Series	**558,818**	421,937	32.4
Fight the Landlord	**107,650**	40,032	168.9
Others	**34,945**	19,852	76.0
Total	**701,413**	481,821	45.6

	For the three months ended 30 September		
	2014	2013	Year-on-Year Change*
	RMB'000	*RMB'000*	%
	(unaudited)	(unaudited)	
Texas Hold'em Series	**183,305**	146,692	25.0
Fight the Landlord	**45,301**	18,410	146.1
Others	**14,856**	7,792	90.7
Total	**243,462**	172,894	40.8

REVENUE BY LANGUAGE VERSIONS OF GAMES

	For the nine months ended 30 September		
	2014	2013	Year-on-Year Change*
	RMB'000	*RMB'000*	%
	(unaudited)	(unaudited)	
Simplified Chinese	**295,195**	155,254	90.1
Other languages	**406,218**	326,567	24.4
Total	**701,413**	481,821	45.6

	For the three months ended 30 September		
	2014	2013	Year-on-Year Change*
	RMB'000	*RMB'000*	%
	(unaudited)	(unaudited)	
Simplified Chinese	**118,146**	60,237	96.1
Other languages	**125,316**	112,657	11.2
Total	**243,462**	172,894	40.8

OPERATIONAL HIGHLIGHTS

	For the three months ended				
	30 September 2014	30 June 2014	30 September 2013	Year-on-Year Change* %	Quarter-on-Quarter Change** %
Paying Players (in thousands)	**2,015**	1,618	732	175.3	24.5
• Web-based games	**179**	182	177	1.1	(1.6)
• Mobile games	**1,836**	1,436	555	230.8	27.9
Daily Active Players ("**DAUs**") (in thousands)****	**5,805**	5,671	4,909	18.3	2.4
• Web-based games	**1,610**	1,607	1,550	3.9	0.2
• Mobile games	**4,195**	4,064	3,359	24.9	3.2
Monthly Active Players ("**MAUs**") (in thousands)****	**27,064**	25,960	21,777	24.3	4.3
• Web-based games	**8,106**	8,095	7,221	12.3	0.1
• Mobile games	**18,958**	17,865	14,556	30.2	6.1

	For the three months ended				Quarter-on-
	30 September 2014	30 June 2014	30 September 2013	Year-on-Year Change* %	Quarter Change** %
Average Revenue Per Paying Player ("**ARPPU**") for Texas Hold'em (in RMB)					
• Web-based games	**419.5**	418.6	383.5	9.4	0.2
• Mobile games	**56.5**	56.1	51.3	10.1	0.7
ARPPU for Fight the Landlord (in RMB)					
• Web-based games	**48.1**	47.8	42.9	12.1	0.6
• Mobile games	**17.7**	17.4	15.9	11.3	1.7
ARPPU for other games (in RMB)					
• Web-based games	**14.8**	11.5	18.1	(18.2)	28.7
• Mobile games	**6.3**	8.4	11.9	(47.1)	(25.0)

* *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 2014 and the immediately preceding quarter.*

*** *Non-IFRS adjusted net profit was derived from the unaudited profit for the period excluding share-based compensation expenses, fair value change of liability component of Series A Preferred Shares and listing-related 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**") is pleased to announce the unaudited consolidated results (the "**Third Quarterly Results**") of the Company and its subsidiaries (the "**Group**") for the three months and nine months ended 30 September 2014 (the "**Reporting Period**"). The Third Quarterly Results have been reviewed by PricewaterhouseCoopers, 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 (the "**Audit Committee**"). 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 2014, despite the increasingly competitive market conditions, we recorded continuous growth in our financial results for the third quarter of the year by leveraging our strength in developing new card and board games and our competitiveness in global operations, as well as our increased and continuous efforts in promoting mobile games.

Our active players base maintained sound growth momentum benefiting from our effective monetization strategies in our operations and first-mover advantage in the mobile games markets. The number of our paying players in mobile games offering increased significantly by 230.8% from 555 thousand for the third quarter in 2013 to 1,836 thousand for the same period in 2014. The ARPPU of our two most important games, Texas Hold'em Series and Fight the Landlord, sustained steady growth in mobile games offering, mainly attributable to our operation team's constant guidance to our paying players for mobile games to develop their paying habits, as well as the continuous improvement in game experience for our players.

Our marketing and promotion strategy remains focusing on the expansion of online distribution channels. In terms of domestic online distribution channels, we continued to strengthen our cooperation with the three telecom operators in China, namely China Mobile, China Unicom and China Telecom, and to expand into the channel of pre-installing games in devices. In the meantime, we also cooperated with domestic mainstream television games publishers to offer television card and board games. As at 30 September 2014, we have successfully launched television versions of three of our card and board games, including Texas Hold'em Series, Fight the Landlord and Sichuan Mahjong. In terms of overseas markets, we continued to extend our cooperation with social networking platforms and to actively explore the overseas market of pre-installation games in mobile phones in the third quarter of the year, with an aim to strengthening and solidifying our players base and strategic layout in target overseas markets.

In the third quarter of 2014, we completed an investment in an Internet company named YaoYaoCity Limited at a consideration of approximately RMB9,985,000 and we hold 15% interest. The above investment was classified as a financial asset at fair value through profit or loss upon its initial recognition. YaoYaoCity Limited is mainly engaged in providing WiFi services on long-distance buses in PRC. We envisage that through such investment, we will gain further cooperation opportunity in another promotion channel for our games.

In terms of technology investment, as at the end of the third quarter of 2014, we had 632 servers hosted in 17 locations in different countries and regions. We also continued to refine our game development and production tools which are based on our game development engine, thereby further enhancing game development efficiency and quality.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Our revenue for the three months ended 30 September 2014 amounted to approximately RMB243.5 million, representing year-on-year increase of 40.8% from approximately RMB172.9 million recorded for the same period of 2013. The year-on-year increase was mainly due to the increase in paying players from 732 thousand in the three months ended 30 September 2013 to 2,015 thousand in the same period in 2014, which mainly resulted from our effective monetization measures, especially in our mobile games. For the three months ended 30 September 2014, revenue generated from our mobile games and web-based games accounted for approximately 58.9% and 41.1% of our total revenue, respectively, as compared with 49.4% and 50.6%, respectively, for the three months ended 30 September 2013.

Cost of revenue

Our cost of revenue for the three months ended 30 September 2014 amounted to approximately RMB97.8 million, representing year-on-year increase of 46.3% from approximately RMB66.8 million recorded for the same period in 2013. The year-on-year increase was mainly due to the increase in commission fees paid to our payment collection channels resulting from the increase in the average commission fees charge rate as well as the increase in our revenue.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit for the three months ended 30 September 2014 amounted to approximately RMB145.7 million, representing year-on-year increase of 37.4% from approximately RMB106.1 million recorded for the same period in 2013.

Our gross profit margin were approximately 59.8% and 61.3%, respectively, for the three months ended 30 September 2014 and the same period in 2013.

Selling and marketing expenses

Our selling and marketing expenses for the three months ended 30 September 2014 amounted to approximately RMB45.4 million, representing year-on-year increase of 9.9% from approximately RMB41.3 million recorded for the same period in 2013. The year-on-year increase was mainly attributable to the increase in advertising and promotional activities aiming at expanding our games in target markets and keeping the popularity of our games in existing markets.

Administrative expenses

Our administrative expenses for the three months ended 30 September 2014 amounted to approximately RMB27.7 million, representing year-on-year increase of 10.0% from approximately RMB25.2 million recorded for the same period in 2013. The year-on-year increase was mainly due to the increase in employee benefit expenses resulting from the increase in headcount.

Other gains - net

For the three months ended 30 September 2014, we recorded other gains - net of approximately RMB14.6 million, compared to approximately RMB7.9 million recorded for the same period in 2013. The other gains - net primarily consisted of gains on financial assets at fair value through profit or loss relating to the wealth management products we purchased and return on short-term investments. The year-on-year increase was primarily due to the increased return on short-term investments.

Finance income/(costs) - net

Our net finance income for the three months ended 30 September 2014 was approximately RMB0.4 million, compared to the net finance costs of approximately RMB8.9 million recorded for the same period of 2013. The year-on-year change was primarily due to the change in fair value of the liability component of Series A Preferred Shares, which was recorded for the three months ended 30 September 2013 but not for the three months ended 30 September 2014 as Series A Preferred Shares were converted into ordinary Shares upon our listing on The Stock Exchange of Hong Kong Limited.

Share of profit of associates

We held investments in five associates, namely Shenzhen Fanhou Technology Co., Ltd., RaySns Technology Co., Ltd., Shanghai Teqi Internet Technology Co., Ltd., Shenzhen HuifuWorld Network Technology Co., Ltd. and Shenzhen Gangyun Technology Co., Ltd. as at 30 September 2014 (31 December 2013: three), all of which were Internet or online game companies. We recorded a share of profit of associates of approximately RMB2.7 million for the three months ended 30 September 2014, compared to a share of profit of associates of approximately RMB0.4 million recorded for the same period in 2013.

Income tax expense

Our income tax expense for the three months ended 30 September 2014 was approximately RMB14.0 million, representing an increase of 83.9% from approximately RMB7.6 million recorded for the three months ended 30 September 2013. The effective tax rate were 15.6% and 19.6%, respectively, for the three months ended 30 September 2014, and the same period in 2013. The decrease in effective tax rate for the three months ended 30 September 2014 compared to the corresponding period in 2013 is primarily due to the decrease of the Share-based payment expense and fair value change of liability component of Series A Preferred Shares which were non-tax deductible items.

Profit for the Reporting Period

As a result of the foregoing, our profit attributable to equity holders of the Company for the three months ended 30 September 2014 amounted to approximately RMB76.3 million, representing year-on-year increase of 143.2% from approximately RMB31.3 million recorded for the same period in 2013.

Non-IFRS Measure - Adjusted net profit

To supplement our consolidated financial statements which are presented in accordance with International Financial Reporting Standards ("**IFRSs**"), 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. Our unaudited non-IFRS adjusted net profit for the three months ended 30 September 2014 was derived from our unaudited profit of the same period excluding share-based compensation expenses of approximately RMB2.3 million, RMB0.9 million and RMB2.7 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 2013 was derived from our unaudited profit for the same period excluding share-based compensation expenses of approximately RMB5.4 million, RMB2.1 million and RMB6.2 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively, and fair value change of liability component of Series A Preferred Shares of approximately RMB8.4 million included in finance income/(costs) - net, and listing related expenses of approximately RMB3.3 million included in administrative expenses.

Cash and cash equivalents

As at 30 September 2014, we had cash and cash equivalents of approximately RMB799.8 million (31 December 2013: approximately RMB965.6 million), which primarily consisted of cash at bank and in hand. Out of the RMB799.8 million, approximately RMB734.1 million is denominated in Renminbi and approximately RMB65.7 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 2014, a total amount of RMB70.6 million from the net proceeds from our initial public offering had been utilized for expanding our marketing and promotion activities and for equity investments. The unutilized net proceeds has been deposited into short-term demand deposits in a bank account maintained by the Group as well as used in short-term investments in certain wealth management products which are principal protected and with guaranteed return.

Short-term investments

As at 30 September 2014, we had short-term investments of approximately RMB520.0 million (31 December 2013: RMB223.0 million). These short-term investments represent investments in certain money market instruments in the form of principal and return-guaranteed products denominated in Renminbi offered by certain commercial banks in China and have a term ranging from six months to one year. The effective interest rate for these short-term investments for the nine months ended 30 September 2014 was 6.3% (for the nine months ended 30 September 2013: 6.0%), and the returns on such short-term investments amounted to approximately RMB34.5 million for the nine months ended 30 September 2014 (for the nine months ended 30 September 2013: RMB1.7 million).

The short-term investments were made for treasury management purpose and 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. The Company decided and as agreed with the financial institutions offering the short-term investments, all the short-term investments were represented by interbank bonds and cash deposits which were highly liquid.

Borrowings

During the nine months ended 30 September 2014, 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 2014, our capital expenditure amounted to approximately RMB24.9 million (2013: approximately RMB5.8 million). The capital expenditure mainly includes payment for equity investments of RMB18.2 million (2013: nil), which was funded by using the net proceeds from our initial public offering; and purchasing of additional furniture and office equipment and computer software of RMB6.7 million (2013: approximately RMB5.8 million), which was funded by using our cash flow generated from our operations.

FINANCIAL INFORMATION
CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2014

	Note	**30 September 2014** *RMB'000* **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**12,487**	10,804
Intangible assets		**1,791**	1,032
Investments in associates		**21,637**	7,977
Deferred income tax assets		**4,864**	4,383
Financial assets at fair value through profit or loss		**9,985**	—
Prepayments and other receivables		**42,429**	9,285
		93,193	33,481
Current assets			
Trade receivables	3	**98,872**	59,376
Prepayments and other receivables		**36,671**	19,690
Financial assets at fair value through profit or loss		**2,000**	107,000
Available-for-sale financial assets		**2,725**	—
Short-term investments	4	**520,000**	223,000
Cash and cash equivalents		**799,752**	965,566
		1,460,020	1,374,632
Total assets		**1,553,213**	1,408,113
EQUITY AND LIABILITIES			
Equity			
Share capital		**245**	239
Share premium		**631,945**	738,070
Shares held for RSU Scheme		**(20)**	(33)
Reserves		**80,656**	53,512
Retained earnings		**636,917**	422,831
Total equity		**1,349,743**	1,214,619

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 30 SEPTEMBER 2014

	Note	***30 September 2014*** ***RMB'000*** **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		**591**	591
Current liabilities			
Trade and other payables	6	**93,964**	97,651
Deferred revenue		**32,596**	39,202
Current income tax liabilities		**76,319**	56,050
		202,879	192,903
Total liabilities		**203,470**	193,494
Total equity and liabilities		**1,553,213**	1,408,113
Net current assets		**1,257,141**	1,181,729
Total assets less current liabilities		**1,350,334**	1,215,210

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2014

	Note	Three months ended 30 September		Nine months ended 30 September	
		2014	2013	**2014**	2013
		RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue	2	**243,462**	172,894	**701,413**	481,821
Cost of revenue	7	**(97,776)**	(66,826)	**(271,876)**	(184,522)
Gross profit		**145,686**	106,068	**429,537**	297,299
Selling and marketing expenses	7	**(45,352)**	(41,260)	**(133,269)**	(104,577)
Administrative expenses	7	**(27,717)**	(25,187)	**(82,563)**	(68,588)
Other gains - net	8	**14,641**	7,898	**36,516**	13,955
Operating profit		**87,258**	47,519	**250,221**	138,089
Finance income		**591**	296	**7,235**	1,701
Finance costs		**(215)**	(9,182)	**(6,601)**	(16,524)
Finance income/(costs) - net		**376**	(8,886)	**634**	(14,823)
Share of profit of associates		**2,659**	352	**5,460**	123
Profit before income tax		**90,293**	38,985	**256,315**	123,389
Income tax expense	9	**(14,043)**	(7,637)	**(42,229)**	(21,881)
Profit for the period		**76,250**	31,348	**214,086**	101,508
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
- Change in fair value of available-for-sale financial assets		**116**	—	**116**	—
- Currency translation differences		**(842)**	(9,513)	**5,183**	(11,724)
Other comprehensive (loss)/income for the period, net of tax		**(726)**	(9,513)	**5,299**	(11,724)
Total comprehensive income for the period		**75,524**	21,835	**219,385**	89,784
Profit attributable to:					
Equity holders of the Company		**76,250**	31,348	**214,086**	101,508
Total comprehensive income attributable to:					
Equity holders of the Company		**75,524**	21,835	**219,385**	89,784
Earnings per share (expressed in RMB cents per share)					
- Basic	10	**11.15**	11.30	**32.65**	38.49
- Diluted	10	**10.37**	8.11	**29.15**	23.62
Dividends	11	**—**	—	**46,838**	—

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

	(Unaudited)					
	Share capital	Share premium	Shares held for RSU Scheme	Reserves	Retained earnings	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2014	239	738,070	(33)	53,512	422,831	1,214,619
Comprehensive income						
Profit for the period	—	—	—	—	214,086	214,086
Other comprehensive income						
- Change in fair value of available-for-sale financial assets	—	—	—	116	—	116
- currency translation differences	—	—	—	5,183	—	5,183
Total comprehensive income for the period	—	—	—	5,299	214,086	219,385
Employee share option and RSU schemes						
- value of employee services	—	—	—	21,845	—	21,845
- proceeds from shares issued	6	6,903	—	—	—	6,909
- vesting of shares held for RSU Scheme	—	(13)	13	—	—	—
Buy-back of shares	—	(587)	—	—	—	(587)
Dividends	—	(112,428)	—	—	—	(112,428)
Total transactions with owners, recognised directly in equity	6	(106,125)	13	21,845	—	(84,261)
Balance at 30 September 2014	245	631,945	(20)	80,656	636,917	1,349,743

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

	(Unaudited)			
	Share capital	**Reserves**	**Retained earnings**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2013	123	31,038	271,263	302,424
Comprehensive income				
Profit for the period	—	—	101,508	101,508
Other comprehensive loss				
- currency translation differences	—	(11,724)	—	(11,724)
Total comprehensive income for the period	—	(11,724)	101,508	89,784
Employee share option and RSU schemes				
- value of employee services	—	33,492	—	33,492
Total transactions with owners, recognised directly in equity	—	33,492	—	33,492
Balance at 30 September 2013	123	52,806	372,771	425,700

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

	Note	Nine months ended 30 September 2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		**167,628**	141,168
Income tax paid		**(22,441)**	(8,672)
Net cash generated from operating activities		**145,187**	132,496
Cash flows from investing activities			
Purchase of property, plant and equipment		**(5,604)**	(5,550)
Purchase of intangible assets		**(1,065)**	(234)
Purchase of short-term investments		**(1,060,000)**	(173,000)
Purchase of financial assets at fair value through profit or loss		**(9,985)**	(420,000)
Purchase of available-for-sale financial assets		**(2,609)**	—
Investments in associates		**(8,200)**	—
Prepayment for acquisition of a subsidiary		**(10,000)**	—
Payment of deposit for purchase of certain properties		**(20,000)**	—
Proceeds from disposals of financial assets at fair value through profit or loss		**107,243**	393,542
Proceeds from disposals of short-term investments		**763,000**	—
Proceeds on disposal of property, plant and equipment		**311**	13
Proceeds from partial disposal of investment in an associate		**—**	2,000
Return on short-term investments received		**34,474**	1,108
Interest received		**7,295**	1,701
Net cash used in investing activities		**(205,140)**	(200,420)
Cash flows from financing activities			
Payments for buy-back of shares		**(587)**	—
Dividends	11	**(112,428)**	—
Proceeds from issuance of ordinary shares		**6,678**	—
Prepayment for listing-related expenses		**—**	(7,953)
Net cash used in financing activities		**(106,337)**	(7,953)
Net decrease in cash and cash equivalents		**(166,290)**	(75,877)
Cash and cash equivalents at beginning of the period		**965,566**	274,682
Exchange gains/(losses) on cash and cash equivalents		**476**	(1,950)
Cash and cash equivalents at end of the period		**799,752**	196,855

1. **General information, basis of preparation and presentation**

The Company was incorporated in the Cayman Islands. The address of its registered office is PO 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 consolidated balance sheet as at 30 September 2014, the consolidated statements of comprehensive income for the three and nine months then ended, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months then ended, and a summary of significant accounting policies and other explanatory notes of the Group (collectively defined as the "Interim Financial Information") have been approved by the Board of Directors (the "Board") on 12 November 2014.

The Interim Financial Information is prepared in accordance with 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 2013 as set out in the 2013 annual report of the Company dated 27 February 2014 (the "2013 Financial Statements").

Except as described below, the accounting policies applied are consistent with those used in the 2013 Financial Statements, which have been prepared in accordance with IFRSs under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, available-for-sale financial assets and the liability component of the Series A Preferred Shares, 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.

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 2014 and have not been early adopted:

Annual improvements 2012 and 2013	Annual improvements projects	(effective for annual periods beginning on or after 1 July 2014)
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation	(effective for annual periods beginning on or after 1 January 2016)

IFRS 15	Revenue from contracts with customers	(effective for annual periods beginning on or after 1 January 2017)
IFRS 9	Financial instruments	(effective for annual periods beginning on or after 1 January 2018)

2. **Revenue and segment information**

	Three months ended 30 September		**Nine months ended 30 September**	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Development and operations of online games				
- Web-based games	**100,147**	87,570	**317,129**	303,664
- Mobile games	**143,315**	85,324	**384,284**	178,157
	243,462	172,894	**701,413**	481,821

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**	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Simplified Chinese	**118,146**	60,237	**295,195**	155,254
Other languages	**125,316**	112,657	**406,218**	326,567
	243,462	172,894	**701,413**	481,821

The Group has a large number of game players, no revenue from any individual game player contributed 10% or more of the Group's revenue for the three and nine months ended 30 September 2014 and 2013.

The Group's non-current assets other than deferred income tax assets and financial assets at fair value through profit or loss were located in the PRC at 30 September 2014 and 31 December 2013.

3. **Trade receivables**

	30 September 2014	31 December 2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**99,764**	60,268
Less: impairment provision	**(892)**	(892)
	98,872	59,376

Trade receivables were arising from the development and operations of online game business. The credit terms of trade receivables are usually 30 to 90 days after invoice date. Ageing analysis based on recognition date of the gross trade receivables at the respective balance sheet dates is as follows:

	30 September 2014	31 December 2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 - 60 days	**61,598**	46,668
60 - 90 days	**17,351**	7,788
90 - 180 days	**19,368**	4,440
Over 180 days	**1,447**	1,372
	99,764	60,268

4. **Short-term investments**

	30 September 2014	31 December 2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Short-term investments	**520,000**	223,000

Short-term investments represent investments in certain wealth management products issued by certain commercial banks in the PRC. These wealth management products are principal protected and with guaranteed return. They are denominated in RMB and have a term ranging from 6 months to 1 year. The effective interest rate of these investments for the nine months ended 30 September 2014 was 6.3% (for the year ended 31 December 2013: 6.0%).

5. 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 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.

(i) *Movements in the number of share options outstanding:*

	Number of share options	
	2014	2013
At 1 January	**29,527,781**	59,130,563
Exercised	**(19,319,083)**	—
Lapsed	**(150,000)**	(75,000)
Transferred to the RSU Scheme	**—**	(29,527,782)
At 30 September	**10,058,698**	29,527,781

(ii) *Outstanding share options*

Details of the exercise prices and the respective number of share options which remained outstanding as at 30 September 2014 and 31 December 2013 are as follows:

		Number of share options	
Expiry Date	**Price**	**30 September 2014**	31 December 2013
Tranche I	USD0.05	**7,465,779**	25,195,000
Tranche II	USD0.10	**231,500**	362,500
Tranche III	USD0.15	**248,743**	590,000
Tranche IV	USD0.15	**2,112,676**	3,380,281
		10,058,698	29,527,781

The expiry dates of the share options and RSUs transferred from share options under Tranche I, Tranche II, Tranche III and Tranche IV are 31 January 2019, 1 March 2020, 30 June 2020 and 31 October 2020, respectively.

(b) *RSUs*

Pursuant to a resolution passed by the Board of the Company in 2013, the Company set up a RSU Scheme with the objective to incentivise directors, senior management and employees for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

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

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

Movements in the number of RSUs outstanding:

	Number of RSUs	
	2014	2013
At 1 January	**79,654,565**	—
Transferred from the Pre-IPO Share Option Scheme	**—**	29,527,782
Granted	**—**	50,516,783
Lapsed	**(3,001,317)**	—
Vested and transferred	**(607,000)**	—
At 30 September	**76,046,248**	80,044,565
Vested but not transferred as at 30 September	**43,258,254**	—

6. **Trade and other payables**

	30 September 2014	31 December 2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**1,042**	635
Other taxes payable	**45,639**	43,671
Accrued expenses	**26,379**	19,368
Salary and staff welfare payables	**6,390**	16,453
Returns on short-term investments received in advance	**6,607**	6,914
Advance received from sales of prepaid game cards	**4,414**	3,395
Others	**3,493**	7,215
	93,964	97,651

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 2014	31 December 2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 - 30 days	**470**	468
31 - 60 days	**407**	22
61 - 90 days	**6**	11
Over 90 days	**159**	134
	1,042	635

7. **Expenses by nature**

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

	Three months ended 30 September		**Nine months ended 30 September**	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Commission charges by platforms and third party payment vendors	**77,367**	44,657	**214,985**	132,536
Advertising expenses	**44,674**	34,900	**122,683**	88,828
Employee benefit expenses (excluding share-based compensation expenses)	**27,017**	21,781	**76,369**	48,874
Share-based compensation expenses	**5,858**	13,738	**21,845**	33,492
Business tax and related surcharges	**581**	5,418	**4,736**	14,136
Servers rental expenses	**4,973**	3,509	**12,473**	9,791
Auditor's remuneration	**1,000**	141	**3,000**	264
Listing-related expenses	**—**	3,298	**—**	11,569
Other professional service fees	**1,571**	1,060	**7,074**	2,929
Depreciation and amortisation	**1,368**	1,052	**3,886**	2,838
Office rental expenses	**2,030**	1,625	**5,500**	3,402
Travelling and entertainment expenses	**1,550**	1,097	**5,726**	3,359
Other expenses	**2,856**	997	**9,431**	5,669
	170,845	133,273	**487,708**	357,687

(a) Research and development expenses during the three and nine months ended 30 September 2014 and 2013 were analysed as below:

	Three months ended 30 September		Nine months ended 30 September	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Employee benefit expenses	**12,999**	5,608	**32,472**	16,811
Depreciation of property, plant and equipment	**320**	126	**784**	335
Rental expenses	**747**	380	**1,988**	936
	14,066	6,114	**35,244**	18,082

No development expenses were capitalised for the three and nine months ended 30 September 2014 and 2013.

8. **Other gains - net**

	Three months ended 30 September		Nine months ended 30 September	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Returns on short-term investments	**16,039**	1,699	**34,547**	1,699
Realised/unrealised fair value gains on financial assets at fair value through profit or loss	**90**	2,830	**2,243**	7,567
Government subsidies	**—**	3,026	**1,546**	3,439
Foreign exchange (losses)/gains,net	**(1,482)**	386	**(1,707)**	564
Gain arising from partial disposal of an associate	**—**	—	**—**	854
Losses on disposals of property, plant and equipments	**(6)**	(8)	**(30)**	(9)
Others	**—**	(35)	**(83)**	(159)
	14,641	7,898	**36,516**	13,955

9. Income tax expense

The income tax expense of the Group for the three and nine months ended 30 September 2014 and 2013 is analysed as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Current tax	**14,441**	9,159	**42,710**	24,080
Deferred tax	**(398)**	(1,522)	**(481)**	(2,199)
	14,043	7,637	**42,229**	21,881

(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 2014 and 2013.

(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 2014 and 2013, 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") from year 2012 to year 2014 under the Corporate Income Tax Law in 2010. In addition, according to relevant tax regulations, Boyaa Shenzhen is exempt from CIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing either from the first year of commercial operations or from the first year of profitable operation after offsetting tax losses generated in prior years. Therefore, the actual income tax rate for Boyaa Shenzhen was 15% for the three and nine months ended 30 September 2014 (for the three and nine months ended 30 September 2013: 12.5%).

Boyaa On-line 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. Therefore, the actual income tax rate for Boyaa PRC was 15% for the three and nine months ended 30 September 2014 and 2013.

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engaged in research and development activities are entitled to claim 150% of the research and development expenses so incurred in a period as tax deductible expenses in determining its tax assessable profits for that period ("Super Deduction").

(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 30 September 2014, 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 RMB506,836,000 (31 December 2013: RMB438,142,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to a foreign investor in the foreseeable future based on management's estimation of overseas funding requirements.

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 30 September		Nine months ended 30 September	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Profit before income tax	**90,293**	38,985	**256,315**	123,389
Add: share of profit of associates, net of tax	**(2,659)**	(352)	**(5,460)**	(123)
	87,634	38,633	**250,855**	123,266
Tax calculated at a tax rate of 25%	**21,909**	9,658	**62,714**	30,817
Tax effects of:				
- Tax holiday on assessable profits of subsidiaries	**(3,017)**	(2,896)	**(7,649)**	(15,494)
- Different tax rates available to different subsidiaries of the Group	**(4,796)**	(356)	**(14,617)**	(904)
- Expenses not deductible for tax purposes	**479**	1,426	**3,116**	8,111
- Super Deduction	**(532)**	(195)	**(1,335)**	(649)
Income tax expense	**14,043**	7,637	**42,229**	21,881

10. **Earnings per share**

(a) ***Basic***

Basic earnings per ordinary share is calculated by dividing the profit of the Group attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares held for the RSU Scheme and treasury shares.

	Three months ended 30 September		**Nine months ended 30 September**	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Profit attributable to equity holders of the Company	**76,250**	31,348	**214,086**	101,508
Weighted average number of ordinary shares in issue (thousand shares)	**683,789**	277,344	**655,768**	263,711
Basic earnings per share (expressed in RMB cents per share)	**11.15**	11.30	**32.65**	38.49

(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 2013, the Company had two categories of dilutive potential ordinary shares, the Restricted Shares and Series A Preferred Shares. Share options and RSUs were not considered as dilutive potential ordinary shares as they were issuable contingently upon the Listing. Restricted Shares were assumed to have been fully vested and released from restrictions with no impact on earnings. The Series A Preferred Shares were assumed to have been converted into ordinary shares since the beginning of the reporting period, and the net profit is adjusted to eliminate the fair value change in the liability component.

For the three and nine months ended 30 September 2014, the Company had two categories of dilutive potential ordinary shares, 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	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Profit attributable to equity holders of the Company	**76,250**	31,348	**214,086**	101,508
Fair value change in the liability component of the Series A Preferred Shares	**—**	8,377	**—**	14,125
Profit used to determine diluted earnings per share	**76,250**	39,725	**214,086**	115,633
Weighted average number of ordinary shares in issue (thousand shares)	**683,789**	277,344	**655,768**	263,711
Adjustment for the Restricted Shares (thousand shares)	**—**	82,656	**—**	96,289
Adjustment for conversion of Series A Preferred Shares (thousand shares)	**—**	129,577	**—**	129,577
Adjustment for RSUs (thousand shares)	**37,675**	—	**55,890**	—
Adjustment for share options (thousand shares)	**13,689**	—	**22,813**	—
Weighted average number of ordinary shares for calculating diluted earnings per share (thousand shares)	**735,153**	489,577	**734,471**	489,577
Diluted earnings per share (expressed in RMB cents per share)	**10.37**	8.11	**29.15**	23.62

11. **Dividends**

A final dividend in respect of the year ended 31 December 2013 of RMB0.089 per share (equivalent to HKD0.112 per share) was proposed pursuant to a resolution passed by the Board on 27 February 2014 and approved by the shareholders at the annual general meeting held on 8 May 2014. Such dividend, amounted to HKD82,607,000 (equivalent to approximately RMB65,590,000), had been paid as at 30 September 2014.

On 12 August 2014, the Board has resolved to declare an interim dividend of RMB0.062 per share (for the nine months ended 30 September 2013: nil), which was paid on 11 September 2014 to shareholders who are on the register at 2 September 2014. Such dividend, amounted to HKD59,012,498 (equivalent to approximately RMB46,838,000), had been paid as at 30 September 2014.

RECONCILIATION FROM UNAUDITED NET PROFIT TO UNAUDITED NON-IFRS ADJUSTED NET PROFIT FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2014

	For the nine months ended 30 September		Year-on-Year
	2014	2013	Change
	RMB' 000	*RMB' 000*	%
	(unaudited)	(unaudited)	
Revenue	**701,413**	481,821	45.6
Cost of revenue	**(271,876)**	(184,522)	47.3
Gross profit	**429,537**	297,299	44.5
Selling and marketing expenses	**(133,269)**	(104,577)	27.4
Administrative expenses	**(82,563)**	(68,588)	20.4
Other gains - net	**36,516**	13,955	161.7
Operating profit	**250,221**	138,089	81.2
Finance income/(costs) - net	**634**	(14,823)	(104.3)
Share of profit of associates	**5,460**	123	4,339.0
Profit before income tax	**256,315**	123,389	107.7
Income tax expenses	**(42,229)**	(21,881)	93.0
Profit for the period	**214,086**	101,508	110.9
Non-IFRS Adjustment (unaudited)			
Share-based compensation expense included in cost of revenue	**8,642**	13,250	(34.8)
Share-based compensation expense included in selling and marketing expenses	**3,282**	5,031	(34.8)
Share-based compensation expense included in administrative expenses	**9,921**	15,211	(34.8)
Fair value change of liability component of Series A Preferred Shares included in finance cost	**—**	14,125	(100.0)
Listing-related expenses included in administrative expenses	**—**	11,569	(100.0)
Non-IFRS adjusted net profit (unaudited)	**235,931**	160,694	46.8

	For the three months ended		
	30 September 2014	30 September 2013	Year-on-Year Change
	RMB' 000	*RMB' 000*	%
	(unaudited)	(unaudited)	
Revenue	**243,462**	172,894	40.8
Cost of revenue	**(97,776)**	(66,826)	46.3
Gross profit	**145,686**	106,068	37.4
Selling and marketing expenses	**(45,352)**	(41,260)	9.9
Administrative expenses	**(27,717)**	(25,187)	10.0
Other gains - net	**14,641**	7,898	85.4
Operating profit	**87,258**	47,519	83.6
Finance income/(costs) - net	**376**	(8,886)	(104.2)
Share of profit of associates	**2,659**	352	655.4
Profit before income tax	**90,293**	38,985	131.6
Income tax expenses	**(14,043)**	(7,637)	83.9
Profit for the period	**76,250**	31,348	143.2
Non-IFRS Adjustment (unaudited)			
Share-based compensation expense included in cost of revenue	**2,317**	5,435	(57.4)
Share-based compensation expense included in selling and marketing expenses	**880**	2,064	(57.4)
Share-based compensation expense included in administrative expenses	**2,661**	6,239	(57.3)
Fair value change of liability component of Series A Preferred Shares included in finance cost	**—**	8,377	(100.0)
Listing-related expenses included in administrative expenses	**—**	3,298	(100.0)
Non-IFRS adjusted net profit (unaudited)	**82,108**	56,761	44.7

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

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

Hong Kong, 12 November 2014

As the date of this announcement, the executive directors are Mr. ZHANG Wei, Mr. DAI Zhikang and Mr. GAO Junfeng; the non-executive director is Mr. ZHOU Kui; the independent non-executive directors are Mr. CHEUNG Ngai Lam, Mr. CHOI Hon Keung Simon and Mr. GAO Shaofei.