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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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2016

FINANCIAL HIGHLIGHTS

	For the three months ended 31 March		Year-on-Year Change*	For the year ended 31
	2016	2015	%	December 2015
	RMB'000	RMB'000		RMB'000
	(unaudited)	(unaudited)		(audited)
Revenue	170,196	243,956	(30.2)	813,480
– Web-based games	66,374	100,283	(33.8)	333,941
– Mobile games	103,822	143,673	(27.7)	479,539
Gross profit	107,444	131,305	(18.2)	427,944
Profit attributable to owners of the Company	59,630	57,593	3.5	357,799
Non-IFRS adjusted net profit (unaudited)***	66,614	61,375	8.5	379,726

REVENUE BY GAMES

	For the three months ended 31 March		Year-on-Year Change*
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)	%
Texas Hold'em Series	129,272	167,280	(22.7)
Fight the Landlord	20,694	55,078	(62.4)
Others	20,230	21,598	(6.3)
Total	170,196	243,956	(30.2)

REVENUE BY LANGUAGE VERSIONS OF GAMES

	For the three months ended 31 March		Year-on-Year Change*
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)	%
Simplified Chinese	76,752	110,742	(30.7)
Other languages	93,444	133,214	(29.9)
Total	170,196	243,956	(30.2)

OPERATIONAL HIGHLIGHTS

	For the three months ended			Year-on-Year Change*	Quarter-on-Quarter Change**
	31 March 2016	31 December 2015	31 March 2015	%	%
Paying Players (in thousands)	1,694	1,749	2,297	(26.3)	(3.1)
• Web-based games	68	76	156	(56.4)	(10.5)
• Mobile games	1,626	1,673	2,141	(24.1)	(2.8)
Daily Active Players ("DAUs") (in thousands)****	5,337	5,639	6,003	(11.1)	(5.4)
• Web-based games	710	838	1,583	(55.1)	(15.3)
• Mobile games	4,627	4,801	4,420	4.7	(3.6)
Monthly Active Players ("MAUs") (in thousands)****	24,898	26,491	29,207	(14.8)	(6.0)
• Web-based games	4,239	5,753	8,092	(47.6)	(26.3)
• Mobile games	20,659	20,738	21,115	(2.2)	(0.4)

	For the three months ended			Year-on-	Quarter-on-
	31 March	31 December	31 March	Year	Quarter
	2016	2015	2015	Change*	Change**
				%	%
Average Revenue Per Paying Player (“ARPPU”) for Texas Hold’em Series (in RMB)					
• Web-based games	342.4	351.6	409.5	(16.4)	(2.6)
• Mobile games	110.3	89.7	57.7	91.2	23.0
ARPPU for Fight the Landlord (in RMB)					
• Web-based games	64.5	55.8	48.4	33.3	15.6
• Mobile games	9.6	15.8	18.2	(47.3)	(39.2)
ARPPU for Other Games (in RMB)					
• Web-based games	41.5	81.4	9.3	346.2	(49.0)
• Mobile games	9.1	9.3	8.8	3.4	(2.2)
* <i>Year-on-Year Change % represents a comparison between the current reporting period and the corresponding period last year.</i>					
** <i>Quarter-on-Quarter Change % represents a comparison between the quarter ended 31 March 2016 and the immediately preceding quarter.</i>					
*** <i>Non-IFRS adjusted net profit was derived from the profit for the period excluding share-based compensation expenses.</i>					
**** <i>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.</i>					

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 months ended 31 March 2016 (the “**Reporting Period**”) (the “**First Quarterly Results**”). The First Quarterly Results have been reviewed 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 first quarter of 2016, we continued to enhance refined operations for products and innovate modes of operations for products. Through the constant polishing of the quality of our games, there was improvement in our net profit while the impact on the number of players due to the decrease in advertising and marketing expenditure as a result of the adjustment to our advertising strategy in 2015 gradually diminished, thereby advancing a considerable step forward in the path to creating a healthier product ecosystem and establishing Boyaa as a century-old brand.

In terms of financial performance, despite the decrease in our revenue by a certain extent, we recorded growth in our unaudited non-IFRS adjusted net profit. In the first quarter of 2016, we recorded unaudited non-IFRS adjusted net profit of approximately RMB66.6 million, representing a year-on-year increase of approximately 8.5% compared to the first quarter of 2015, and a quarter-on-quarter decrease of approximately 71.0% compared to the fourth quarter of 2015, whereas if the one-off gain from the disposal of our equity interest in RaySns Technology Co., Ltd. (雷尚(北京)科技有限公司) in the fourth quarter of 2015 was excluded, we recorded quarter-on-quarter growth.

In terms of performance with respect to operational data, the impact of the adjustment to our advertising and marketing strategy in 2015 on the number of players gradually diminished. As at 31 March 2016, the number of our paying players and number of our active players both declined, but the rates of decline has notably slowed down. The number of paying players in the first quarter of 2016 was approximately 1.7 million, basically levelling with the number in the fourth quarter of 2015 (the quarter-on-quarter decrease from the third quarter of 2015 to the fourth quarter of 2015 was approximately 17.2%). The number of daily active players decreased from 5.6 million in the fourth quarter of 2015 to 5.3 million in the first quarter of 2016, representing a quarter-on-quarter decrease of approximately 5.4% (the quarter-on-quarter decrease from the third quarter of 2015 to the fourth quarter of 2015 was approximately 10.7%). The number of monthly active players decreased from 26.5 million in the fourth quarter of 2015 to 24.9 million in the first quarter of 2016, representing a quarter-on-quarter decrease of approximately 6.0% (the quarter-on-quarter decrease from the third quarter of 2015 to the fourth quarter of 2015 was approximately 9.8%).

In terms of games products, we continued to focus on the research and development, and innovation of online card and board games products. As at 31 March 2016, our online games product portfolio increased to 44 types, the majority of which were card and board games products, and newly-added products were overseas online card and board games. Meanwhile, through the trial-operation of our in-room card and board games mode, player resources could be concentrated effectively, contributing to the reinforcement of our brand influence.

In January 2016, by virtue of the pervasive brand image of our games and our good reputation in capital markets, the magazine *China Financial Market* conferred upon us the “Listed Company with the Greatest Potential Award” among the “2015 China Financial Market Listed Companies Awards”, which further inspired our confidence in building a leading brand in online card and board games and our persistence to pragmatically excel in capital markets.

In April 2016, we co-organized the Boyaa Fight the Landlord Huawei Spring Competition with Huawei Software Technologies Co., Ltd, with the aim to increasing the volume of active game players and enhancing the propagation of our brand through the form of online competition. We also worked with LeTV Sports Culture Develop (Beijing), Co., Ltd to release a new customized game – LeTv Happy Fight the Landlord, thereby introducing a new mode of live broadcast of and interaction in card and board game competitions.

In the second quarter of 2016, we will continue to focus on card and board games, concentrate on player experience, and commit to our goal of becoming a leading brand in online card and board games. We intend to continue to implement our key strategies in 2016, which are, continuously enriching and expanding our card and board games portfolio, advancing product innovation and penetrating into emerging markets, further enhancing refined operations for our products, and improving the hosting of online and offline competitions and the interactive experience of players.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Our revenue for the three months ended 31 March 2016 amounted to approximately RMB170.2 million, representing year-on-year decrease of 30.2% from approximately RMB244.0 million recorded for the same period of 2015. The year-on-year decrease was primarily due to the declining trend in the web-based games industry and SMS payment channels were not yet affected by the regulation and adjustment by its operators in the first quarter of 2015. For the three months ended 31 March 2016, revenue generated from our mobile games and web-based games accounted for approximately 61.0% and 39.0% of our total revenue, respectively, as compared with 58.9% and 41.1%, respectively, for the three months ended 31 March 2015.

Cost of revenue

Our cost of revenue for the three months ended 31 March 2016 amounted to approximately RMB62.8 million, representing year-on-year decrease of 44.3% from approximately RMB112.7 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 due to personnel movements resulting in the increase in the proportion of research and development personnel.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit for the three months ended 31 March 2016 amounted to approximately RMB107.4 million, representing year-on-year decrease of 18.2% from approximately RMB131.3 million recorded for the same period in 2015.

Our gross profit margin were approximately 63.1% and 53.8%, respectively, for the three months ended 31 March 2016 and the same period in 2015.

Selling and marketing expenses

Our selling and marketing expenses for the three months ended 31 March 2016 amounted to approximately RMB5.8 million, representing year-on-year decrease of 88.0% from approximately RMB47.9 million recorded for the same period in 2015. The year-on-year decrease was mainly attributable to decreased advertising and promotional activities and a decrease in employee benefit expenses recorded in selling and marketing expenses due to personnel movements resulting in the increase in the proportion of research and development personnel.

Administrative expenses

Our administrative expenses for the three months ended 31 March 2016 amounted to approximately RMB51.4 million, representing year-on-year increase of 73.2% from approximately RMB29.6 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 due to personnel movements resulting in the increase in the proportion of research and development personnel.

Other gains – net

For the three months ended 31 March 2016, we recorded other gains (net) of approximately RMB11.1 million, compared to approximately RMB7.0 million recorded for the same period in 2015. The other 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 plans, equity investment partnerships and certain wealth management products we purchased.

Finance income – net

Our net finance income for the three months ended 31 March 2016 was approximately RMB7.8 million, compared to approximately RMB1.2 million recorded for the same period of 2015. The year-on-year change was primarily due to increase 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 31 March 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 RMB0.8 million for the three months ended 31 March 2016, compared to a share of profit of associates of approximately RMB3.1 million recorded for the same period in 2015.

Income tax expense

Our income tax expense for the three months ended 31 March 2016 was approximately RMB8.8 million, representing an increase of 6.6% from approximately RMB8.2 million recorded for the three months ended 31 March 2015. The effective tax rate were 12.8% and 12.6%, respectively, for the three months ended 31 March 2016 and the same period in 2015. The increase in effective tax rate for the three months ended 31 March 2016 compared to the corresponding period in 2015 is primarily due to the decrease in profits with lower effective tax rates which contributed by Function Technology Co., Ltd. and Boyaa Holdings Limited and the increase in the share-based compensation expense which was a non-tax deductible item.

Profit for the Period

As a result of the foregoing, our profit for the three months ended 31 March 2016 amounted to approximately RMB59.6 million, with our profit attributable to owners of the Company for the first quarter of 2016 amounted to approximately RMB59.6 million, representing year-on-year increase of 4.9% and 3.5%, respectively, from the profit and the profit attributable to owners of the Company of approximately RMB56.9 million and RMB57.6 million recorded for the same period in 2015, respectively.

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 31 March 2016 of approximately RMB66.6 million was derived from our unaudited profit of the same period excluding share-based compensation expenses of approximately RMB1.7 million, RMB1.7 million and RMB3.6 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively, as compared to our unaudited non-IFRS adjusted net profit for the three months ended 31 March 2015 of approximately RMB61.4 million derived from our unaudited profit for the three months ended 31 March 2015 excluding share-based compensation expenses of approximately RMB1.8 million, RMB0.7 million and RMB2.1 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively.

Cash and cash equivalents

As at 31 March 2016, we had cash and cash equivalents of approximately RMB1,070.5 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 RMB1,070.5 million, approximately RMB908.1 million is denominated in Renminbi and approximately RMB162.4 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 31 March 2016, a total amount of RMB360.6 million from the net proceeds from our initial public offering had been utilized for expanding our marketing and promotion activities, business expansion, research and development activities and for equity investments. The unutilized net proceeds has been deposited into short-term demand deposits in bank accounts maintained by the Group.

Financial assets at fair value through profit or loss

As at 31 March 2016, we also recorded financial assets at fair value through profit or loss amounted to approximately RMB567.2 million (31 December 2015: approximately RMB482.4 million), which consisted of non-quoted investments in asset management plans, 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 31 March 2016, the fair values of the investments in asset management plans 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 approximated its carrying amount as at 31 March 2016. These wealth management products have an initial term ranging from 13 days to 1 year. The fair values of these investments were based on the quotations 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.

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/or 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 the underlying investment portfolio of the wealth management products of the Company were primarily represented by inter-bank loan market instruments and exchange traded fixed-income financial instruments, such as inter-bank loans, government bonds, central bank bills and similar products, which were highly liquid with a relatively short term of maturity, and which were considered to akin to placing deposits with banks whilst enabling the Group to earn an attractive rate of return.

Borrowings

During the three months ended 31 March 2016, we did not have any short-term bank borrowings and we had no outstanding, utilized or unutilized banking facilities.

Capital expenditures

For the three months ended 31 March 2016, our capital expenditure amounted to approximately RMB11.6 million (for the three months ended 31 March 2015: approximately RMB5.3 million), mainly including payment for purchasing buildings, additional furniture and equipment, motor vehicles, leasehold improvements and computer software of RMB11.6 million (for the three months ended 31 March 2015: approximately RMB4.3 million), which was funded by using our cash flows generated from our operations and the net proceeds from our initial public offering; and equity investment of nil (for the three months ended 31 March 2015: approximately RMB1.0 million), which was funded by using the net proceeds from our initial public offering.

FINANCIAL INFORMATION

INTERIM CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2016

		31 March	31 December
		2016	2015
	<i>Note</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		41,684	28,164
Intangible assets		5,079	5,473
Investments in associates	3	15,648	18,829
Available-for-sale financial assets	4	240,170	280,484
Deferred income tax assets		7,287	7,029
Financial assets at fair value through profit or loss	6	273,465	259,857
Prepayments and other receivables		14,101	17,611
		597,434	617,447
Current assets			
Trade receivables	5	69,444	77,858
Prepayments and other receivables		33,794	30,664
Financial assets at fair value through profit or loss	6	293,742	222,561
Term deposits		37,306	65,468
Cash and cash equivalents		1,070,517	1,065,802
		1,504,803	1,462,353
Total assets		2,102,237	2,079,800

INTERIM CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 31 MARCH 2016

		31 March	31 December
		2016	2015
	<i>Note</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	(Audited)
EQUITY AND LIABILITIES			
Equity			
Share capital		248	248
Share premium		590,114	590,113
Shares held for RSU Scheme		(17)	(18)
Reserves		126,730	155,266
Retained earnings		1,120,325	1,060,695
Total equity		1,837,400	1,806,304
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		36,156	41,628
Current liabilities			
Trade and other payables	8	87,519	95,760
Deferred revenue		25,846	22,774
Current income tax liabilities		115,316	113,334
		228,681	231,868
Total liabilities		264,837	273,496
Total equity and liabilities		2,102,237	2,079,800

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2016

		Three months ended 31 March	
	<i>Note</i>	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Revenue	2	170,196	243,956
Cost of revenue	9	(62,752)	(112,651)
Gross profit		107,444	131,305
Selling and marketing expenses	9	(5,760)	(47,908)
Administrative expenses	9	(51,358)	(29,644)
Other gains – net	10	11,082	7,027
Operating profit		61,408	60,780
Finance income	11	8,139	5,554
Finance costs	11	(333)	(4,368)
Finance income – net	11	7,806	1,186
Share of (loss)/profit of associates	3	(826)	3,113
Profit before income tax		68,388	65,079
Income tax expense	12	(8,758)	(8,218)
Profit for the period		59,630	56,861
Other comprehensive income			
Items that may be reclassified to profit or loss:			
– Changes in value of available-for-sale financial assets, net of tax		(34,259)	(579)
– Currency translation differences		(1,261)	681
Other comprehensive (loss)/income for the period, net of tax		(35,520)	102
Total comprehensive income for the period		24,110	56,963
Profit attributable to:			
– Owners of the Company		59,630	57,593
– Non-controlling interests		–	(732)
		59,630	56,861
Total comprehensive income attributable to:			
– Owners of the Company		24,110	57,695
– Non-controlling interests		–	(732)
		24,110	56,963
Earnings per share (expressed in RMB cents per share)			
– Basic	13	8.40	8.20
– Diluted	13	8.33	7.87

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2016

Note	(Unaudited)							Total equity RMB'000
	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	
Balance at 1 January 2016	248	590,113	(18)	155,266	1,060,695	1,806,304	-	1,806,304
Comprehensive income								
Profit for the period	-	-	-	-	59,630	59,630	-	59,630
Other comprehensive income								
– change in value of available-for-sale financial assets, net of tax	-	-	-	(34,259)	-	(34,259)	-	(34,259)
– currency translation differences	-	-	-	(1,261)	-	(1,261)	-	(1,261)
Total comprehensive income for the period	-	-	-	(35,520)	59,630	24,110	-	24,110
Employee share option and RSU scheme								
– value of employee services	-	-	-	6,984	-	6,984	-	6,984
– proceeds from shares issued	-	2	-	-	-	2	-	2
– vesting of shares under RSU scheme	-	(1)	1	-	-	-	-	-
Total transactions with owners, recognized directly in equity	-	1	1	6,984	-	6,986	-	6,986
Balance at 31 March 2016	<u>248</u>	<u>590,114</u>	<u>(17)</u>	<u>126,730</u>	<u>1,120,325</u>	<u>1,837,400</u>	<u>-</u>	<u>1,837,400</u>
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	-	-	-	-	57,593	57,593	(732)	56,861
Other comprehensive income								
– change in value of available-for-sale financial assets, net of tax	-	-	-	(579)	-	(579)	-	(579)
– currency translation differences	-	-	-	681	-	681	-	681
Total comprehensive income for the period	-	-	-	102	57,593	57,695	(732)	56,963
Employee share option and RSU scheme								
– value of employee services	-	-	-	4,514	-	4,514	-	4,514
– proceeds from shares issued	2	1,164	-	-	-	1,166	-	1,166
– vesting of shares under RSU scheme	-	(2)	2	-	-	-	-	-
Total transactions with owners, recognized directly in equity	2	1,162	2	4,514	-	5,680	-	5,680
Balance at 31 March 2015	<u>247</u>	<u>633,491</u>	<u>(17)</u>	<u>141,661</u>	<u>760,489</u>	<u>1,535,871</u>	<u>8,398</u>	<u>1,544,269</u>

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2016

	Three months ended	
	31 March	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash generated from operations	60,062	28,965
Income tax paid	(6,456)	(445)
Net cash generated from operating activities	53,606	28,520
Cash flows from investing activities		
Purchase of property, plant and equipment	(11,554)	(4,048)
Purchase of intangible assets	–	(226)
Purchase of financial assets at fair value through profit or loss	(2,164,481)	(8,026)
Placement of term deposits with original maturities over three months	(5,000)	–
Investment in an associate	–	(1,000)
Acquisition of subsidiaries, net of cash acquired	–	19
Proceeds from disposals of short-term investments	–	270,000
Proceeds from disposals of financial assets at fair value through profit or loss	2,089,347	–
Receipt from maturity of term deposits with initial terms of over three months	33,000	–
Proceeds from disposal of investment in an associate	3,200	–
Proceeds from disposal of property, plant and equipment	–	1
Return on short-term investments received	–	1,894
Interest received	7,010	4,828
Net cash flows (used in)/generated from investing activities	(48,478)	263,442
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	2	1,227
Net cash flows generated from financing activities	2	1,227
Net increase in cash and cash equivalents	5,130	293,189
Cash and cash equivalents at beginning of period	1,065,802	1,029,331
Exchange losses on cash and cash equivalents	(415)	(258)
Cash and cash equivalents at end of the period	1,070,517	1,322,262

NOTES:

1. General information, basis of preparation and significant accounting policies

Boyaa Interactive International Limited (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 interim consolidated balance sheet as at 31 March 2016, the interim consolidated statement of comprehensive income, the interim consolidated statement of changes in equity and the interim consolidated statement of cash flows for the three months then ended, and a summary of significant accounting policies and other explanatory notes (collectively defined as the “**Interim Condensed Consolidated Financial Information**”) of the Group have been approved by the Board of Directors (the “**Board**”) on 8 June 2016.

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

The Interim Condensed Consolidated Financial Information is prepared in accordance with International Accounting Standards (“**IAS**”) 34 ‘Interim Financial Reporting’ issued by the International Accounting Standards Board. This Interim Condensed Consolidated 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 (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 (“**IFRS**”) 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.

There are no new standards, amendments and interpretations to existing standards that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

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

		Effective for the financial year beginning on or after
IFRS 9	“Financial instruments”	1 January 2018
IFRS 15	“Revenue from contracts with customers”	1 January 2018
IFRS 16	“Leases”	1 January 2019

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

2. Revenue and segment information

	Three months ended 31 March	
	2016	2015
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Development and operations of online games		
– Web-based games	66,374	100,283
– Mobile games	103,822	143,673
	<u>170,196</u>	<u>243,956</u>

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 31 March	
	2016	2015
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Simplified Chinese	76,752	110,742
Other languages	93,444	133,214
	<u>170,196</u>	<u>243,956</u>

The Group has a large number of game players, none of whom contributed 10% or more of the Group’s revenue for the three months ended 31 March 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:

	31 March 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Mainland China	57,223	61,626
Other locations	19,289	8,451
	<u>76,512</u>	<u>70,077</u>

3. Investments in associates

	Three months ended 31 March 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
At beginning of the period	18,829	21,839
Addition (<i>Note (a)</i>)	150	3,000
Share of (loss)/profit	(826)	3,113
Disposal (<i>Note (b)</i>)	(2,505)	–
At end of the period	<u>15,648</u>	<u>27,952</u>

- (a) On 18 March 2016, the Group invested in 15% equity interest in Chengdu Boyu Interactive Technology Co., Ltd. (成都博娛互動科技有限公司, “**Chengdu Boyu**”), which is established on 26 February 2016 and mainly engaged in the operation and promotion of chess and card games at a consideration of RMB150,000. Since the Group has the right to appoint a director to the board of directors of Chengdu Boyu, the directors of the Company consider that the Group has significant influence on Chengdu Boyu, and accordingly it is accounted for as an associate of the Group.
- (b) On 25 February 2016, the Group disposed of 12% equity interest in Shenzhen Gangyun Technology Co., Ltd. (深圳港雲科技有限公司) to an independent third party at a consideration of approximately RMB3,200,000. From the date on which the Group acquired the equity interest to 25 February 2016, the Group's accumulated share of loss is RMB695,000, thus the disposal resulted in a gain of RMB695,000.

The directors of the Company consider that all associates as at 31 March 2016 and 31 December 2015 were insignificant to the Group and thus the individual summarised financial information of these associates are not disclosed.

4. Available-for-sale financial assets

	Three months ended 31 March	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
At 1 January	280,484	63,975
Net losses from changes in fair value	(40,309)	(579)
Currency translation differences	(5)	9
	<u> </u>	<u> </u>
At 31 March	<u>240,170</u>	<u>63,405</u>

Available-for-sale financial assets include the following:

	31 March 2016	31 December 2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Listed equity securities	189,477	229,791
Unlisted equity investment	<u>50,693</u>	<u>50,693</u>
	<u>240,170</u>	<u>280,484</u>

5. Trade receivables

	31 March 2016	31 December 2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade receivables	69,444	77,858
Less: impairment provision	<u>—</u>	<u>—</u>
	<u>69,444</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 respective balance sheet dates is as follows:

	31 March 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
0-60 days	46,300	51,724
61-90 days	10,430	12,687
91-180 days	6,571	6,139
Over 180 days	6,143	7,308
	<u>69,444</u>	<u>77,858</u>

6. Financial assets at fair value through profit or loss

	31 March 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Included in non-current assets		
Non-quoted investments in:		
– asset management plans (<i>Note (a)</i>)	165,235	163,221
– equity investment partnerships (<i>Note (a)</i>)	98,512	96,636
– preferred shares issued by a private company (<i>Note (b)</i>)	9,718	-
	<u>273,465</u>	<u>259,857</u>
Included in current assets		
Non-quoted investments in certain		
wealth management products (<i>Note (c)</i>)	<u>293,742</u>	<u>222,561</u>
	<u>567,207</u>	<u>482,418</u>

- (a) As at 31 March 2016, the fair values of the investments in asset management plans 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.

- (b) On 22 February 2016, the Group entered into a share purchase agreement to subscribe 291,094 Series A Preferred Shares issued by Usens, Inc. which is mainly engaged in providing solutions to 3D interactions in virtual reality and augmented reality applications, at a consideration of USD1,500,000 (equivalent to approximately RMB9,718,000). The above transaction had been completed as of 31 March 2016. As at 31 March 2016, the fair value of the above investment approximated its carrying amount.
- (c) They have an initial term ranging from 13 days to 1 year. The fair values of these investments were based on the quotations provided by the counterparties.
- (d) 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.

7. 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	
	31 March 2016 (Unaudited)	31 March 2015 (Unaudited)
At beginning of the period	25,563,721	8,827,506
Exercised	(2,709)	(3,709,034)
Lapsed	(1,400,791)	(312,522)
At end of the period	<u>24,160,221</u>	<u>4,805,950</u>

Share options exercised during the period resulted in 2,709 shares being issued, with exercise proceeds of approximately RMB2,000. The related weighted average share price at the time of exercise was HKD2.59 per share.

(ii) *Outstanding share options*

Details of the exercise prices and the respective numbers of share options which remained outstanding as at 31 March 2016 and 31 December 2015 were as follows:

Expiry Date	Exercise price		Number of share options	
	Original currency	Equivalent to HKD	31 March 2016 (Unaudited)	31 December 2015 (Audited)
31 January 2019	USD0.05	HKD0.388	120,232	120,232
1 March 2020	USD0.10	HKD0.775	61,749	65,249
30 June 2020	USD0.15	HKD1.163	78,240	78,240
6 September 2025	HKD3.108	HKD3.108	23,900,000	25,300,000
			24,160,221	25,563,721

(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 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 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	(1,660,124)	(866,308)
Vested and transferred	(747,098)	(5,139,750)
At 31 March	<u>44,976,209</u>	<u>73,164,874</u>
Vested but not transferred as at 31 March	<u>35,549,120</u>	<u>46,719,396</u>

8. Trade and other payables

	31 March	31 December
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade payables	701	727
Other taxes payable	45,750	44,967
Accrued expenses	18,914	25,640
Salary and staff welfare payables	11,237	12,946
Advance received from sales of prepaid game cards	3,528	3,099
Others	<u>7,389</u>	<u>8,381</u>
	<u>87,519</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:

	31 March 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
0-30 days	416	420
31-60 days	–	39
Over 90 days	285	268
	701	727

9. Expenses by nature

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

	Three months ended 31 March 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Commission charges by platforms and third party payment vendors	52,966	94,671
Employee benefit expenses (excluding share-based compensation expenses)	40,753	32,925
Share-based compensation expenses	6,984	4,514
Servers rental expenses	4,873	5,996
Office rental expenses	2,360	2,427
Depreciation of property, plant and equipment	2,342	1,623
Travelling and entertainment expenses	1,985	1,845
Other professional service fees	1,888	2,501
Auditor's remuneration	1,000	1,000
Advertising expenses	701	39,436
Amortization of intangible assets	394	674
Other expenses	3,624	2,591
	119,870	190,203

10. Other gains – net

	Three months ended	
	31 March	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Realized/unrealized fair value gains on financial assets		
at fair value through profit or loss	9,940	3,479
Gain arising from disposal of an associate (<i>Note 3(b)</i>)	695	–
Foreign exchange gains/(losses), net	323	(1,315)
Government subsidies	111	1,000
Returns on short-term investments	–	3,754
Others	13	109
	11,082	7,027

11. Finance income – net

	Three months ended	
	31 March	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance income		
Interest income	7,486	4,994
Interest income on non-current loans to employees	208	560
Foreign exchange gains, net	445	–
	8,139	5,554
Finance costs		
Discounting effects of non-current loans to employees	(333)	(3,338)
Foreign exchange losses, net	–	(1,030)
	(333)	(4,368)
Finance income – net	7,806	1,186

12. Income tax expense

The income tax expense of the Group for the three months ended 31 March 2016 and 2015 is analysed as follows:

	Three months ended	
	31 March	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax	8,438	9,587
Deferred tax	320	(1,369)
	8,758	8,218

(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 months ended 31 March 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 months ended 31 March 2016 and 2015, based on the existing legislation, interpretations and practices in respect thereof.

Shenzhen Dong Fang Bo Ya Technology Co., Ltd. ("**Boyaa Shenzhen**") has successfully renewed its "High and New Technology Enterprise" ("**HNTE**") qualification 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 months ended 31 March 2016 (2015: 15%).

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. Besides based on management's self-assessment, it is highly probable that Boyaa PRC will successfully renew the HNTE qualification for the next 3 years ending 31 December 2018 in 2016. Therefore, the actual income tax rate for Boyaa PRC was 15% for the three months ended 31 March 2016 (2015: 15%).

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

(d) PRC withholding tax (“WHT”)

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

As at 31 March 2016, 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 RMB714,247,000. Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to their foreign investor in the foreseeable future based on management’s estimation of overseas funding requirements.

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	
	31 March	
	2016	2015
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Profit before income tax	68,388	65,079
Add: Share of loss/(profit) of associates, net of tax	826	(3,113)
	69,214	61,966
Tax calculated at a tax rate of 25%	17,304	15,492
Tax effects of:		
– Tax concession on assessable profits of Boyaa Shenzhen and Boyaa PRC	(1,702)	(214)
– Different tax rates available to different subsidiaries of the Group	(5,539)	(7,407)
– Expenses not deductible for tax purposes	1,029	802
– Income not subject to tax	(214)	-
– Super Deduction	(2,120)	(455)
Income tax expense	8,758	8,218

13. 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	
	31 March	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company	59,630	57,593
Weighted average number of ordinary shares in issue (thousand shares)	709,815	702,505
Basic earnings per share (expressed in RMB cents per share)	8.40	8.20

(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 months ended 31 March 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	
	31 March	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit used to determine diluted earnings per share	<u>59,630</u>	<u>57,593</u>
Weighted average number of ordinary shares in issue (thousand shares)	709,815	702,505
Adjustment for RSUs (thousand shares)	6,119	23,617
Adjustment for share options (thousand shares)	<u>193</u>	<u>5,314</u>
Weighted average number of ordinary shares for calculating diluted earnings per share (thousand shares)	<u>716,127</u>	<u>731,436</u>
Diluted earnings per share (expressed in RMB cents per share)	<u>8.33</u>	<u>7.87</u>

14. Dividends

The Board of the Company has resolved not to declare an interim dividend for the three months ended 31 March 2016 (for the three months ended 31 March 2015: nil).

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

FOR THE THREE MONTHS ENDED 31 MARCH 2016

	For the three months ended			Year-on-Year	Quarter-on-Quarter
	31 March	31 December	31 March	Change*	Change**
	2016	2015	2015		
	RMB'000	RMB'000	RMB'000	%	%
	(unaudited)	(unaudited)	(unaudited)		
Revenue	170,196	186,523	243,956	(30.2)	(8.8)
Cost of revenue	(62,752)	(86,757)	(112,651)	(44.3)	(27.7)
Gross profit	107,444	99,766	131,305	(18.2)	7.7
Selling and marketing expenses	(5,760)	(18,312)	(47,908)	(88.0)	(68.5)
Administrative expenses	(51,358)	(37,598)	(29,644)	73.2	36.6
Other gains – net	11,082	215,056	7,027	57.7	(94.8)
Operating profit	61,408	258,912	60,780	1.0	(76.3)
Finance income – net	7,806	6,873	1,186	558.2	13.6
Share of (loss)/profit of associates	(826)	(1,108)	3,113	(126.5)	(25.5)
Profit before income tax	68,388	264,677	65,079	5.1	(74.2)
Income tax expense	(8,758)	(42,916)	(8,218)	6.6	(79.6)
Profit for the period	59,630	221,761	56,861	4.9	(73.1)
Non-IFRS Adjustment (unaudited)					
Share-based compensation expense included in cost of revenue	1,673	1,878	1,786	(6.3)	(10.9)
Share-based compensation expense included in selling and marketing expenses	1,744	1,868	678	157.2	(6.6)
Share-based compensation expense included in administrative expenses	3,567	3,887	2,050	74.0	(8.2)
Non-IFRS adjusted net profit (unaudited)	66,614	229,394	61,375	8.5	(71.0)

* 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 31 March 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 of
Boyaa Interactive International Limited
ZHANG Wei
Chairman and Executive Director

Hong Kong, 8 June 2016

As 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. GAO Shaofei.