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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Boyaa Interactive International Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2020 (the “**Reporting Period**”). The annual results have been prepared in accordance with the International Financial Reporting Standards (the “**IFRS**”) and audited by ZHONGHUI ANDA CPA Limited, the auditor of the Company. In addition, the annual results have also been reviewed by the audit committee of the Company (the “**Audit Committee**”). The audited consolidated results for the year ended 31 December 2020 together with the comparative figures for the year ended 31 December 2019, are set forth in this announcement.

Highlights:

- Our revenue for the year ended 31 December 2020 amounted to approximately RMB351.5 million, representing an increase of approximately 8.5% from approximately RMB323.8 million recorded in 2019.
- Our gross profit for the year ended 31 December 2020 amounted to approximately RMB242.2 million, representing an increase of approximately 9.5% from approximately RMB221.2 million recorded in 2019.
- Losses attributable to owners of the Company for the year ended 31 December 2020 amounted to approximately RMB45.1 million, whereas we recorded profits attributable to owners of the Company of approximately RMB33.8 million in 2019.
- Our unaudited non-IFRS adjusted net losses for the year ended 31 December 2020 derived by excluding share-based compensation expenses amounted to approximately RMB45.1 million, whereas we recorded a position of unaudited non-IFRS adjusted net profits of approximately RMB34.2 million in 2019.

FINANCIAL HIGHLIGHTS

	For the year ended		Year-on-Year Change*
	31 December		
	2020	2019	
	RMB'000	RMB'000	%
	(audited)	(audited)	
Revenue	351,479	323,816	8.5
– Web-based games	142,432	141,840	0.4
– Mobile games	209,047	181,976	14.9
Gross profit	242,231	221,164	9.5
(Loss)/profit attributable to owners of the Company	(45,102)	33,760	(233.6)
Non-IFRS adjusted net (loss)/profit (unaudited)***	(45,102)	34,233	(231.8)
(Losses)/Earnings per share (expressed in RMB cents per share)			
– Basic	(6.83)	5.05	(235.2)
– Diluted	(6.83)	5.05	(235.2)
	For the three months ended		Year-on-Year Change*
	31 December		
	2020	2019	
	RMB'000	RMB'000	%
	(unaudited)	(unaudited)	
Revenue	77,632	78,313	(0.9)
– Web-based games	31,771	34,629	(8.3)
– Mobile games	45,861	43,684	5.0
Gross profit	50,399	52,416	(3.8)
Loss attributable to owners of the Company	(30,439)	(48,308)	(37.0) <i>(Note 1)</i>
Non-IFRS adjusted net loss (unaudited)***	(30,439)	(48,307)	(37.0) <i>(Note 2)</i>

Notes:

1. Represents a year-on-year decrease of loss attributable to owners of the Company of 37.0%.
2. Represents a year-on-year decrease of non-IFRS adjusted net loss (unaudited) of 37.0%.

REVENUE BY GAMES

	For the year ended		Year-on-Year Change*
	31 December		
	2020	2019	
	<i>RMB'000</i>	<i>RMB'000</i>	%
	(audited)	(audited)	
Texas Hold'em Series	241,528	237,783	1.6
Other Card and Board****	109,951	86,033	27.8
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Total	<u>351,479</u>	<u>323,816</u>	8.5
	For the three months ended		Year-on-Year Change*
	31 December		
	2020	2019	
	<i>RMB'000</i>	<i>RMB'000</i>	%
	(unaudited)	(unaudited)	
Texas Hold'em Series	54,473	57,257	(4.9)
Other Card and Board****	23,159	21,056	10.0
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Total	<u>77,632</u>	<u>78,313</u>	(0.9)

REVENUE BY LANGUAGE VERSIONS OF GAMES

	For the year ended		Year-on-Year Change*
	31 December		
	2020	2019	
	<i>RMB'000</i>	<i>RMB'000</i>	%
	(audited)	(audited)	
Simplified Chinese	37,663	42,199	(10.7)
Other languages	313,816	281,617	11.4
Total	351,479	323,816	8.5
	For the three months ended		Year-on-Year Change*
	31 December		
	2020	2019	
	<i>RMB'000</i>	<i>RMB'000</i>	%
	(unaudited)	(unaudited)	
Simplified Chinese	5,105	7,318	(30.2)
Other languages	72,527	70,995	2.2
Total	77,632	78,313	(0.9)

OPERATIONAL HIGHLIGHTS

	For the three months ended			Year-on-Year Change*	Quarter-on-Quarter Change**
	31 December 2020 (unaudited)	30 September 2020 (unaudited)	31 December 2019 (unaudited)		
Paying Players (<i>in thousands</i>)	235	261	334	(29.6)	(10.0)
• Web-based games	7	8	13	(46.2)	(12.5)
• Mobile games	228	253	321	(29.0)	(9.9)
Daily Active Users (“DAUs”) (<i>in thousands</i>)****	1,626	2,013	2,561	(36.5)	(19.2)
• Web-based games	108	122	207	(47.8)	(11.5)
• Mobile games	1,518	1,891	2,354	(35.5)	(19.7)
Monthly Active Users (“MAUs”) (<i>in thousands</i>)****	4,493	5,356	7,149	(37.2)	(16.1)
• Web-based games	303	317	536	(43.5)	(4.4)
• Mobile games	4,190	5,039	6,613	(36.6)	(16.8)
Average Revenue Per Paying User (“ARPPU”) of Texas Hold’em (<i>in RMB</i>)					
• Web-based games	1,764.2	1,685.3	960.4	83.7	4.7
• Mobile games	126.2	124.8	135.0	(6.5)	1.1
ARPPU of Other Card and Board (<i>in RMB</i>)					
• Web-based games	5.3	12.0	18.0	(70.6)	(55.8)
• Mobile games	45.9	46.3	26.4	73.9	(0.9)

* 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 December 2020 and the immediately preceding quarter.

*** Non-IFRS adjusted net (loss)/profit was derived from the net (loss)/profit for the period excluding share-based compensation expenses.

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

***** The categories of “Fight the landlord” and “others” set out in the summary in the previous annual results announcement is combined and referred to as “Other Card and Board” above.

BUSINESS OVERVIEW AND OUTLOOK

Review of 2020

In terms of financial performance, we recorded the revenue of approximately RMB351.5 million in 2020, representing a year-on-year increase of approximately 8.5% compared to the same period in 2019. The increase in revenue was primarily attributable to (i) the quarantine and social distance measures imposed by competent authorities in Mainland China, Hong Kong, Taiwan and overseas regions during the outbreak of novel coronavirus (“**COVID-19**”); and (ii) the holding of certain online operating activities by the Group increasing the online time of game users and their consumption in online games for the first half of 2020. We recorded a revenue of approximately RMB77.6 million for the fourth quarter of 2020, representing a year-on-year decrease of approximately 0.9% compared to the same period in 2019. The revenue of the Group for the fourth quarter of 2020 quarter-on-quarter decreased by approximately 9.1% compared to the third quarter of 2020, which was mainly due to the drop in online time of game users and their consumption in online games as the impact brought by COVID-19 had gradually recovered and resulted in the income level of the Group recovering to the pre-pandemic level. In addition, the periodical effect of our operating promotion activities, had also led to the quarter-on-quarter decrease in quarterly revenue.

In 2020, we recorded an unaudited non-IFRS adjusted loss of approximately RMB45.1 million, whereas we recorded position of unaudited non-IFRS adjusted net profit of approximately RMB34.2 million in 2019; and we recorded a quarter-on-quarter increase in unaudited non-IFRS adjusted net losses for the fourth quarter of 2020 of approximately 2,674.7% compared to the third quarter of 2020. The change of position from unaudited non-IFRS adjusted net profit for 2019 to an unaudited non-IFRS adjusted net loss for 2020 and the quarter-on-quarter increase in unaudited non-IFRS adjusted net loss for the fourth quarter of 2020 were mainly attributable to a decrease in fair value of financial assets such as equity investment partnerships of the Group for 2020 due to the economic downturn and market factors caused by the COVID-19 pandemic. Excluding the impact of non-operating one-off factors such as the changes in the fair value of equity investment partnerships, the profit attributable to owners of the Company in 2020 represented an increase of approximately 10.3% compared to the corresponding period in 2019, which was mainly due to a year-on-year increase in revenue and the unaudited non-IFRS adjusted net profit for the fourth quarter of 2020 recorded a quarter-on-quarter decrease of 26.8%, which was mainly due to a quarter-on-quarter decrease in revenue and a quarter-on-quarter increase in employee compensation and benefits during the fourth quarter of 2020. Our unaudited non-IFRS adjusted net loss in the fourth quarter of 2020 recorded a year-on-year decrease of approximately 37.0% compared to the fourth quarter of 2019, which was mainly due to a decrease in unaudited non-IFRS adjusted net loss in the fourth quarter of 2020 as a result of a lower drop in the decrease in fair value of financial assets such as equity investment partnerships for the fourth quarter of 2020 as compared with that of the fourth quarter of 2019 caused by market factors. Excluding the impact of non-operating one-off factors such as a decrease in fair value of financial assets such as equity investment partnerships, the unaudited non-IFRS adjusted net profit for the fourth quarter of 2020 representing a year-on-year decrease of approximately 11.5% as compared with that of the fourth quarter of 2019, which was mainly due to a year-on-year increase in employee compensation and benefits.

In terms of the operating data performance, we recorded a decrease in the number of paying players and users during the fourth quarter of 2020 as compared to the fourth quarter of 2019. In particular, the number of paying players decreased by 29.6% from approximately 0.3 million in the fourth quarter of 2019 to approximately 0.2 million in the fourth quarter of 2020. The number of DAUs decreased by 36.5% from approximately 2.6 million in the fourth quarter of 2019 to 1.6 million in the fourth quarter of 2020. The number of MAUs decreased by 37.2% from approximately 7.1 million in the fourth quarter of 2019 to approximately 4.5 million in the fourth quarter of 2020. However, the ARPPU grew in both web-based version of Texas Hold'em and the mobile version of other card and board games.

During the fourth quarter of 2020, we successfully held BPT branded competition series – 2020 BPT Consolidated Server Online Competition of Southeast Asia, three 2020 “Boyaa” Online Chess Competitions for Education Aid. “Boyaa” Competitions aim to promote the philosophy of public welfare by way of card and board games, and to guide and encourage our users to actively participate in public welfare undertakings through these competitions. We donated a total of RMB30,000 for the public welfare program for students in poverty to the Charity Federation in Nanshan District Shenzhen through these events. Holding of public welfare events involve game users actively participating in the Boyaa games and public welfare undertakings, and thus further increase the loyalty of our users, and strengthen the influence of our “Boyaa” brand. Inheritance of the traditional culture of Chinese card and board games in the form of public welfare competition have created a healthy and green environment for card and board games and brought good experience for the users.

In terms of gaming products, we provided a total of 75 online gaming product portfolio with a total of 11 languages as at 31 December 2020. During 2020, while continued to intensify in-depth market research and focus on research and development of game products, innovation of gameplay, enrichment of game products and optimisation of user experience, we made efforts to refine our products and diversify our operation in a steady manner to improve the quality of our gaming products while also constantly exploring and trying new domestic and overseas card and board games operation modes.

Outlook for 2021

In 2021, we will continue to carry out the following work:

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

In 2020, we moved ahead in the face of challenges. In 2021, the Company will continue to strictly comply with various applicable laws and regulations of the People's Republic of China (the "PRC"). The Company will still focus on the R&D and innovation of online card and board game products, therefore continuously enriching the variety of game products and optimise the user experience. Moreover, the Company will tap into the overseas game markets as well as other card and board games businesses, constantly exploring and trying new business models, endeavoring to develop high-quality card and board games and matches. With the development in the field of online card and board games progressing in a steady manner, the Company continues the journey to forge a century-old brand for Boyaa's intellectual and competitive card and board games.

MANAGEMENT DISCUSSION AND ANALYSIS

Year Ended 31 December 2020 Compared to Year Ended 31 December 2019

Revenue

Our revenue for the year ended 31 December 2020 amounted to approximately RMB351.5 million, representing an increase of approximately 8.5% from approximately RMB323.8 million recorded in 2019. The year-on-year increase was primarily due to increased time spent and the spending of users on the online gaming products of the Group for the first half of 2020 due to the preventive measures and social distancing policies imposed by the relevant government authorities to combat the COVID-19 pandemic in Mainland China, Hong Kong, Taiwan and other overseas countries, and the online operational activities held by the Group. For the year ended 31 December 2020, revenue generated from our mobile games and web-based games accounted for approximately 59.5% and 40.5% of our total revenue, respectively, as compared with approximately 56.2% and 43.8%, respectively, for the year ended 31 December 2019.

Cost of revenue

Our cost of revenue increased by approximately 6.4% from approximately RMB102.7 million in 2019 to approximately RMB109.2 million in 2020, primarily due to the increase in commission charges caused by the increase in revenue.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately 9.5% from approximately RMB221.2 million for the year ended 31 December 2019 to approximately RMB242.2 million for the year ended 31 December 2020.

For the year ended 31 December 2020 and the same period in 2019, our gross profit margin were approximately 68.9% and 68.3%, respectively.

Selling and marketing expenses

Our selling and marketing expenses increased by approximately 17.9% from approximately RMB20.8 million in 2019 to approximately RMB24.6 million in 2020, accounting for approximately 7.0% of our revenue in 2020, which increased from approximately 6.4% in 2019. The year-on-year increase in selling and marketing expenses was mainly attributable to the increase in expenses for advertising and promotional activities.

Administrative expenses

Our administrative expenses increased by approximately 3.2% from approximately RMB117.6 million in 2019 to approximately RMB121.3 million in 2020. The increase in administrative expenses was mainly due to the increase in employee benefit expenses compared to the same period in 2019.

Other (losses)/gains – net

For the year ended 31 December 2020, we recorded other losses (net) of approximately RMB135.8 million, compared to other losses (net) of approximately RMB53.6 million recorded for the same period in 2019. The other (losses)/gains net primarily consisted of fair value changes on investments at fair value through profit or loss and dividend income relating to the non-quoted investments in equity investment partnerships and certain wealth management products we purchased.

Finance income – net

Our finance income (net) was approximately RMB20.2 million in 2020 and we recorded a finance income (net) of approximately RMB21.8 million in 2019. The change was primarily due to a decrease in interest income compared to the same period in 2019.

Share of result of associates

We held investments in five associates, namely Shenzhen Fanhou Technology Co., Ltd.* (深圳市飯後科技有限公司), Shenzhen HuifuWorld Network Technology Co., Ltd.* (深圳市滙富天下網絡科技有限公司), Shenzhen Easething Technology Co., Ltd.* (深圳市易新科技有限公司), Shenzhen Jisiwei Intelligent Technology Co., Ltd.* (深圳市極思維智能科技有限公司) and Shanghai Allin Network Technology Co., Ltd.* (上海傲英網絡科技有限公司) as at 31 December 2020 (31 December 2019: five associates), all of which were online game or internet technology companies. We recorded a share of loss of associates of approximately RMB2.9 million for the year ended 31 December 2020, compared to a share of loss of associates of approximately RMB4.0 million recorded for the same period in 2019.

Income tax expenses

Our income tax expenses increased by approximately 75.9% from approximately RMB13.1 million for the year ended 31 December 2019 to approximately RMB23.0 million for the year ended 31 December 2020, primarily due to the amount of deferred tax credit to income tax decrease.

(Losses)/profit attributable to owners of the Company

As a result of the foregoing, we recorded a loss attributable to owners of the Company amounted to approximately RMB45.1 million for the year ended 31 December 2020, whereas we recorded a position of profit attributable to owners of the Company of approximately was RMB33.8 million in 2019.

Non-International Financial Reporting Standards (“Non-IFRS”) adjusted net (losses)/profit

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use unaudited non-IFRS adjusted net (loss)/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 (loss)/profit” is not defined under IFRS. Other companies in the industry which the Group operates in may calculate such non-IFRS items differently from the Group. The use of adjusted net (loss)/profit has material limitations as an analytical tool, as adjusted net (loss)/profit does not include all items that impact our net (loss)/profit for the reporting period and should not be considered in isolation or as a substitute for the analysis of the Group’s results as reported under IFRS.

Our unaudited non-IFRS adjusted net loss for the year ended 31 December 2020 was approximately RMB45.1 million. Our unaudited non-IFRS adjusted net profit for the year ended 31 December 2019 of approximately RMB34.2 million was derived from our unaudited profit for the same period excluding share-based compensation expenses of approximately RMB0.1 million, RMB0.1 million and RMB0.2 million from the cost of revenue, selling and marketing expenses and administrative expenses, respectively.

Fourth Quarter of 2020 Compared to Fourth Quarter of 2019

Revenue

Our revenue for the three months ended 31 December 2020 amounted to approximately RMB77.6 million, representing a year-on-year decrease of approximately 0.9% from approximately RMB78.3 million recorded for the same period of 2019. For the three months ended 31 December 2020, revenue generated from our mobile games amounted to approximately RMB45.9 million as compared to approximately RMB43.7 million recorded for the same period in 2019, representing a year-on-year increase of approximately 5.0%.

Cost of revenue

Our cost of revenue for the three months ended 31 December 2020 amounted to approximately RMB27.2 million, representing a year-on-year increase of approximately 5.2% from approximately RMB25.9 million recorded for the same period in 2019. The year-on-year increase was primarily due to the increase in commission charges caused by the increase in revenue.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by approximately 3.8% from approximately RMB52.4 million for the three months ended 31 December 2019 to approximately RMB50.4 million for the three months ended 31 December 2020. In addition, our gross profit margin decreased from approximately 66.9% for the three months ended 31 December 2019 to approximately 64.9% for the three months ended 31 December 2020.

Selling and marketing expenses

Our selling and marketing expenses increased from approximately RMB5.7 million recorded for the three months ended 31 December 2019 to approximately RMB6.6 million for the same period in 2020, representing a year-on-year increase of approximately 14.4%, which was mainly attributable to the increase in expenses for advertising and promotional activities.

Administrative expenses

Our administrative expenses for the three months ended 31 December 2020 amounted to approximately RMB34.3 million, representing a year-on-year increase of approximately 10.4% from approximately RMB31.1 million recorded for the same period in 2019. The year-on-year increase was mainly due to the increase in employee benefit expenses compared to the same period in 2019.

Other losses – net

For the three months ended 31 December 2020, we recorded other losses (net) of approximately RMB42.2 million, compared to other losses (net) of approximately RMB69.8 million recorded for the same period in 2019. The other losses – (net) primarily consisted of the fair value in investment at fair value through profit or loss relating to the non-quoted investments in equity investment partnership and certain wealth management products we purchased.

Finance income – net

Our finance income (net) for the three months ended 31 December 2020 was approximately RMB4.9 million, compared to approximately RMB7.0 million recorded for the same period of 2019, representing a year-on-year decrease of approximately 29.2%. The decrease was primarily due to a decrease in interest income as compared to the same period in 2019.

Share of result of associates

We held investments in five 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) and Allin Network Technology Co., Ltd.* (上海傲英網絡科技有限公司) as at 31 December 2020 (31 December 2019: five associates), all of which were online game or internet technology companies. We recorded a share of loss of associates of approximately RMB0.7 million for the three months ended 31 December 2020, compared to a share of loss of associates of approximately RMB3.6 million recorded for the same period in 2019.

Income tax expenses/(credit)

Our income tax expenses for the three months ended 31 December 2020 was approximately RMB2.0 million, whereas we recorded a position of income tax credit was approximately RMB2.6 million in 2019.

Losses attributable to owners of the Company

As a result of the foregoing, our losses attributable to owners of the Company for the three months ended 31 December 2020 amounted to approximately RMB30.4 million, representing a year-on-year decrease of approximately 37.0% from our losses attributable to owners of the Company amounted to approximately RMB48.3 million recorded for the same period of 2019.

Non-IFRS adjusted net losses

Our unaudited non-IFRS adjusted net losses for the three months ended 31 December 2020 was approximately RMB30.4 million. Our unaudited non-IFRS adjusted net losses for the three months ended 31 December 2019 of approximately RMB48.3 million was derived from our unaudited profit of the same period excluding share-based compensation expenses of approximately RMB0.001 million from the cost of administrative expense.

Liquidity and capital resources

For the year ended 31 December 2020, we financed our operations primarily through cash generated from our operating activities. We intend to finance our expansion, investment and business operations by internal resources and through organic and sustainable growth. We will make investments in line with our capital and investment management policies and strategies.

Gearing ratio

As at 31 December 2020, the Group's gearing ratio (total liabilities divided by total assets) was 12.3% (31 December 2019: 11.8%).

Term deposits

As at 31 December 2020, we had term deposits of approximately RMB725.6 million (31 December 2019: approximately RMB388.2 million), which were mainly denominated in United States dollars (“USD”). The original maturities of the term deposits are over three months and less than one year. The effective interest rate for the term deposits of the Group for the year ended 31 December 2020 was 1.71%.

Cash and cash equivalents

As at 31 December 2020, we had cash and cash equivalents of approximately RMB389.1 million (31 December 2019: approximately RMB487.3 million), which primarily consisted of cash at bank and in hand and short-term bank deposits, which were mainly denominated in Renminbi (as to 77.5%), USD (as to 19.4%) and other currencies (as to 3.1%). 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.

As at 31 December 2020, the total amount of the net proceeds from our initial public offering had been fully utilised.

Equity investments at fair value through other comprehensive income

We accounted for equity investments at fair values through other comprehensive income at their respective fair values. As at 31 December 2020, the fair value of our unlisted and listed investments classified as equity investments at fair values through other comprehensive income amounted to approximately RMB67.2 million (31 December 2019: approximately RMB45.2 million). These equity investments at fair value through other comprehensive income mainly consisted of both listed and unlisted equity securities, which are mainly represented by our equity investments in Dalian Zeus Entertainment Co., Ltd. (Shenzhen Stock Exchange: 002354), Xiaomi Corporation (Hong Kong Stock Exchange: 1810) and Qudian Inc. (New York Stock Exchange: QD).

We consider that, none of the other unlisted and listed investments classified as equity investments at fair value through other comprehensive income in our investment portfolio is a significant investment as none of such investments have a carrying amount that accounts for more than 5.0% of our total assets as at 31 December 2020.

Investments at fair value through profit or loss

As at 31 December 2020, we also recorded investments at fair value through profit or loss amounted to approximately RMB708.0 million (31 December 2019: approximately RMB997.4 million), which consisted of non-quoted investments in asset management plans, equity investment partnerships and wealth management products. As at 31 December 2020, the fair values of the investments in asset management plans were determined by an independent professional valuer engaged by the Company using discount cash flows model; the fair values of the investments in equity investment partnerships were determined by an independent professional valuer engaged by the Company using market approach and discount cash flows model; and the fair values of investments in wealth management products, which have an initial term ranging from immediate to 360 days, were determined based on the estimated rate of return of investments. For the year ended 31 December 2020, we recorded fair value losses on investments at fair value through profit or loss of approximately RMB140.6 million (fair value losses for the year ended 31 December 2019: approximately RMB60.4 million), representing a year-on-year increase of approximately 132.8% compared to the same period in 2019. The change was mainly attributable to an increase in fair value losses on investments at fair value through profit or loss due to the economic downturn and market factors caused by the COVID-19 pandemic.

The investments in wealth management products under investments at fair value through profit or loss were made in line with our treasury and investment policies, after taking into account, among others, the level of risk, return on investment, liquidity and the term to maturity. Generally, the Company has in the past selected wealth management products that are principal guaranteed and relatively low risk products. Prior to making an investment, the Company had also ensured that there remains sufficient working capital for the Company's business needs even after the investments in wealth management products. During the year ended 31 December 2020, each of the investments made by the Company does not constitute a notifiable transaction or a connected transaction of the Company under the Rules (the "**Listing Rules**") governing the listing of securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). 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 be akin to placing deposits with banks whilst enabling the Group to earn an attractive rate of return.

On 28 December 2016, the Group, through Shenzhen Dong Fang Bo Ya Technology Co., Limited (深圳市東方博雅科技有限公司), established a limited partnership namely Jiaxing Boyaa ChunLei Equity Investments Limited Partnership Enterprise (嘉興博雅春雷股權投資合夥企業(有限合夥)) ("**Jiaxing Boyaa**") with Shanghai Tailai Tianji Asset Management Co., Limited (上海泰來天濟資產管理有限公司). During the year ended 31 December 2020, the Group's accumulated contribution of RMB300.0 million represented 99.0% of the total capital contribution of Jiaxing Boyaa. The fair value of the investment in Jiaxing Boyaa as at 31 December 2020 was approximately RMB113.8 million. Jiaxing Boyaa was established for carrying out equity investments, venture capital investments and investments in securities, subject to certain investment restrictions. We will continue to closely monitor the performance of Jiaxing Boyaa on an on-going basis.

On 25 October 2018, the Group, through Boyaa On-line Game Development (Shenzhen) Co., Ltd* (博雅網絡遊戲開發(深圳)有限公司), had subscribed for two RMB wealth management products issued by Industrial and Commercial Bank of China at the amount of RMB200.0 million and RMB128.5 million, respectively (the "**Wealth Management Products**"). As at 31 December 2020, the fair value of the Wealth Management Products were approximately RMB215.3 million and RMB136.9 million, respectively. The Wealth Management Products were assessed by the Company as very low-risk products. The Board considered that the Wealth Management Products would provide a good short-term investment opportunity for the Group and enhance the funds utilisation efficiency and bring extra investment returns. As at 31 December 2020, the bank accounts which holds the Wealth Management Products had been frozen. For details as to the circumstances leading to the freezing of the accounts, please refer to Note 18 under the section headed "Notes to the Consolidated Financial Statements" of this announcement and the announcements of the Company dated 1 September 2019, 13 December 2019, 3 January 2020, 6 January 2020 and 9 November 2020.

We consider that, save for our capital investment in Jiaxing Boyaa as a limited partnership and the subscription of the Wealth Management Products, no other single investment that was designated as investments at fair value through profit or loss in our investment portfolio is a significant investment as none of such investments has a carrying amount that accounts for more than 5.0% of our total assets as at 31 December 2020.

Borrowings

During the year ended 31 December 2020, we did not have any short-term or long-term bank borrowings and we had no outstanding, utilised or unutilised banking facilities.

Capital expenditures

For the year ended 31 December 2020, our total capital expenditures amounted to approximately RMB12.0 million (2019: approximately RMB13.9 million). The capital expenditure mainly included purchasing equipment, motor vehicles and leasehold improvements, which was funded by using our cash flows generated from our operations.

Commitment

As at 31 December 2020, the Group did not have any significant commitments.

Contingent liabilities and guarantees

As at 31 December 2020, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against us.

Significant investments and future plans for major investments

For the year ended 31 December 2020, the Group's investment in Jiaxing Boyaa amounted to RMB300.0 million. Jiaxing Boyaa mainly carries out equity investments and venture capital investments. In addition, the Group had subscribed for the Wealth Management Products, which had an aggregate fair value of approximately RMB352.3 million as at 31 December 2020.

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

Pledge/charge of the Group's assets

As at 31 December 2020, none of the Group's assets was pledged or charged.

Employees and staff costs

As at 31 December 2020, we had a total of 279 full-time employees, who are mainly based in China. In particular, 233 employees are responsible for our game development and operation, 38 for game support and 18 for administration and senior management.

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

For the year ended 31 December 2020, the total staff costs of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to approximately RMB82.7 million, representing approximately 32.4% of the total expenses of the Group. Pursuant to the post-IPO share option scheme adopted by the Company in October 2013 (the “**Post-IPO Share Option Scheme**”) and the pre-IPO share option scheme adopted by the Company in January 2011 and amended in September 2013 (the “**Pre-IPO Share Option Scheme**”) as well as the RSU Scheme adopted by the Company in September 2013 (the “**RSU Scheme**”), there were a total of 6,082,429 share options and 4,640,457 shares underlying the RSUs outstanding and/or granted to a total of 242 senior management members and employees of the Group as at 31 December 2020. There were also 53,040,494 shares underlying the RSUs allowed to be granted under the RSU Scheme which were held by The Core Admin Boyaa RSU Limited as nominee for the benefit of eligible participants pursuant to the RSU Scheme. Further details of the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the RSU Scheme will be set out in the section headed “Share Option Schemes and Restricted Share Unit Scheme” under the Directors’ Report in our 2020 annual report to be issued in due course.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	<i>Notes</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue	3	351,479	323,816
Cost of revenue		<u>(109,248)</u>	<u>(102,652)</u>
Gross profit		242,231	221,164
Other losses, net	4	(135,796)	(53,649)
Selling and marketing expenses		(24,579)	(20,845)
Administrative expenses		<u>(121,325)</u>	<u>(117,619)</u>
Operating (loss)/profit		(39,469)	29,051
Finance income	5	20,991	23,658
Finance costs	6	(747)	(1,874)
Share of losses of associates		<u>(2,861)</u>	<u>(3,990)</u>
(Loss)/profit before income tax		(22,086)	46,845
Income tax expense	7	<u>(23,016)</u>	<u>(13,085)</u>
(Loss)/profit for the year attributable to owners of the Company	8	<u>(45,102)</u>	<u>33,760</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

	<i>Note</i>	2020 RMB'000	2019 <i>RMB'000</i>
Other comprehensive (expenses)/income:			
<i>Items that will not be reclassified to profit or loss:</i>			
– Changes in fair value of equity investments at fair value through other comprehensive income		11,204	(30,695)
– Exchange differences on translation		(5,630)	1,658
<i>Item that may be reclassified to profit or loss:</i>			
– Exchange differences on translating foreign operations		<u>(20,155)</u>	<u>9,353</u>
Other comprehensive expenses for the year, net of tax		<u>(14,581)</u>	<u>(19,684)</u>
Total comprehensive (expenses)/income for the year attributable to owners of the Company		<u>(59,683)</u>	<u>14,076</u>
(Loss)/Earnings per share (RMB cents)	<i>10</i>		
– Basic		<u>(6.83)</u>	<u>5.05</u>
– Diluted		<u>(6.83)</u>	<u>5.05</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

		2020	2019
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		40,981	41,792
Right-of-use assets		5,049	10,426
Intangible assets		27	213
Investments in associates	<i>11</i>	9,933	12,793
Equity investments at fair value through other comprehensive income	<i>12</i>	67,246	45,165
Investments at fair value through profit or loss	<i>13</i>	705,136	857,942
Prepayments, deposits and other receivables		25,601	37,860
Deferred tax assets		12,205	23,713
Restricted bank deposit		291,866	288,394
		<u>1,158,044</u>	<u>1,318,298</u>
Current assets			
Trade receivables	<i>14</i>	19,557	18,001
Prepayments, deposits and other receivables		37,989	41,922
Investments at fair value through profit or loss	<i>13</i>	2,900	139,417
Term deposits		725,631	388,216
Bank and cash balances		389,108	487,301
		<u>1,175,185</u>	<u>1,074,857</u>
Total assets		<u>2,333,229</u>	<u>2,393,155</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2020

		2020	2019
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
EQUITY AND LIABILITIES			
Equity			
Share capital	<i>16</i>	232	234
Reserves		<u>2,046,584</u>	<u>2,110,009</u>
Total equity		<u>2,046,816</u>	<u>2,110,243</u>
Liabilities			
Non-current liabilities			
Lease liabilities		806	5,127
Deferred tax liabilities		<u>6,574</u>	<u>7,696</u>
		<u>7,380</u>	<u>12,823</u>
Current liabilities			
Trade and other payables	<i>15</i>	81,359	72,057
Contract liabilities		15,071	18,100
Lease liabilities		3,810	4,896
Current tax liabilities		<u>178,793</u>	<u>175,036</u>
		<u>279,033</u>	<u>270,089</u>
Total liabilities		<u>286,413</u>	<u>282,912</u>
Total equity and liabilities		<u>2,333,229</u>	<u>2,393,155</u>
Net current assets		<u>896,152</u>	<u>804,768</u>
Total assets less current liabilities		<u>2,054,196</u>	<u>2,123,066</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to owners of the Company										
	Share capital	Share premium	Repurchased shares	Shares held for RSU scheme	Capital reserve	Foreign currency translation reserve	Statutory reserve	Share-based payments reserve	Other reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	235	543,721	(2,060)	(14)	2,000	13,479	28,474	84,032	(215,509)	1,810,676	2,265,034
Total comprehensive income/(expenses) for the year	-	-	-	-	-	11,011	-	-	(30,695)	33,760	14,076
Repurchase of ordinary shares	-	-	(6,794)	-	-	-	-	-	-	-	(6,794)
Cancellation of ordinary shares	(1)	(3,989)	3,990	-	-	-	-	-	-	-	-
Share-based payments											
- value of employee services	-	-	-	-	-	-	-	472	-	-	472
- exercise and lapse of share options and RSUs	-	3,783	-	-	-	-	-	(3,783)	-	-	-
Transfer to statutory surplus reserve fund	-	-	-	-	-	-	5,516	-	-	(5,516)	-
Special dividend	-	(162,545)	-	-	-	-	-	-	-	-	(162,545)
Changes in equity for the year	(1)	(162,751)	(2,804)	-	-	11,011	5,516	(3,311)	(30,695)	28,244	(154,791)
At 31 December 2019	<u>234</u>	<u>380,970</u>	<u>(4,864)</u>	<u>(14)</u>	<u>2,000</u>	<u>24,490</u>	<u>33,990</u>	<u>80,721</u>	<u>(246,204)</u>	<u>1,838,920</u>	<u>2,110,243</u>
At 1 January 2020	234	380,970	(4,864)	(14)	2,000	24,490	33,990	80,721	(246,204)	1,838,920	2,110,243
Total comprehensive (expenses)/income for the year	-	-	-	-	-	(25,785)	-	-	11,204	(45,102)	(59,683)
Repurchase of ordinary shares	-	-	(3,744)	-	-	-	-	-	-	-	(3,744)
Cancellation of ordinary shares	(2)	(8,606)	8,608	-	-	-	-	-	-	-	-
Share-based payments											
- exercise and lapse of share options and RSUs	-	930	-	-	-	-	-	(930)	-	-	-
Changes in equity for the year	(2)	(7,676)	4,864	-	-	(25,785)	-	(930)	11,204	(45,102)	(63,427)
At 31 December 2020	<u>232</u>	<u>373,294</u>	<u>-</u>	<u>(14)</u>	<u>2,000</u>	<u>(1,295)</u>	<u>33,990</u>	<u>79,791</u>	<u>(235,000)</u>	<u>1,793,818</u>	<u>2,046,816</u>

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities		
(Loss)/profit before income tax	(22,086)	46,845
Adjustments for:		
Finance costs	747	1,874
Share of losses of associates	2,861	3,990
Interest income	(20,991)	(23,658)
Depreciation	15,585	13,065
Amortisation of intangible assets	186	1,171
(Gain)/loss on disposals of property, plant and equipment	(1,275)	858
Net foreign exchange (gain)/losses	(165)	4,148
Share-based payments	–	472
Fair value loss on investments at fair value through profit or loss	140,718	60,356
Dividends from investments at fair value through profit or loss	(158)	(2,281)
(Reversal of)/loss allowance provision for trade receivables	(898)	1,065
Loss allowance provision for loans to employees	442	128
	<hr/>	<hr/>
Operating profit before changes in working capital	114,966	108,033
Change in trade receivables	(402)	(1,156)
Change in prepayments, deposits and other receivables	15,750	(30,194)
Change in trade and other payables	7,413	2,341
Change in contract liabilities	(249)	(1,505)
	<hr/>	<hr/>
Cash generated from operating activities	137,478	77,519
Income tax paid	(10,971)	(6,062)
Lease interests paid	(529)	(659)
	<hr/>	<hr/>
Net cash generated from operating activities	125,978	70,798

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from investing activities		
Placement of restricted bank deposits	(3,472)	(92,934)
Placement of term deposits with original maturities over three months	(642,112)	(587,783)
Proceeds from maturity of term deposits with original maturities over three months	289,931	598,949
Interest received	16,373	26,064
Dividends from investments at fair value through profit or loss	158	2,281
Purchases of investments at fair value through profit or loss	(507,842)	(895,673)
Proceeds from settlements of investments at fair value through profit or loss	651,290	1,251,355
Purchases of property, plant and equipment	(11,967)	(13,929)
Proceeds from disposals of property, plant and equipment	1,889	340
Net cash (used in)/generated from investing activities	<u>(205,752)</u>	<u>288,670</u>
Cash flows from financing activities		
Repayment of lease liabilities	(5,407)	(4,661)
Repurchase of ordinary shares	(3,744)	(6,794)
Special dividend paid	–	(162,545)
Net cash used in financing activities	<u>(9,151)</u>	<u>(174,000)</u>
Net increase in cash and cash equivalents	(88,925)	185,468
Effect of foreign exchange rate changes	(9,268)	4,943
Cash and cash equivalents at beginning of the year	<u>487,301</u>	<u>296,890</u>
Cash and cash equivalents at end of the year	<u>389,108</u>	<u>487,301</u>
Analysis of cash and cash equivalents		
Bank and cash balances	<u>389,108</u>	<u>487,301</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. General information

Boyaa Interactive International Limited (the “**Company**”) was incorporated in the Cayman Islands. The address of its registered office is P.O. Box 309, Uglard House, Grand Cayman, KY1-1104, Cayman Islands. The address of its principal place of business in Hong Kong is 14/F, Golden Centre, 188 Des Voeux Road, Central, Hong Kong. The address of its headquarters is 8/F, Block E1, International E Town, TCL Industry Park, 1001 Zhong Shan Yuan Road, Nanshan District, Shenzhen, PRC. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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

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

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

Boyaa On-line Game Development (Shenzhen) Co., Limited, Shenzhen Dong Fang Bo Ya Technology Co., Limited and its registered owners entered into a series of contractual arrangements (the “**Contractual Arrangements**”) entered into on 15 May 2013, which enable Boyaa On-line Game Development (Shenzhen) Co., Limited and the Group to:

- exercise effective financial and operational control over Shenzhen Dong Fang Bo Ya Technology Co., Limited;
- exercise all owners’ voting rights of Shenzhen Dong Fang Bo Ya Technology Co., Limited;
- receive substantially all of the economic interest returns generated by Shenzhen Dong Fang Bo Ya Technology Co., Limited in consideration for the business support, technical and consulting services provided by Boyaa On-line Game Development (Shenzhen) Co., Limited;
- obtain an irrevocable and exclusive right to purchase all or part of equity interests in Shenzhen Dong Fang Bo Ya Technology Co., Limited from the respective owners at a minimum purchase price permitted under PRC laws and regulations, and all or part of the assets of Shenzhen Dong Fang Bo Ya Technology Co., Limited at the net book value of such assets or such minimum purchase price permitted under PRC laws and regulations. Boyaa On-line Game Development (Shenzhen) Co., Limited may exercise such options at any time until it has acquired all equity interests and/or all assets of Shenzhen Dong Fang Bo Ya Technology Co., Limited; and

- obtain a pledge over the entire equity interest of Shenzhen Dong Fang Bo Ya Technology Co., Limited from their respective owners as collateral security for all of Shenzhen Dong Fang Bo Ya Technology Co., Limited’s payments due to Boyaa On-line Game Development (Shenzhen) Co., Limited and to secure performance of Shenzhen Dong Fang Bo Ya Technology Co., Limited’s obligations under the Contractual Arrangements.

The Group do not hold any equity interests in Shenzhen Dong Fang Bo Ya Technology Co., Limited. Nevertheless, under the Contractual Agreements entered into between Boyaa On-line Game Development (Shenzhen) Co., Limited, Shenzhen Dong Fang Bo Ya Technology Co., Limited and its owners, the management determines that the Group has the power to govern the financial and operating policies of Shenzhen Dong Fang Bo Ya Technology Co., Limited so as to obtain benefits from its activities. As such, Shenzhen Dong Fang Bo Ya Technology Co., Limited is accounted for as subsidiary of the Group for accounting purposes.

The consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated.

2. Adoption of new and revised International Financial Reporting Standards

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards (“**IFRSs**”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. IFRSs comprise IFRS: International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current years.

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

3. Revenue and segment information

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Web-based games	142,432	141,840
Mobile games	209,047	181,976
	<hr/>	<hr/>
Revenue from contracts with customers	351,479	323,816

Disaggregation of revenue from contracts with customers:

Timing of revenue recognition

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At a point of time	351,479	323,816

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

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Simplified Chinese	37,663	42,199
Other languages	313,816	281,617
	<hr/>	<hr/>
	351,479	323,816

No revenue is derived from any individual game player which amounted for over 10% of the Group's total revenue (2019: nil).

The Group's non-current assets other than deferred tax assets, investments at fair value through profit or loss, equity investments at fair value through other comprehensive income and restricted bank deposit were located as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Mainland China	67,633	86,002
Other locations	13,958	17,082
	<u>81,591</u>	<u>103,084</u>

4. Other losses, net

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Dividends from investments at fair value through profit or loss	158	2,281
Gain/(loss) on disposals of property, plant and equipment	1,275	(858)
Government subsidies and tax rebates (<i>Note</i>)	3,188	8,825
Net foreign exchange gain/(losses)	165	(4,148)
Fair value changes on investments at fair value through profit or loss	(140,718)	(60,356)
Others	136	607
	<u>(135,796)</u>	<u>(53,649)</u>

Note:

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

5. Finance income

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest revenue	20,538	23,278
Interest revenue on non-current loans to employees	453	380
	<u>20,991</u>	<u>23,658</u>

6. Finance costs

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Discounting effects of non-current loans to employees	218	1,215
Lease interests	529	659
	<u>747</u>	<u>1,874</u>

7. Income tax expense

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax – PRC Enterprise Income Tax (“EIT”) and other jurisdictions	23,522	22,009
Deferred tax	(506)	(8,924)
	<u>23,016</u>	<u>13,085</u>

(a) EIT

The income tax provision of the Group in respect of operations in the PRC has been calculated at the tax rate of 25% on the estimated assessable profits for the years ended 31 December 2020 and 2019, based on the existing legislation, interpretations and practices in respect thereof.

Shenzhen Dong Fang Bo Ya Technology Co., Limited has successfully renewed its “High and New Technology Enterprise” (“HNTe”) qualification under PRC Enterprise Income Tax Law (“EIT Law”) during the year ended 31 December 2018 and as a result, Shenzhen Dong Fang Bo Ya Technology Co., Limited enjoy a preferential tax rate of 15% from 1 January 2018 to 31 December 2020. Therefore, the applicable tax rate for Shenzhen Dong Fang Bo Ya Technology Co., Limited was 15% (2019: 15%) for the year ended 31 December 2020.

Boyaa On-line Game Development (Shenzhen) Co., Limited has successfully renewed its HNTE qualification under EIT Law during the year ended 31 December 2019 and as a result, Boyaa On-line Game Development (Shenzhen) Co., Limited enjoy a preferential tax rate of 15% from 1 January 2019 to 31 December 2021. Therefore, the applicable tax rate for Boyaa On-line Game Development (Shenzhen) Co., Limited was 15% (2019: 15%) for the year ended 31 December 2020.

According to policies promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engaged in research and development activities are entitled to claim 175% (2019: 175%) of the research and development expenses so incurred in a year as tax deductible expenses in determining its tax assessable profits for that year (“**Super Deduction**”). Shenzhen Dong Fang Bo Ya Technology Co., Limited and Boyaa On-line Game Development (Shenzhen) Co., Limited had claimed such Super Deduction in ascertaining its tax assessable profits during the years ended 31 December 2020 and 2019.

(b) PRC withholding tax (“WHT”)

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

As at 31 December 2020, 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 RMB1,000,672,000 (2019: RMB1,048,407,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to their foreign investor in the foreseeable future based on the management’s estimation of overseas funding requirements.

(c) **Hong Kong Profits Tax**

Hong Kong Profits Tax has been provided at the rate of 8.25% on assessable profits up to HK\$2,000,000 and 16.5% on any part of assessable profits over HK\$2,000,000 for the years ended 31 December 2020 and 2019.

The reconciliation between the income tax expense and the product of profit before income tax multiplied by the PRC EIT rate of the consolidated companies is as follows:

	2020	2019
	RMB'000	RMB'000
(Loss)/profit before income tax	(22,086)	46,845
Less: share of losses of associates	2,861	3,990
	(19,225)	50,835
Tax at EIT rate of 25% (2019: 25%)	(4,806)	12,709
Tax effect of incomes that are not taxable	(2,937)	(8,769)
Tax effect of expenses that are not deductible	5,704	4,441
Under-provision in prior years	2,174	858
Tax losses not recognised	25,980	8,634
Super Deduction	(9,190)	(10,737)
Effect of different tax rates of subsidiaries	3,316	(256)
Others	2,775	6,205
Income tax expense	23,016	13,085

8. (Loss)/profit for the year

The Group's (loss)/profit for the year is stated after charging the following:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Amortisation of intangible assets		
– included in cost of revenue	186	1,119
– included in administrative expenses	–	52
	<u>186</u>	<u>1,171</u>
Depreciation	15,585	13,065
Directors' emoluments		
– Fee	855	620
– Salaries, allowances and bonuses	1,805	443
– Retirement benefit scheme contributions	13	13
– Share-based payments	–	14
	<u>2,673</u>	<u>1,090</u>
Research and development expenditure		
– included in staff costs	49,358	53,370
– included in depreciation	297	520
– included in other administrative expenses	5,990	4,738
	<u>55,645</u>	<u>58,628</u>
Auditor's remuneration		
– Audit services	2,200	2,680
– Non-audit services	1,000	900
	<u>3,200</u>	<u>3,580</u>
(Reversal of loss allowance)/loss allowance provision for trade receivables	(898)	1,065
Loss allowance provision for loans to employees	442	128
Staff costs including directors' emoluments		
– Wages, salaries and bonuses	78,099	70,371
– Retirement benefit scheme contributions	4,619	8,260
– Share-based payments	–	472
	<u>82,718</u>	<u>79,103</u>

9. Dividend

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Special dividend of nil (2019: HK\$0.276 (equivalent to RMB0.24) per ordinary share)	<u>–</u>	<u>162,545</u>

10. (Loss)/Earnings per share

The calculation of the basic and diluted (loss)/earnings per share is based on the following:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
(Loss)/earnings		
(Loss)/earnings for the purpose of basic and diluted earnings per share	<u>(45,102)</u>	<u>33,760</u>

	2020 <i>'000</i>	2019 <i>'000</i>
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Number of shares

Weighted average number of ordinary shares for the purpose of basic earnings per share	660,831	667,955
Effect of dilutive potential ordinary shares arising from RSUs	–	77
Effect of dilutive potential ordinary shares arising from share options	<u>–</u>	<u>17</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>660,831</u>	<u>668,049</u>

11. Investments in associates

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Unlisted investments in PRC:		
Share of net assets	<u>9,933</u>	<u>12,793</u>

The directors of the Company considered that all associates as at 31 December 2020 and 2019 were insignificant to the Group and thus the individual summarised financial information of these associates is not disclosed.

12. Equity investments at fair value through other comprehensive income

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Equity securities, at fair value		
– Listed in PRC – Dalian Zeus Entertainment Co., Limited	17,764	19,100
– Listed in Hong Kong – Xiaomi Corporation	47,500	16,416
– Listed in USA – Qudian Inc.	1,982	7,232
	<u>67,246</u>	<u>42,748</u>
– Unlisted equity securities in PRC	–	1,518
– Unlisted preference shares of private companies	–	899
Total equity investments at fair value through other comprehensive income, analysed as non-current assets	<u>67,246</u>	<u>45,165</u>

The above investments are intended to be held for the medium to long-term. Designation of these investments as equity investments at fair value through other comprehensive income can avoid the volatility of the fair value changes of these investments to the profit or loss.

13. Investments at fair value through profit or loss

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<u>Included in non-current assets</u>		
Non-quoted investments in:		
– asset management plans (<i>Notes (i) and (iv)</i>)	108,000	95,200
– equity investment partnerships (<i>Notes (ii) and (iv)</i>)	223,320	399,812
– wealth management products (<i>Note (iii)</i>)	373,816	362,930
	<u>705,136</u>	<u>857,942</u>
<u>Included in current assets</u>		
Non-quoted investments in:		
– asset management plan (<i>Note (i)</i>)	2,900	6,800
– wealth management products (<i>Note (iii)</i>)	–	132,617
	<u>2,900</u>	<u>139,417</u>
	<u>708,036</u>	<u>997,359</u>

Notes:

- (i) They represented the entrusted investments with the principal amount of RMB80.0 million each to 2 independent asset management companies incorporated in the PRC. The estimated minimum return of such asset management plans is 5.05% per annum. If the estimated annual return cannot be achieved, the Group or asset management companies have an option to early terminate the asset management plans. The Group will obtain the accumulated return and the entrusted principal in 2022 or upon early termination.

The Group and one of the asset management company entered into several supplemental agreements. During the year ended 31 December 2018, according to supplemental agreement I, the principal investment amount was revised to RMB40.0 million in 2018 and RMB33.0 million in 2019. During the year ended 31 December 2019, according to supplemental agreement II, the principal of RMB7.0 million will be returned to the Group in 2020 and the remaining principal of RMB26.0 million and its accumulated return will be returned to the Group in 2021. During the year ended 31 December 2020, the principal of RMB7.0 million returned to the Group. Subsequent to the end of the reporting period, the Group and this asset management company entered into supplemental agreement III, pursuant to supplemental agreement III, the return schedule had been revised. The principal of RMB3.3 million will be returned to the Group in 2021 and the remaining principal of RMB22.7 million and its accumulated return will be returned to the Group in 2022.

- (ii) They represented investments in equity investment partnership as a limited partner, which are mainly engaged in investments in early-stage and high-growth companies in the technology, media and telecommunications industry in China. They have initial terms ranging from 7 to 10 years.

On 28 December 2016, the Group, through Shenzhen Dong Fang Bo Ya Technology Co., Limited, established a limited partnership, Jiaxing Boyaa ChunLei Equity Investments Limited Partnership Enterprise with Shanghai Tailai Tianji Asset Management Co., Limited. During the year ended 31 December 2020, the Group's accumulated contribution of RMB300.0 million represented 99.0% of the total capital contribution of Jiaxing Boyaa. The fair value of the investment in Jiaxing Boyaa as at 31 December 2020 was approximately RMB113.8 million. Jiaxing Boyaa is established for carrying out equity investments, venture capital investments and investments in securities, subject to certain investment restrictions. We will continue to closely monitor the performance of Jiaxing Boyaa on an on-going basis.

For the year ended 31 December 2020, the fair value loss of the investment in Jiaxing Boyaa was approximately RMB154.4 million (for the year ended 31 December 2019: fair value loss was approximately RMB44.6 million).

- (iii) Investments in wealth management products are investments in wealth management plans provided by financial institutions in the PRC. They have initial terms ranging from 30 days to 360 days. At 31 December 2020, an amount of RMB373,816,000 (2019: RMB362,930,000) were frozen (note 18).
- (iv) The management of the Group is of the view that the investments are not held for trading and does not expect that the Group will realise the investments at fair value through profit or loss within 12 months after the date of the consolidated statement of financial position.

14. Trade receivables

Trade receivables were arising from the operation of online game business. Third-party game distribution Platform (“**Platforms**”) and third party payment vendors collect the payment from the Paying Players and remit the cash net of commission charges which are pre-determined according to the relevant terms of the agreements entered into between the Group and Platforms or third party payment vendors. The credit terms of trade receivables granted to the Platforms and third party payment vendors are usually 30 to 120 days.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	24,144	23,742
Provision for loss allowance	(4,587)	(5,741)
	<hr/>	<hr/>
Carrying amount	19,557	18,001
	<hr/>	<hr/>

The aging analysis of trade receivables, based on recognition date of the trade receivables, net of allowance, is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
0 to 30 days	19,365	16,949
31 to 60 days	92	240
61 to 90 days	33	157
91 to 180 days	45	173
181 to 360 days	3	264
Over 360 days	19	218
	<hr/>	<hr/>
	19,557	18,001
	<hr/>	<hr/>

Reconciliation of loss allowance for trade receivables:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At 1 January	5,741	4,590
(Decrease)/increase in loss allowance for the year	(898)	1,065
Currency translation differences	(256)	86
	<hr/>	<hr/>
At 31 December	4,587	5,741
	<hr/>	<hr/>

15. Trade and other payables

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	1,932	879
Other tax payables	44,391	43,215
Accrued expenses	5,060	5,906
Accrued commissions charges by Platforms	7,963	13,854
Accrued advertising expenses	3,951	1,908
Salary and staff welfare payables	14,405	5,087
Others	3,657	1,208
	<u>81,359</u>	<u>72,057</u>

The aging analysis of trade payables, based on recognition date of trade payables, is as follows:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 30 days	536	219
31 to 90 days	131	262
91 to 180 days	183	92
181 to 365 days	239	–
Over 365 days	843	306
	<u>1,932</u>	<u>879</u>

16. Share capital

The total authorised share capital of the Company comprises 2,000,000,000 ordinary shares (2019: 2,000,000,000 ordinary shares) with par value of USD0.00005 (2019: USD0.00005) per share.

	<i>Note</i>	Number of ordinary shares	Nominal value of ordinary shares USD'000	Equivalent nominal value of ordinary shares RMB'000
Issued and fully paid:				
At 1 January 2019		724,583,301	36	235
Cancellation of ordinary shares	<i>(i)</i>	<u>(2,832,000)</u>	<u>–</u>	<u>(1)</u>
At 31 December 2019 and 1 January 2020		721,751,301	36	234
Cancellation of ordinary shares	<i>(i)</i>	<u>(10,875,000)</u>	<u>–</u>	<u>(2)</u>
At 31 December 2020		<u>710,876,301</u>	<u>36</u>	<u>232</u>

Note:

- (i) The Group repurchased 6,050,000 shares (2019: 6,246,000 shares) of its own shares from the market during the year. The total amount paid to acquire the shares was RMB3,744,000 (2019: RMB6,794,000) and has been deducted from the shareholders' equity. The related weighted average price at the time of repurchase was HK\$0.7 (2019: HK\$1.25) per share. All repurchased shares were cancelled during the year ended 31 December 2020. For the 10,875,000 cancelled shares during the year ended 31 December 2020, 6,050,000 ordinary shares were repurchased during the year ended 31 December 2020 and 4,825,000 ordinary shares were repurchased during the year ended 31 December 2019.

17. Share-based payments

(a) Share options

On 7 January 2011, the Board of the Company approved the establishment of a share option scheme (“**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 Pre-IPO Share Option Scheme was subsequently amended on 17 September 2013. 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 (“**Post-IPO Share Option Scheme**”) with the objective to recognise and reward the contribution of eligible directors and employees to the growth and development of the Group. The contractual life of all options under Post-IPO Share Option Scheme is ten years from the grant date.

Details of the share options outstanding during the year are as follows:

	Number of share options	
	2020	2019
Outstanding at the beginning of the year	7,311,427	8,323,315
Lapsed during the year	<u>(1,228,998)</u>	<u>(1,011,888)</u>
Outstanding at the end of the year	<u>6,082,429</u>	<u>7,311,427</u>
Exercisable at the end of the year	<u>6,082,429</u>	<u>7,311,427</u>

No options were exercised in 2020 and 2019.

Details of the exercise prices and the respective numbers of share options which remained outstanding as at 31 December 2020 and 2019 are as follows:

Expiry date	Exercise price		Number of share options	
	Original currency	Equivalent to HK\$	2020	2019
1 March 2020	USD0.10	0.775	–	2,749
30 June 2020	USD0.15	1.163	–	66,249
6 September 2025	HK\$3.108	3.108	<u>6,082,429</u>	<u>7,242,429</u>
			<u>6,082,429</u>	<u>7,311,427</u>

(b) RSU

Pursuant to a resolution passed by the Board of the Company on 17 September 2013, the Company set up a RSU scheme with the objective to incentivise directors, senior management and employees for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

RSUs held by a participant that are vested may be exercised (in whole or in part) by the participant serving an exercise notice in writing to The 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 from 4 March 2013 to 3 March 2021, commencing from the date of the first grant of the RSUs.

Movements in the number of RSUs outstanding:

	Number of RSUs	
	2020	2019
At 1 January	5,589,245	7,781,613
Lapsed	–	(8,368)
Vested and transferred	<u>(948,788)</u>	<u>(2,184,000)</u>
At 31 December	<u>4,640,457</u>	<u>5,589,245</u>
Vested but not transferred as at 31 December	<u>4,640,457</u>	<u>5,589,245</u>

The related weighted-average share price at the time when the RSUs were vested and transferred was HK\$0.98 (2019: HK\$1.56) per share.

(c) Shares held for RSU scheme

The shares held for RSU scheme were regarded as treasury shares and had been presented as a deduction against shareholders’ equity. During the year, 948,788 of RSUs were vested and transferred (Note (b) above), and as a result, 57,691,829 ordinary shares (2019: 58,640,617 ordinary shares) of the Company underlying the RSUs were held by The Core Admin Boyaa RSU Limited as at 31 December 2020.

18. Material events

In March 2019, the Company has come to the attention that it was not able to continue to use the idle cash reserves in its individual bank accounts (the “**Relevant Idle Cash Reserves**”) for fixed-term deposits or wealth management (the “**Incident**”). At 31 December 2020, the Group’s investments at fair value through profit or loss of approximately RMB373,816,000 and cash and cash equivalents of approximately RMB291,866,000 were frozen.

At the relevant time, the Company considered that the Incident may be implicated as a result of the Case (as defined below) involving individual Employees (as defined below), as such, the Company has engaged its PRC legal advisers (the “**PRC Legal Advisers**”) to advise on this matter. Upon engagement of the PRC Legal Advisers, the PRC Legal Advisers have submitted applications to the relevant PRC court and procuratorate on behalf of the Company in relation to the Incident, including an application to utilise the Relevant Idle Cash Reserves.

Upon advice of the PRC Legal Advisers, the Company filed application (the “**Application**”) to the relevant PRC court on 21 August 2019 seeking to utilise the Relevant Idle Cash Reserves for wealth management. On 27 August 2019, the Company received a reply (the “**Reply**”) from the relevant PRC court that the Relevant Idle Cash Reserves were frozen due to a prosecution (the “**Case**”) made by the relevant PRC judicial authority against its individual current or former employees (the “**Employees**”) for their alleged illegal activities conducted through one of the Company’s onshore online gaming platforms (the “**Alleged Crime**”). Therefore, the Application was rejected. As advised by the PRC Legal Advisers, if the relevant PRC judicial authority finds that the Employees are guilty of the Alleged Crime and some or all of the Relevant Idle Cash Reserves contain income generated as a result of such conduct, such income may be confiscated.

On 27 December 2019, the Intermediate People’s Court of Chengde City, Hebei Province (the “**Trial Court**”) delivered the judgement in relation to the Case (the “**Judgement**”). The Trial Court held that the Employees are guilty of the Alleged Crime and ordered an amount of approximately RMB943 million to be paid to the state treasury (the “**Judgement Amount**”).

The Company is not a party to the Case. As at the date of this announcement, none of the Company, its directors and its senior management had been subject to any prosecution or investigation by the relevant PRC judicial authorities in relation to the Alleged Crime. In addition, the Company had not received any notification from any relevant PRC judicial authority in relation to the Judgement Amount and so far as the Company is aware, the other bank accounts had not been frozen by the relevant PRC judicial authorities.

The Company is discussing with its PRC Legal Advisers as to the next step forward in relation to the Judgement, including the possibility to take appropriate legal actions as to the Judgement Amount to protect the interests of the Company and its shareholders. As advised by the PRC Legal Advisers, as at the date of this announcement, one of the Employees had applied for appeal against the Judgement and the appeal hearing against the Judgement (the “**Appeal Hearing**”) was heard on 10 November 2020. As at the date of this announcement, to the best knowledge of the Directors after making all reasonable enquiries and as advised by the PRC legal Advisors, the PRC court had not handed down the judgement of the Appeal Hearing. The Judgement will not be enforced and the Judgement Sum will not be ordered to be paid until a judgement from the court has finally been handed down.

In light of the fact that (i) the Company, its directors and senior management had not been subject to any prosecution by the relevant PRC judicial authority in relation to the Alleged Crime as at the date of this announcement; (ii) the Relevant Idle Cash Reserves of the Company are only used for the purpose of investing in fixed-term deposits and wealth management products, which is the Company's general practice; (iii) the Company has sufficient cash reserves available in the other bank accounts for its day-to-day operations; and (iv) the Company does not have any loan borrowing as at the date of this announcement, the Board is of the view that the Judgement would not have any material adverse impact on the business, operation and financial conditions of the Group.

The Independent Investigation Committee had held meetings in January, March, May, November 2020 and March 2021 to discuss various matters concerning the Case and the Incident. The senior management of the Company has been maintaining close contact with the Independent Investigation Committee to ensure that any updates of the Case and the Incident can be provided to the Independent Investigation Committee on a timely basis. The Independent Investigation Committee is in the course of preparing the report with details of their findings and their view on the Case and the Incident. After discussing with the Company and its legal advisors, the Independent Investigation Committee is of the view that it will be more appropriate for them to issue the report after they received the outcome of the Appeal Hearing. As at the date of this announcement, the Independent Investigation Committee was of the view that there were no material findings after conducting the independent investigation which have to bring to the attention of the shareholders and potential investors of the Company.

The Company will keep the shareholders and potential investors of the Company informed of any material development in connection with the Case and the Incident as and when appropriate pursuant to the requirements under the Listing Rules.

19. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation. The new classification of the accounting items was considered to provide a more appropriate presentation of the state of affairs of the Group.

EXTRACT OF THE INDEPENDENT AUDITOR’S REPORT

The following is the extract of the independent auditor’s report from the external auditors of the Group:

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (the “IFRS”) issued by the International Accounting Standards Board (the “IASB”) and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis for Qualified Opinion

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of frozen investments at fair value through profit or loss and restricted bank deposits of RMB373,816,000 and RMB291,866,000 as at 31 December 2020 respectively and RMB362,930,000 and RMB288,394,000 as at 31 December 2019 respectively. There are no other satisfactory audit procedures that we could adopt to determine whether any allowances for non-recovery of these amounts should be made in the consolidated financial statements. Any adjustments to these figures might have a consequential effect on the Group’s consolidated financial performance for the years ended 31 December 2020 and 2019, the consolidated financial position of the Group as at 31 December 2020 and 2019, and the related disclosures thereof in the consolidated financial statements.

MANAGEMENT'S VIEW ON THE QUALIFIED OPINION

In respect of the Qualified Opinion, the Board is of the view that:

1. the management had been in constant discussion with its PRC legal adviser in relation to the Case;
2. the Audit Committee has discussed with the independent auditors on the Qualified Opinion and the audit procedures that were performed and reported to the management; and
3. given that the Company is not a party to the Case and that the Frozen Sum was implicated due to the alleged illegal activities on the part of the individual Employees, the Board concluded that it had provided all available information to the independent auditor and there was no additional information and evidence that can supplement at this stage.

As a result, with respect to the type of audit opinion issued by the auditors, the management of the Company acknowledged and agreed with the audit opinion that the auditor had issued based on their professional and independent assessment.

View of Audit Committee

The Audit Committee had critically reviewed the matter after discussion with the auditors and it held the same view as the auditors as to the basis of the Qualified Opinion. The Audit Committee had from time to time closely communicate with the Board and the independent auditor on the updated operation and financial performance of the Group, in particular, the progress of the Case and the Qualified Opinion.

Action plan of the Group to address the Qualified Opinion

In respect of the case, the Company had engaged the PRC legal adviser to advise on the matter and to apply to the relevant PRC court and judiciary authorities to utilise the Relevant Idle Cash Reserves. The Group had also set up an independent investigation committee to investigate on internal matters arising out of the Case and engaged Deloitte to review the Company's internal control system. The Company had put in place additional internal control measures include addition measures on declaration of interest by employees and revenue management systems to prevent recurrence of similar incidents. The Company will use its best endeavours to monitor the Case and to make necessary applications to the relevant PRC court with the assistance from the PRC legal adviser.

**RECONCILIATION FROM NET PROFIT TO UNAUDITED NON-IFRS ADJUSTED
NET PROFIT
FOR THE YEAR ENDED 31 DECEMBER 2020**

	For the year ended		Year- on-Year Change*
	31 December		
	2020	2019	
	<i>RMB'000</i>	<i>RMB'000</i>	%
	(audited)	(audited)	
Revenue	351,479	323,816	8.5
Cost of revenue	<u>(109,248)</u>	<u>(102,652)</u>	6.4
Gross profit	242,231	221,164	9.5
Selling and marketing expenses	(24,579)	(20,845)	17.9
Administrative expenses	(121,325)	(117,619)	3.2
Other losses, net	<u>(135,796)</u>	<u>(53,649)</u>	153.1
Operating (loss)/profit	(39,469)	29,051	(235.9)
Finance income, net	20,244	21,784	(7.1)
Share of losses of associates	<u>(2,861)</u>	<u>(3,990)</u>	(28.3)
(Loss)/profit before income tax	(22,086)	46,845	(147.1)
Income tax expenses	<u>(23,016)</u>	<u>(13,085)</u>	75.9
(Loss)/profit for the period	<u>(45,102)</u>	<u>33,760</u>	(233.6)
Non-IFRS adjustment (unaudited)			
Share-based compensation expenses included in cost of revenue	–	115	(100.0)
Share-based compensation expenses included in selling and marketing expenses	–	124	(100.0)
Share-based compensation expenses included in administrative expenses	<u>–</u>	<u>234</u>	(100.0)
Non-IFRS adjusted net (loss)/profit (unaudited)	<u>(45,102)</u>	<u>34,233</u>	(231.8)

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

**RECONCILIATION FROM NET PROFIT TO UNAUDITED NON-IFRS ADJUSTED
NET PROFIT
FOR THE THREE MONTHS ENDED 31 DECEMBER 2020**

	For the three months ended			Year-	Quarter-
	31 December	30 Septemeber	31 December	on-Year	on-Quarter
	2020	2020	2019	Change*	Change**
	RMB'000	RMB'000	RMB'000	%	%
	(unaudited)	(unaudited)	(unaudited)		
Revenue	77,632	85,387	78,313	(0.9)	(9.1)
Cost of revenue	<u>(27,233)</u>	<u>(26,152)</u>	<u>(25,897)</u>	5.2	4.1
Gross profit	50,399	59,235	52,416	(3.8)	(14.9)
Selling and marketing expenses	(6,554)	(6,841)	(5,728)	14.4	(4.2)
Administrative expenses	(34,330)	(27,845)	(31,109)	10.4	23.3
Other losses, net	<u>(42,216)</u>	<u>(22,917)</u>	<u>(69,960)</u>	(39.7)	84.2
Operating (loss)/profit	(32,701)	1,632	(54,381)	(39.9)	(2103.7)
Finance income, net	4,929	4,771	7,120	(30.8)	3.3
Share of losses of associates	<u>(714)</u>	<u>(450)</u>	<u>(3,620)</u>	(80.3)	58.7
(Loss)/profit before income tax	(28,486)	5,953	(50,881)	(44.0)	(578.5)
Income tax credit/(expenses)	<u>(1,953)</u>	<u>(7,050)</u>	<u>2,573</u>	(175.9)	(72.3)
Loss for the year	<u>(30,439)</u>	<u>(1,097)</u>	<u>(48,308)</u>	(37.0)	2674.7
Non-IFRS adjustment (unaudited)					
Share-based compensation expenses included in cost of revenue	-	-	-	-	-
Share-based compensation expenses included in selling and marketing expenses	-	-	-	-	-
Share-based compensation expenses included in administrative expenses	<u>-</u>	<u>-</u>	<u>1</u>	(100.0)	-
Non-IFRS adjusted net losses (unaudited)	<u>(30,439)</u>	<u>(1,097)</u>	<u>(48,307)</u>	(37.0)	2674.7

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

** *Quarter-on-Quarter Change % represents a comparison between the quarter ended 31 December 2020 and the immediately preceding quarter.*

OTHER INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2020, the Company repurchased 6,050,000 shares of the Company on the Stock Exchange at an aggregate consideration of HKD4,212,350 pursuant to the share repurchase mandates approved by the shareholders of the Company at the annual general meeting held on 6 June 2019 and 16 July 2020. Details of the repurchases are summarised as follows:

Date of repurchase	Price per share		Number of Ordinary Shares of USD0.00005 Each	Total consideration HKD
	Highest HKD	Lowest HKD		
7 January 2020	1.00	0.97	1,300,000	1,285,690
8 January 2020	0.99	0.98	500,000	494,870
1 September 2020	0.55	0.55	500,000	275,000
4 September 2020	0.58	0.56	491,000	279,610
7 September 2020	0.59	0.58	109,000	63,800
9 September 2020	0.58	0.57	130,000	74,560
10 September 2020	0.58	0.56	155,000	89,580
15 September 2020	0.58	0.58	222,000	128,760
17 September 2020	0.59	0.57	303,000	177,130
24 September 2020	0.59	0.56	800,000	465,780
25 September 2020	0.58	0.54	400,000	228,060
15 October 2020	0.58	0.55	500,000	284,640
16 October 2020	0.58	0.57	72,000	41,670
23 October 2020	0.58	0.57	354,000	203,820
4 December 2020	0.56	0.55	68,000	37,780
9 December 2020	0.56	0.55	146,000	81,600
Total:			6,050,000	4,212,350

All the above repurchased 6,050,000 shares of the Company have been cancelled during the year ended 31 December 2020. A total of 10,875,000 repurchased shares of the Company have been cancelled during the year ended 31 December 2020. The issued share capital of the Company has been reduced by the nominal value of the repurchased shares. The premium paid on repurchase was charged against the share premium of the Company. The repurchases were effected by the Board with a view to benefiting the shareholders of the Company as a whole by enhancing the earnings per share of the Company.

Except as disclosed above, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the year ended 31 December 2020.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2020, the Company has complied with the applicable code provisions of the Corporate Governance Code (the “**Code**”) as set out in Appendix 14 to the Listing Rules, except for the following deviation:

Under code provision A.5.1 of the Code, issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director. The chairlady of the nomination committee of the Company (the “**Nomination Committee**”) is Ms. Tao Ying, an executive Director and the acting chief executive officer of the Company. Ms. Tao joined the Company in December 2013 and has worked in the Company for over seven years. She has been participating in the compliance, internal control, finance, investor relations, and investment project management of the Group. Taking into account her knowledge to the operation of the Company, the Directors (including the independent non-executive Directors) consider that it is most suitable for Ms. Tao Ying to hold the position of chairlady of the Nomination Committee and the existing arrangements are beneficial and in the interests of our Company and our shareholders as a whole.

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

The Board currently comprises two executive Directors (being Mr. Dai Zhikang, an executive Director and the chairman of the Company and Ms. Tao Ying, an executive Director and the acting chief executive officer of the Company), and three independent non-executive Directors, and therefore has a strong element of independence in its composition.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors’ securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code during the year ended 31 December 2020.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with Rule 3.21 of Listing Rules and the Code. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely, Mr. Cheung Ngai Lam, Mr. Choi Hon Keung Simon and Mr. Kong Fanwei. Mr. Cheung Ngai Lam is the chairman of the Audit Committee.

The Audit Committee has reviewed and discussed the audited annual results of the Company for the year ended 31 December 2020.

IMPORTANT EVENTS AFFECTING THE GROUP AFTER THE REPORTING PERIOD

After the outbreak of COVID-19 pandemic in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country. The Group will continue to pay close attention to the development of the COVID-19 pandemic and evaluate its impact on the financial position and operating results of the Group. As at the date of this announcement, the Board was not aware of any material adverse impact on the Group’s operation and financial statement as a result of the COVID-19 outbreak.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2020. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual results announcement for the year ended 31 December 2020 is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and of the Company (<http://www.boyaa.com.hk>). The 2020 annual report will be despatched to the shareholders of the Company and will be available on the websites of the Stock Exchange and of the Company in due course.

By order of the Board of
Boyaa Interactive International Limited
Dai Zhikang
Chairman and Executive Director

Hong Kong, 25 March 2021

As at the date of this announcement, the executive directors of the Company are Mr. Dai Zhikang and Ms. Tao Ying; the independent non-executive directors of the Company are Mr. Cheung Ngai Lam, Mr. Choi Hon Keung Simon and Mr. Kong Fanwei.