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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 2015**

Highlights:

- Our revenue for the year ended 31 December 2015 amounted to approximately RMB813.5 million, representing a decrease of 13.9% from approximately RMB945.3 million recorded in 2014.
- Our gross profit for the year ended 31 December 2015 amounted to approximately RMB427.9 million, representing a decrease of 24.6% from approximately RMB567.9 million recorded in 2014.
- Profit attributable to owners of the Company for the year ended 31 December 2015 amounted to approximately RMB357.8 million, representing an increase of 27.8% from approximately RMB280.1 million recorded in 2014.
- Our unaudited non-IFRS adjusted net profit for the year ended 31 December 2015 derived by excluding share-based compensation expenses amounted to approximately RMB379.7 million, representing an increase of 24.0% from approximately RMB306.2 million recorded in 2014.

FINANCIAL HIGHLIGHTS

	For the year ended		
	31 December		Year-on-Year
	2015	2014	Change*
	<i>RMB'000</i>	<i>RMB'000</i>	%
	(audited)	(audited)	
Revenue	813,480	945,319	(13.9)
– Web-based games	333,941	409,544	(18.5)
– Mobile games	479,539	535,775	(10.5)
Gross profit	427,944	567,852	(24.6)
Profit attributable to owners of the Company	357,799	280,065	27.8
Non-IFRS adjusted net profit (unaudited)***	379,726	306,177	24.0
Earnings per share (expressed in RMB cents per share)			
– Basic	50.81	42.07	20.8
– Diluted	49.25	38.07	29.4
	For the three months ended		
	31 December		Year-on-Year
	2015	2014	Change*
	<i>RMB'000</i>	<i>RMB'000</i>	%
	(unaudited)	(unaudited)	
Revenue	186,523	243,906	(23.5)
– Web-based games	75,157	92,415	(18.7)
– Mobile games	111,366	151,491	(26.5)
Gross profit	99,766	138,315	(27.9)
Profit attributable to owners of the Company	221,761	65,979	236.1
Non-IFRS adjusted net profit***	229,394	70,246	226.6

REVENUE BY GAMES

	For the year ended		
	31 December		Year-on-Year
	2015	2014	Change*
	<i>RMB'000</i>	<i>RMB'000</i>	%
	(audited)	(audited)	
Texas Hold'em Series	569,636	736,732	(22.7)
Fight the Landlord	149,298	159,846	(6.6)
Others	94,546	48,741	94.0
Total	813,480	945,319	(13.9)

	For the three months ended		
	31 December		Year-on-Year
	2015	2014	Change*
	<i>RMB'000</i>	<i>RMB'000</i>	%
	(unaudited)	(unaudited)	
Texas Hold'em Series	129,532	177,914	(27.2)
Fight the Landlord	36,178	52,196	(30.7)
Others	20,813	13,796	50.9
Total	186,523	243,906	(23.5)

REVENUE BY LANGUAGE VERSIONS OF GAMES

	For the year ended		Year-on-Year Change*
	31 December 2015 <i>RMB'000</i> (audited)	2014 <i>RMB'000</i> (audited)	
Simplified Chinese	349,746	426,153	(17.9)
Other languages	463,734	519,166	(10.7)
Total	813,480	945,319	(13.9)
	For three months ended		Year-on-Year Change*
	31 December 2015 <i>RMB'000</i> (unaudited)	2014 <i>RMB'000</i> (unaudited)	
Simplified Chinese	85,778	130,958	(34.5)
Other languages	100,745	112,948	(10.8)
Total	186,523	243,906	(23.5)

OPERATIONAL HIGHLIGHTS

	For the three months ended			Year-	Quarter-
	31 December	30 September	31 December	on-Year	on-Quarter
	2015	2015	2014	Change*	Change**
	(unaudited)	(unaudited)	(unaudited)	%	%
Paying Players (in thousands)	1,749	2,112	2,157	(18.9)	(17.2)
• Web-based games	76	100	160	(52.5)	(24.0)
• Mobile games	1,673	2,012	1,997	(16.2)	(16.8)
Daily Active Players (“DAUs”) (in thousands)****	5,639	6,318	5,828	(3.2)	(10.7)
• Web-based games	838	988	1,580	(47.0)	(15.2)
• Mobile games	4,801	5,330	4,248	13.0	(9.9)
Monthly Active Players (“MAUs”) (in thousands)****	26,491	29,384	27,909	(5.1)	(9.8)
• Web-based games	5,753	6,691	8,084	(28.8)	(14.0)
• Mobile games	20,738	22,693	19,825	4.6	(8.6)
Average Revenue Per Paying Player (“ARPPU”) of Texas Hold’em (in RMB)					
• Web-based games	351.6	288.6	407.6	(13.7)	21.8
• Mobile games	89.7	79.1	57.0	57.4	13.4
ARPPU of Fight the Landlord (in RMB)					
• Web-based games	55.8	30.4	48.3	15.5	83.6
• Mobile games	15.8	8.8	17.9	(11.7)	79.5
ARPPU of Other Games (in RMB)					
• Web-based games	81.4	65.5	10.8	653.7	24.3
• Mobile games	9.3	11.8	7.2	29.2	(21.2)

* 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 2015 and the immediately preceding quarter.

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

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

The board of directors (the “**Board**”) of Boyaa Interactive International Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2015. The annual results have been prepared in accordance with International Financial Reporting Standards (the “**IFRS**”) and audited by PricewaterhouseCoopers, the auditor of the Company. In addition, the annual results have also been reviewed by the audit committee of the Company (the “**Audit Committee**”).

BUSINESS OVERVIEW AND OUTLOOK

Review of 2015

In 2015, the Company advanced in a challenging environment. Our revenue for the year ended 31 December 2015 decreased by a certain extent due to the impact on the industry attributable to the downward trend of the web-based games industry and the regulation and adjustment of SMS payment channels by domestic telecom operators in mainland China beginning in the first half of 2015. However, due to the one-off gain from the disposal of our equity interest in RaySns Technology Co., Ltd. (雷尚(北京)科技有限公司, “**RaySns**”), our unaudited non-IFRS adjusted net profit recorded significant growth year-on-year. At the same time, we continued to persist in our dedication to online card and board games and further enriched our card and board games portfolio through relentless product innovation, and adjusted and optimized our marketing strategy, which in turn increased the effectiveness of marketing, further strengthened our software and hardware foundations to withstand risks and increase our competitiveness in the online card and board games market.

In the year of 2015, we recorded revenue of approximately RMB813.5 million, representing a decrease of 13.9% as compared to 2014, and we recorded unaudited non-IFRS adjusted net profit of approximately RMB379.7 million, representing an increase of 24.0% as compared to 2014.

As at 31 December 2015, the number of our paying players and number of our active players both dropped by a certain extent. The number of paying players decreased from 2.2 million in the fourth quarter of 2014 to 1.7 million in the same period in 2015. The numbers of DAUs and MAUs also decreased from 5.8 million and 27.9 million, respectively in the fourth quarter of 2014 to 5.6 million and 26.5 million, respectively in the fourth quarter of 2015. Despite the decrease in the number of players, there is a slight increase in the contribution from our paying players. The ARPPU of the mobile-based Fight the Landlord, one of our important games, decreased by 11.7% in the fourth quarter of 2015 as compared to the fourth quarter of 2014, but the rate of decrease had significantly slowed down (the decrease in the third quarter of 2015 was 50.3% as compared to the third quarter of 2014); while the ARPPU of the mobile-based Texas Hold'em increased by 57.4% in the fourth quarter of 2015 as compared to the fourth quarter of 2014, maintaining a steady growth.

As at 31 December 2015, our online games product portfolio increased to 43 and the newly-added online games were all overseas and domestic online card and board games, with refined operations being carried out. Meanwhile, we currently offer 17 language versions of our games, which further built our global online card and board games business and strengthened our leading position.

In 2015, we organized online and offline activities and competitions such as the Boyaa Poker Tournament, which enhanced the awareness and loyalty of players towards our games. With regard to the emerging TV games market, we provided high quality products and established close business ties with top domestic TV games manufacturers and have readily prepared ourselves for the proliferation of the TV games market. At the same time, we continued to maintain and strengthen our close collaboration with large-scale social platforms such as Facebook and Google, and three large domestic telecom operators.

In 2015, the unexpected regulation and adjustment of SMS payment channels by domestic operators in mainland China brought impact to the industry and prompted us to accelerate our pace in improvement with respect to payment channels. During the year, we adopted a core development strategy for payment channels and obtained the best supporting policies from core channels. Meanwhile, we actively worked towards creating a unified and integrated payment system, and constantly improved our billing operational strategies such as the management of resources for billing and the monitoring of billing effects, in order to enhance the improvement on the utilisation of our payment channels and management system, as well as to strengthen the ability of our payment channels to counter risks.

Outlook for 2016

In 2016, we will continue our efforts on becoming a leading global brand for online card and board games. We intend to place emphasis on developing the following:

- continuously enriching and expanding our card and board games portfolio, while increasing the penetration of our card and board games in different channels through continuous efforts to reinforce the development and operations of online TV games;
- enhancing refined operations for our products, proactively implementing product innovation and diversification, in order to provide our players with even more professional and premium game experiences and more attentive customer services;
- placing emphasis on and improving the hosting of online and offline competitions and the interactive experience of players, in order to reinforce players' confidence in us and increase the awareness of the Company's games and player base;

- continuously building and perfecting effective payment systems to align with the developing trend of recharge billing methods, strengthening the conversion ability to provide for different payment methods, enabling mobile SMS payment and changes to cater for third party payment methods such as Alipay and WeChat, in order to increase our ARPPU;
- continuously strengthening our technical base infrastructure to enhance its stability and seamlessness, and enabling our players to receive the best experience and services through enhancing timeliness and comprehensiveness by constant technological innovation and research and development efforts.

We believe that, through our dedication and accumulated experience in online card and board games, constant innovations and persistence in our player-oriented philosophy, we will certainly be able to achieve our goal of committing to become a global leading brand in online card and board games.

MANAGEMENT DISCUSSION AND ANALYSIS

Year ended 31 December 2015 Compared to Year ended 31 December 2014

Revenue

Our revenue for the year ended 31 December 2015 amounted to approximately RMB813.5 million, representing a decrease of 13.9% from approximately RMB945.3 million recorded in 2014. The decrease in revenue was primarily due to the impact on the industry led by the regulation and adjustment of SMS payment channels by operators, and the declining trend in the web-based games industry.

In terms of revenue by game forms, our continued shift in our strategic focus from web-based games to mobile games has resulted in a continued expansion in the contribution of revenue generated from our mobile games to our total revenue. For the year ended 31 December 2015, revenue generated from our mobile games amounted to approximately RMB479.5 million as compared to approximately RMB535.8 million in 2014, representing a decline of approximately 10.5% and which accounted for approximately 58.9% of our total revenue in 2015 (2014: 56.7% of our total revenue).

In terms of revenue by language versions of games, during the year, revenue generated from language versions of simplified Chinese has decreased compared with 2014, due to the impact on the industry led by the regulation and adjustment of SMS payment channels by operators. For the year ended 31 December 2015, revenue generated from language versions of simplified Chinese declined 17.9% from approximately RMB426.2 million in 2014 to approximately RMB349.7 million in 2015, which accounted for approximately 43.0% and 45.1% of our total revenue in 2015 and 2014, respectively.

Cost of revenue

Our cost of revenue increased by 2.1% from approximately RMB377.5 million in 2014 to approximately RMB385.5 million in 2015 primarily due to an increase in employee benefit expenses resulting from the upward adjustment of staff salaries, and the increase in servers rental expenses.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by 24.6% from approximately RMB567.9 million for the year ended 31 December 2014 to approximately RMB427.9 million for the year ended 31 December 2015.

For the year ended 31 December 2015 and the same period in 2014, our gross profit margin were approximately 52.6% and 60.1%, respectively. The decline of gross profit margin was primarily due to the increase in the average commission fees charge rate, and the increase in employee benefit expenses and servers rental expenses.

Selling and marketing expenses

Our selling and marketing expenses decreased by 17.9% from approximately RMB178.7 million in 2014 to approximately RMB146.7 million in 2015, accounting for 18.0% of our revenue in 2015, decreased from 18.9% in 2014. The decrease in selling and marketing expenses was mainly attributable to the reduction in advertising and promotion expenses due to the optimization of our advertising strategy.

Administrative expenses

Our administrative expenses increased by 19.1% from approximately RMB117.4 million in 2014 to approximately RMB139.9 million in 2015, accounting for 17.2% of our revenue in 2015, increased from 12.4% in 2014. The increase in administrative expenses was mainly due to the increase in employee benefit expenses resulting from the increase in headcount and the upward adjustment of staff salaries.

Other gains – net

We recorded other gains – net of approximately RMB236.4 million for the year ended 31 December 2015, which primarily consisted of the one-off gain from the disposal of equity interest in RaySns, fair value gains on financial assets at fair value through profit or loss relating to the non-quoted investments in asset management plans, equity investment partnerships and certain wealth management products we purchased. For the year ended 31 December 2014, we recorded other gains – net of approximately RMB54.9 million.

Finance income – net

Our net finance income was approximately RMB34.9 million in 2015 and we recorded net finance income of approximately RMB2.1 million in 2014. The change was primarily due to increase in interest income as compared to the same period of 2014.

Share of profit of associates

We held investments in six associates, namely Shenzhen Fanhou Technology Co., Ltd. (深圳市飯後科技有限公司, “**Fanhou**”), Shenzhen HuifuWorld Network Technology Co., Ltd. (深圳市匯富天下網絡科技有限公司, “**HuifuWorld**”), Shenzhen Gangyun Technology Co., Ltd. (深圳港雲科技有限公司, “**Gangyun**”), Shenzhen Easething Technology Co., Ltd. (深圳市易新科技有限公司, “**Easething**”), Shenzhen Jisiwei Intelligent Technology Co., Ltd. (深圳市極思維智能科技有限公司, “**Jisiwei**”) and Allin Interactive International Limited (傲英互動國際有限公司) and its subsidiaries (together, “**Allin Group**”) as at 31 December 2015 (31 December 2014: five), all of which were online game or Internet technology companies. We recorded a share of profit of associates of approximately RMB7.5 million and RMB6.2 million for the years ended 31 December 2015 and 2014, respectively.

Income tax expense

Our income tax expense increased by 14.5% from approximately RMB55.4 million for the year ended 31 December 2014 to approximately RMB63.5 million for the year ended 31 December 2015, primarily due to the increase in profit before income tax from approximately RMB335.0 million in 2014 to approximately RMB420.1 million in 2015. The effective income tax rate decreased from approximately 16.5% in 2014 to approximately 15.1% in 2015 is primarily due to the increase in profits with lower effective tax rates which mainly represented the one-off gain from the disposal of equity interest in RaySns and the profits contributed by Function Technology Co., Ltd., which was newly acquired in 2015, and Boyaa Holdings Limited.

Profit for the year

As a result of the foregoing, our profit attributable to owners of the Company increased by 27.8% from approximately RMB280.1 million in 2014 to approximately RMB357.8 million in 2015.

Non-IFRS Measure – Adjusted net profit

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

Our unaudited non-IFRS adjusted net profit for the year ended 31 December 2015 was derived from our net profit for the same period excluding share-based compensation expenses of approximately RMB6.4 million, RMB5.1 million and RMB11.6 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively. Our unaudited non-IFRS adjusted net profit for the year ended 31 December 2014 was derived from our net profit for the same period excluding share-based compensation expenses of approximately RMB10.5 million, RMB4.0 million and RMB12.1 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively.

Fourth Quarter of 2015 Compared to Fourth Quarter of 2014

Revenue

Our revenue for the three months ended 31 December 2015 amounted to approximately RMB186.5 million, representing year-on-year decrease of 23.5% from approximately RMB243.9 million recorded for the same period of 2014. The year-on-year decrease in revenue was primarily due to the impact on the industry led by the regulation and adjustment of SMS payment channels by operators, and the declining trend in the web-based games industry.

For the three months ended 31 December 2015, revenue generated from our mobile games amounted to approximately RMB111.4 million as compared to approximately RMB151.5 million recorded for the same period of 2014, representing year-on-year decline of approximately 26.5%.

For the three months ended 31 December 2015, revenue generated from language versions of simplified Chinese amounted to approximately RMB85.8 million, representing year-on-year decrease of 34.5% from approximately RMB131.0 million recorded for the same period of 2014.

Cost of revenue

Our cost of revenue for the three months ended 31 December 2015 amounted to approximately RMB86.8 million, representing year-on-year decrease of 17.8% from approximately RMB105.6 million recorded for the same period in 2014. The year-on-year decrease was primarily due to the decrease in commission fees paid to our payment collection channels resulting from the decrease in revenue.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by 27.9% from approximately RMB138.3 million for the three months ended 31 December 2014 to approximately RMB99.8 million for the three months ended 31 December 2015. In addition, our gross profit margin decreased from 56.7% for the three months ended 31 December 2014 to 53.5% for the three months ended 31 December 2015. The decrease in our gross profit margin was primarily due to the increase in employee benefit expenses and servers rental expenses.

Selling and marketing expenses

Our selling and marketing expenses decreased from approximately RMB45.4 million recorded for the three months ended 31 December 2014 to approximately RMB18.3 million for the same period of 2015, representing year-on-year decrease of 59.7%, which was mainly attributable to the reduction in advertising and promotion expenses due to the optimization of our advertising strategy.

Administrative expenses

Our administrative expenses for the three months ended 31 December 2015 amounted to approximately RMB37.6 million, representing year-on-year increase of 7.9% from approximately RMB34.8 million recorded for the same period of 2014. The year-on-year increase was mainly due to the increase in employee benefit expenses resulting from the increase in headcount and the upward adjustment of staff salaries.

Other gains – net

We recorded other gains – net of approximately RMB215.1 million for the three months ended 31 December 2015, which was primarily the one-off gain from the disposal of equity interest in RaySns, fair value losses on financial assets at fair value through profit or loss relating to the non-quoted investments in asset management plans, equity investment partnerships and certain wealth management products we purchased. For the same period of 2014, we recorded other gains – net of approximately RMB18.4 million.

Finance income – net

Our net finance income for the three months ended 31 December 2015 was approximately RMB6.9 million, compared to the net finance income of approximately RMB1.5 million recorded for the same period of 2014, representing year-on-year increase of 359.7%. The change was primarily due to the increase in interest income as compared to the same period of 2014.

Share of result of associates

We held investments in six associates, namely Fanhou, HuifuWorld, Gangyun, Easething, Jisiwei and Allin Group as at 31 December 2015 (31 December 2014: five). We recorded a share of loss of associates of approximately RMB1.1 million and a share of profit of associates of approximately RMB0.8 million for the three months ended 31 December 2015 and 2014, respectively.

Income tax expense

Our income tax expense for the three months ended 31 December 2015 was approximately RMB42.9 million, representing year-on-year increase of 225.5% from approximately RMB13.2 million recorded for the same period of 2014, which was primarily due to the increase in profit before income tax from approximately RMB78.7 million for the fourth quarter of 2014 to approximately RMB264.7 million for the same period of 2015. The effective tax rate was 16.2% and 16.8%, respectively, for the three months ended 31 December 2015 and 2014. The decrease in effective tax rate for the three months ended 31 December 2015 compared to the corresponding period of 2014 is primarily due to the increase in profits with lower effective tax rates which mainly represented the one-off gain from the disposal of equity interest in RaySns and the profits contributed by Function Technology Co., Ltd., which was newly acquired in 2015, and Boyaa Holdings Limited.

Profit for the period

As a result of the foregoing, our profit attributable to owners of the Company for the three months ended 31 December 2015 amounted to approximately RMB221.8 million, representing year-on-year increase of 236.1% from approximately RMB66.0 million recorded for the same period of 2014.

Non-IFRS Measure – Adjusted net profit

Our unaudited non-IFRS adjusted net profit for the three months ended 31 December 2015 was derived from our unaudited profit of the same period excluding share-based compensation expenses of approximately RMB1.9 million, RMB1.9 million and RMB3.9 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively. Our unaudited non-IFRS adjusted net profit for the three months ended 31 December 2014 was derived from our unaudited profit for the same period excluding share-based compensation expenses of approximately RMB1.9 million, RMB0.7 million and RMB2.2 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively.

Liquidity and capital resources

In 2015, we financed our operations primarily through cash generated from our operating activities as well as the net proceeds we received from the global offering completed in November 2013. We intend to finance our expansion and business operations by internal resources and through organic and sustainable growth.

Term deposits

As at 31 December 2015, we had term deposits of approximately RMB65.5 million (31 December 2014: nil), which were mainly denominated in Renminbi (as to 50.4%) and US dollars (as to 49.6%). The original maturities of the term deposits are over 3 months and less than 1 year. The effective interest rate for the term deposits of the Group for the year ended 31 December 2015 was 2.29%.

Cash and cash equivalents

As at 31 December 2015, we had cash and cash equivalents of approximately RMB1,065.8 million (31 December 2014: approximately RMB1,029.3 million), which primarily consisted of cash at bank and in hand and short-term bank deposits, which were mainly denominated in Renminbi (as to 86.7%), US dollars (as to 7.8%) and other currencies (as to 5.5%). We currently do not hedge transactions undertaken in foreign currencies. Due to our persistent efforts in managing our exposure to foreign currencies through constant monitoring to limit as much as possible the amount of foreign currencies held by us, fluctuations in currency exchange rates do not have any material adverse impact on our financial results.

Net proceeds from our initial public offering, after deducting the underwriting commission and other estimated expenses in connection with the offering which the Company received amounted to approximately HK\$837.9 million. Up to 31 December 2015, a total amount of RMB309.5 million from the net proceeds from our initial public offering had been utilized for the purposes and approximately in the amounts set out below:

- (a) approximately RMB127.6 million was used for our marketing activities and business expansion;
- (b) approximately RMB99.5 million was used for investments in technologies and complementary online games or businesses; and
- (c) approximately RMB82.4 million was used for research and development activities, for working capital, including but not limited to the investment in our technology infrastructure and enhancement of our game portfolio and other general corporate purposes.

As at 31 December 2015, approximately RMB365.1 million raised from our initial public offering remains unused.

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

Short-term investments

As at 31 December 2015, all our short-term investments had matured (31 December 2014: RMB370.0 million). The short-term investments held during the year represent investments in certain money market instruments in the form of principal and return-guaranteed products denominated in Renminbi offered by a commercial bank in China and have a term of one year and which had all matured in April 2015. Since then, the Group has not purchased similar money market instruments during the year. The effective interest rate for these short-term investments for the year ended 31 December 2015 was 6.0% (for the year ended 31 December 2014: 6.2%), and the returns on such short-term investments amounted to approximately RMB4.2 million for the year ended 31 December 2015 (for the year ended 31 December 2014: RMB44.5 million).

Financial assets at fair value through profit or loss

As at 31 December 2015, we also recorded financial assets at fair value through profit or loss amounted to approximately RMB482.4 million (31 December 2014: approximately RMB22.1 million), which consisted of non-quoted investments in asset management plans, equity investment partnerships and preferred shares issued by a private company included in non-current assets and non-quoted investments in certain wealth management products included in current assets. As at 31 December 2015, the fair values of the investments in asset management plans were determined mainly with reference to the estimated return; the fair values of the investments in equity investment partnerships were determined mainly with reference to the Group's share of their respective net asset values; and the fair value of preferred shares issued by a private company was assessed to be zero as the operating activities of this private company had been ceased and the investment cost was not expected to be recovered. These wealth management products have an initial term ranging from 88 days to 1 year. The fair values of these investments were based on the quotations provided by the counterparties. The above financial assets were designated as financial assets at fair value through profit or loss upon their initial recognition as the performance of these financial assets is evaluated on a fair value basis pursuant to the Group's investment strategy.

The investments in wealth management products under short-term investments and financial assets at fair value through profit or loss were made in line with our treasury and investment policies, after taking into account, among others, the level of risk, return on investment, liquidity and the term to maturity. Generally, the Company has in the past selected wealth management products that are principal guaranteed and relatively low risk products. Prior to making an investment, the Company had also ensured that there remains sufficient working capital for the Company's business needs even after the investments in wealth management products. Each of such investments does not constitute a notifiable transaction or connected transaction of the Company under the Rules Governing The Listing of Securities on The

Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). As agreed with the financial institutions the underlying investment portfolio of the short-term investments and wealth management products of the Company were primarily represented by inter-bank loan market instruments and exchange traded fixed-income financial instruments, such as inter-bank loans, government bonds, central bank bills and similar products, which were highly liquid with a relatively short term of maturity, and which were considered to akin to placing deposits with banks whilst enabling the Group to earn an attractive rate of return.

Borrowings

During the year ended 31 December 2015, we did not have any short-term or long-term bank borrowings and we had no outstanding, utilized or unutilized banking facilities.

Capital expenditures

For the year ended 31 December 2015, our total capital expenditure amounted to approximately RMB22.0 million (2014: approximately RMB54.7 million), mainly including payment for equity investments of RMB5.6 million (2014: RMB13.0 million), which was funded by using the net proceeds from our initial public offering; and purchasing of buildings, additional furniture and equipment, motor vehicles, leasehold improvements and computer software of RMB16.4 million (2014: approximately RMB41.7 million), which was funded by using our cash flow generated from our operations.

Contingent liabilities and guarantees

As at 31 December 2015, our Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against us.

Acquisition and future plans for major investment

During the year ended 31 December 2015, the Group has completed three equity investments. In the first quarter of 2015, we acquired the entire equity interests of four companies, namely Shenzhen Coalaa Network Technology Co., Ltd. (深圳市卡拉網絡科技有限公司), Shenzhen Fengxunsheng Technology Co., Ltd. (深圳市豐訊盛科技有限公司), Shenzhen Guanhai Technology Co., Ltd. (深圳市觀海科技有限公司) and Function Technology Co., Ltd. (collectively referred to as “**Coalaa**”), through a series of agreements and at a total consideration of RMB5 million. Coalaa is an online card and board game developer and operator, with Texas Poker (Professional Version) and 9k Poker as its two most important games. We envisage that through such acquisitions, we can further complement our game portfolio and we will be able to further expand our market share in overseas markets, and in particular, the Thai market.

In the first half of 2015, we completed the investment of 10% equity interest in Easething at a consideration of approximately RMB1 million. Easething is a company principally engaged in the research and development of intelligence hardware and artificial intelligence system and ancillary operations.

In addition, we also completed the investment of 12% equity interest in Jisiwei at a consideration of approximately RMB3.6 million in the first half of 2015. Jisiwei is mainly engaged in development and sales of electronic products and development of intelligence applications.

In the coming future, we will continue to identify new opportunities for business development.

Disposal of available-for-sale financial assets

On 23 March 2015, the Group entered into a share purchase agreement (“SPA”) with Dalian Zeus Entertainment Co., Ltd (大連天神娛樂股份有限公司) (“**Zeus Entertainment**”) (formerly known as Dalian Kemian Wood Industry Co., Ltd. (大連科冕木業股份有限公司)) which is an A-share listed company, to dispose of its entire 16% equity interest in RaySns, an associate of the Group. The consideration for the disposal payable by Zeus Entertainment to the Group is RMB126,720,000, subject to adjustment, which shall be satisfied by the issue and allotment of the consideration shares, being 2,385,093 shares (representing approximately 0.83% of the share capital of Zeus Entertainment as enlarged by the issue of the consideration shares) in Zeus Entertainment with par value of RMB1.00 each, to the Group.

The above transaction was completed on 22 October 2015 (the “**Disposal Date**”) and the carrying amount of the Group’s interest in RaySns as of the Disposal Date was RMB20,564,000. The consideration shares of Zeus Entertainment was recognised as available-for-sale financial assets. The initial fair value of the available-for-sale financial assets was determined based on the closing price of the shares of Zeus Entertainment and amounted to approximately RMB233,501,000, and the difference of approximately RMB212,937,000 between the initial fair value of the available-for-sale financial assets and the carrying amount of the investment in the associate was recognised in profit or loss with ‘other gains – net’.

Proposed disposal of available-for-sale financial assets

On 13 February 2015, our subsidiary, Shenzhen Dong Fang Bo Ya Technology Co., Ltd. (“**Boyaa Shenzhen**”), Mr. Dai Zhikang and other shareholders of Blingstorm Entertainment Ltd. (晶合思動（北京）科技有限公司, “**Blingstorm**”) (as vendors) entered into a share purchase agreement (“**Share Purchase Agreement**”) with OurPalm Co., Ltd (北京掌趣科技股份有限公司, “**OurPalm**”) (as purchaser), pursuant to which Boyaa Shenzhen, Mr. Dai

Zhikang and other shareholders of Blingstorm agreed to dispose of 100% equity interests in Blingstorm to OurPalm. The completion of the proposed disposal is subject to certain conditions. The preliminary consideration for the disposal of Boyaa Shenzhen's 9.36% equity interest in Blingstorm is RMB80,145,000, which is subject to adjustment. If agreement on the adjustment cannot be reached by the parties to the Share Purchase Agreement, the Share Purchase Agreement will be terminated and therefore the proposed disposal may or may not be completed. For details, please refer to the announcement of the Company dated 15 February 2015. The investment cost of the Group for its 9.36% equity interest in Blingstorm was RMB4,600,000 and due to the significant loss reported by Blingstorm in 2012 and 2013, full impairment had been made against the investment cost as at 31 December 2012 and 2013. In light of the proposed disposal and the possible recovery of the value of the investment, an independent valuer was appointed to estimate the fair value of the investment in Blingstorm as at 31 December 2015. The fair value of the investment was approximately RMB49,693,000. As at 31 December 2015, the agreed conditions of the proposed disposal have not been satisfied and the definitive timetable of the completion or termination of the disposal cannot be confirmed at present.

Pledge of assets

As at 31 December 2015, none of the Group's assets was pledged.

Employees and staff cost

As at 31 December 2015, we had a total of 812 full time employees, who are mainly based in China. In particular, 605 employees are responsible for our game development and operation functions, 69 for game support, 47 for business development and 91 for administration and senior management functions.

We organize 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 building. 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 leave insurance, and to mandatory housing accumulation funds, for or on behalf of our employees.

For the year ended 31 December 2015, the total staff cost of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to RMB175.0 million, representing approximately 26.0% of the total expenses of the Group. Pursuant to the pre-IPO share option scheme adopted by the Company in January 2011 and amended in September 2013 (the “**Pre-IPO Share Option Scheme**”), the post-IPO share option scheme adopted by the Company in October 2013 (the “**Post-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 25,563,721 share options and 47,383,431 shares underlying the RSUs outstanding and/or granted to a total of 333 directors, senior management members and employees of the Group as at 31 December 2015. There were also 42,915,072 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, together with details of the options and RSUs granted under such schemes, will be set out in the section headed “Share Option Schemes and Restricted Share Unit Scheme” in the report of directors in our 2015 annual report to be issued in due course.

FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2015

		As at 31 December	
		2015	2014
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		28,164	15,176
Intangible assets		5,473	19,626
Investments in associates	3	18,829	21,839
Available-for-sale financial assets	4	280,484	63,975
Deferred income tax assets		7,029	1,685
Financial assets at fair value through profit or loss	6	259,857	22,085
Prepayments and other receivables		17,611	42,651
		<u>617,447</u>	<u>187,037</u>
Current assets			
Trade receivables	5	77,858	94,312
Prepayments and other receivables		30,664	33,001
Financial assets at fair value through profit or loss	6	222,561	–
Short-term investments		–	370,000
Term deposits		65,468	–
Cash and cash equivalents		1,065,802	1,029,331
		<u>1,462,353</u>	<u>1,526,644</u>
Total assets		<u>2,079,800</u>	<u>1,713,681</u>

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2015

		As at 31 December	
		2015	2014
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	7	248	245
Share premium	7	590,113	632,329
Shares held for RSU Scheme	7	(18)	(19)
Reserves		155,266	137,045
Retained earnings		1,060,695	702,896
		1,806,304	1,472,496
Non-controlling interests		–	9,130
Total equity		1,806,304	1,481,626
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		41,628	14,234
Current liabilities			
Trade and other payables	9	95,760	115,169
Deferred revenue		22,774	24,238
Current income tax liabilities		113,334	78,414
		231,868	217,821
Total liabilities		273,496	232,055
Total equity and liabilities		2,079,800	1,713,681

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

		Year ended 31 December	
		2015	2014
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	10	813,480	945,319
Cost of revenue	11	(385,536)	(377,467)
Gross profit		427,944	567,852
Selling and marketing expenses	11	(146,741)	(178,682)
Administrative expenses	11	(139,869)	(117,398)
Other gains – net	12	236,402	54,877
Operating profit		377,736	326,649
Finance income	13	41,543	8,518
Finance costs	13	(6,647)	(6,389)
Finance income – net	13	34,896	2,129
Share of profit of associates	3	7,478	6,222
Profit before income tax		420,110	335,000
Income tax expense	14	(63,473)	(55,413)
Profit for the year		356,637	279,587
Other comprehensive income			
Items that may be reclassified to profit or loss:			
– Changes in value of available-for-sale financial assets, net of tax		(13,671)	52,182
– Less: reclassification of changes in fair value of available-for-sale financial assets to profit or loss upon disposal of available-for-sale financial assets, net of tax		(258)	–
– Currency translation differences		9,061	4,521
Other comprehensive (loss)/income for the year, net of tax		(4,868)	56,703
Total comprehensive income for the year		351,769	336,290

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

		Year ended 31 December	
		2015	2014
	<i>Note</i>	RMB'000	RMB'000
Profit attributable to:			
– Owners of the Company		357,799	280,065
– Non-controlling interests		(1,162)	(478)
		<u>356,637</u>	<u>279,587</u>
Total comprehensive income attributable to:			
– Owners of the Company		352,931	336,768
– Non-controlling interests		(1,162)	(478)
		<u>351,769</u>	<u>336,290</u>
Earnings per share (expressed in RMB cents per share)			
– Basic	15	<u>50.81</u>	<u>42.07</u>
– Diluted	15	<u>49.25</u>	<u>38.07</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	Share capital RMB'000	Share premium RMB'000	Shares held for RSU Scheme RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2014		239	738,070	(33)	53,512	422,831	1,214,619	–	1,214,619
Comprehensive income									
Profit for the year		–	–	–	–	280,065	280,065	(478)	279,587
Other comprehensive income									
Change in value of available- for-sale financial assets, net of tax		–	–	–	52,182	–	52,182	–	52,182
Currency translation differences		–	–	–	4,521	–	4,521	–	4,521
Total comprehensive income for the year		–	–	–	56,703	280,065	336,768	(478)	336,290
Employee share option and RSU scheme									
– value of employee services		–	–	–	26,590	–	26,590	–	26,590
– proceeds from shares issued	7	6	7,288	–	–	–	7,294	–	7,294
– vesting of shares under RSU scheme	8	–	(14)	14	–	–	–	–	–
Share of change in reserves of an associate	3	–	–	–	240	–	240	–	240
Buy-back of shares	7	–	(587)	–	–	–	(587)	–	(587)
Dividends		–	(112,428)	–	–	–	(112,428)	–	(112,428)
Total contributions by and distributions to owners of the Company, recognized directly in equity		6	(105,741)	14	26,830	–	(78,891)	–	(78,891)
Non-controlling interests arising on business combination		–	–	–	–	–	–	9,608	9,608
Total transactions with owners, recognized directly in equity		6	(105,741)	14	26,830	–	(78,891)	9,608	(69,283)
Balance at 31 December 2014		245	632,329	(19)	137,045	702,896	1,472,496	9,130	1,481,626

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Share capital RMB'000	Share premium RMB'000	Shares held for RSU Scheme RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2015		245	632,329	(19)	137,045	702,896	1,472,496	9,130	1,481,626
Comprehensive income									
Profit for the year		-	-	-	-	357,799	357,799	(1,162)	356,637
Other comprehensive income									
Change in value of available- for-sale financial assets, net of tax		-	-	-	(13,671)	-	(13,671)	-	(13,671)
Reclassification of changes in fair value of available- for-sale financial assets to profit or loss upon disposal, net of tax		-	-	-	(258)	-	(258)	-	(258)
Currency translation differences		-	-	-	9,061	-	9,061	-	9,061
Total comprehensive income for the year		-	-	-	(4,868)	357,799	352,931	(1,162)	351,769
Employee share option and RSU scheme									
- value of employee services		-	-	-	23,089	-	23,089	-	23,089
- proceeds from shares issued	7	3	2,907	-	-	-	2,910	-	2,910
- vesting of shares under RSU scheme	8	-	(1)	1	-	-	-	-	-
Dividends	16	-	(45,122)	-	-	-	(45,122)	-	(45,122)
Total contributions by and distributions to owners of the Company, recognized directly in equity		3	(42,216)	1	23,089	-	(19,123)	-	(19,123)
Disposal of subsidiaries	19	-	-	-	-	-	-	(7,968)	(7,968)
Total transactions with owners, recognized directly in equity		3	(42,216)	1	23,089	-	(19,123)	(7,968)	(27,091)
Balance at 31 December 2015		248	590,113	(18)	155,266	1,060,695	1,806,304	-	1,806,304

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015**

		Year ended 31 December	
		2015	2014
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities			
Cash generated from operations		163,232	265,434
Income tax paid		(91)	(30,427)
Net cash generated from operating activities		163,141	235,007
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	18	19	(4,764)
Purchase of property, plant and equipment		(16,104)	(20,489)
Purchase of intangible assets		(270)	(1,277)
Purchase of financial assets at fair value through profit or loss		(4,283,661)	(169,883)
Purchase of available-for-sale financial assets	4	(1,000)	(2,608)
Purchase of short-term investments		–	(1,360,000)
Placement of term deposits with original maturities over three months		(65,468)	–
Refund of prepayment/(prepayment) for purchase of certain properties		20,000	(20,000)
Investments in associates	3	(4,600)	(8,200)
Net proceeds from disposal of subsidiaries	19	4,666	–
Proceeds from disposals of financial assets at fair value through profit or loss		3,842,340	258,274
Proceeds from disposals of short-term investments		370,000	1,213,000
Proceeds from disposal of available-for-sale financial assets		1,927	–
Proceeds on disposals of property, plant and equipment		34	17
Dividends received from an associate	3	–	800
Proceeds from partial disposal of investment in an associate	3	28	–
Return on short-term investments received		1,894	41,481
Interest received		39,454	8,450
Net cash used in investing activities		(90,741)	(65,199)
Cash flows from financing activities			
Buy-back of shares	7	–	(587)
Dividends	16	(45,122)	(112,428)
Proceeds from issuance of ordinary shares	7	3,016	7,188
Net cash used in financing activities		(42,106)	(105,827)
Net increase in cash and cash equivalents		30,294	63,981
Cash and cash equivalents at beginning of year		1,029,331	965,566
Exchange gains/(losses) on cash and cash equivalents		6,177	(216)
Cash and cash equivalents at end of the year		1,065,802	1,029,331

Note:

1. General Information

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

The Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in the development and operations of online card and board game business in the People’s Republic of China (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., Ltd. (“**Boyaa Shenzhen**”), a limited liability company established in the PRC by certain shareholders of the Company on 13 February 2004. Boyaa Shenzhen is controlled by Mr. Zhang Wei (the “**Founder**”).

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

Boyaa PRC, Boyaa Shenzhen and its then owners entered into a series of contractual arrangements (the “**Contractual Arrangements**”). The Group does not have any equity interest in Boyaa Shenzhen. However, as a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with Boyaa Shenzhen and has the ability to affect those returns through its power over Boyaa Shenzhen and is considered to control Boyaa Shenzhen. Consequently, the Company regards Boyaa Shenzhen as an indirect subsidiary for accounting purpose.

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

The consolidated financial statements have been approved for issue by the Board of Directors on 23 March 2016.

2. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRS**”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss, which were carried at fair value.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise their judgment in the process of applying the Group’s accounting policies.

New and revised standards and amendments to existing standards that are mandatory for the first time for the financial year beginning on 1 January 2015, are either currently not relevant to the Group or had no material impact on the Group’s consolidated financial statements.

The following new and revised standards and amendments to existing standards that have been issued and are relevant to the Group, but are not effective for the financial year beginning on 1 January 2015 and have not been early adopted.

Amendment to IFRS 11	Acquisitions of interests in joint operations
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture
Amendment to IAS 27	Equity method in separate financial statements
Annual improvements 2014	Annual improvements project
Amendments to IAS 1	Disclosure initiative
IFRS 15	Revenue from contracts with customers
IFRS 9	Financial instruments
IFRS 16	Leases

3. Investments in associates

	2015 RMB'000	2014 RMB'000
At 1 January	21,839	7,977
Transfer from investments in subsidiaries as a result of disposal (<i>Note 19</i>)	3,922	–
Other additions (<i>Notes (a) and (b)</i>)	6,600	8,200
Dilution gain (<i>Note (c)</i>)	1,407	–
Other disposal (<i>Note (a)</i>)	(1,853)	–
Disposal of investment in RaySns (<i>Note (d)</i>)	(20,564)	–
Share of results	7,478	6,222
Share of change in reserves of an associate	–	240
Dividends received from an associate	–	(800)
	<u>18,829</u>	<u>21,839</u>
At 31 December	<u>18,829</u>	<u>21,839</u>

- (a) On 22 January 2015, the Group acquired 30% equity interest in Shenzhen Easething Technology Co., Ltd. (深圳市易新科技有限公司, “Easething”), which is mainly engaged in development and operation of intelligent hardware and artificial intelligence system, from an independent third party, at a cash consideration of RMB3,000,000 of which RMB1,000,000 had been paid. On 12 May 2015, the Group disposed of 20% equity interest in Easething, amounting to RMB1,853,000, to an independent third party at a consideration of approximately RMB2,028,000, which resulted in a gain of RMB175,000. Since the Group still has the contractual right to appoint one director to the board of directors of Easething after the disposal, the directors of the Company consider that the Group has significant influence on Easething, and accordingly it is accounted for as an associate of the Group.
- (b) On 18 June 2015, the Group acquired 12% equity interest in Shenzhen Jisiwei Intelligent Technology Co., Ltd. (深圳市極思維智能科技有限公司, “Jisiwei”), which is mainly engaged in development and sales of electronic products and development of intelligence applications, from an independent third party at a cash consideration of RMB3,600,000, which had been paid as at 31 December 2015. Since the Group has the contractual right to appoint a director to the board of directors of Jisiwei, the directors of the Company consider that the Group has significant influence on Jisiwei, and accordingly it is accounted for as an associate of the Group.

- (c) In August 2015, a third-party investor invested RMB1,000,000 and obtained 2% equity interest in Shenzhen HuifuWorld Network Technology Co., Ltd. (深圳市匯富天下網絡科技有限公司, “**HuifuWorld**”). As a result, the Group’s interest in HuifuWorld was diluted from 15% to 14.7% which resulted in a dilution gain of approximately RMB49,000 recognized in profit or loss within ‘other gains – net’ for the year ended 31 December 2015. The dilution gain represents the difference between the attributable carrying value of the investment deemed to be disposed of immediately prior to the third – party investor made the investment and the Group’s share of the investment made by the third-party investor. Since the Group still retains the contractual right to appoint a director to the board of directors of HuifuWorld, the directors of the Company consider that the Group has significant influence on HuifuWorld, and it is continued to be accounted for as an associate of the Group accordingly.

In December 2015, a third-party investor invested RMB10,000,000 and obtained 12.5% equity interest in Allin Interactive International Limited (傲英互動國際有限公司) and its subsidiaries (together, “**Allin Group**”). As a result, the Group’s interest in Allin Group was diluted from 20% to 17.5% which resulted in a dilution gain of approximately RMB1,358,000 recognized in profit or loss within ‘other gains – net’ for the year ended 31 December 2015. Since the Group still retains the contractual right to appoint a director to the board of directors of Allin Group, the directors of the Company consider that the Group has significant influence on Allin Group, and it is continued to be accounted for as an associate of the Group accordingly.

- (d) On 23 March 2015, the Group entered into a share purchase agreement (“**SPA**”) with Dalian Zeus Entertainment Co., Ltd (“**Zeus Entertainment**”) (formerly known as Dalian Kemian Wood Industry Co., Ltd. (大連科冕木業股份有限公司)) which is an A-share listed company, to dispose of its entire 16% equity interest in RaySns Technology Co., Ltd. (“**RaySns**”), an associate of the Group. The consideration for the disposal payable by Zeus Entertainment to the Group is RMB126,720,000, subject to adjustment, which shall be satisfied by the issue and allotment of the consideration shares, being 2,385,093 shares (representing approximately 0.83% of the share capital of Zeus Entertainment as enlarged by the issue of the consideration shares) in Zeus Entertainment with par value of RMB1.00 each, to the Group.

The above transaction was completed on 22 October 2015 (the “**Disposal Date**”) and the carrying amount of the Group’s interest in RaySns as of the Disposal Date was RMB20,564,000. The consideration shares of Zeus Entertainment was recognised as available-for-sale financial assets. The initial fair value of the available-for-sale financial assets was determined based on the closing price of the shares of Zeus Entertainment and amounted to approximately RMB233,501,000, and the difference of approximately RMB212,937,000 between the initial fair value of the available-for-sale financial assets and the carrying amount of the investment in the associate was recognised in profit or loss with ‘other gains – net’.

- (e) The directors of the Company consider that all associates as at 31 December 2015 and 2014 were insignificant to the Group and thus the individual summarised financial information of these associates are not disclosed.

4. Available-for-sale financial assets

	2015 RMB'000	2014 RMB'000
At 1 January	63,975	–
Subscription for shares in Zeus Entertainment (<i>Note 3</i>)	233,501	–
Other additions	1,000	2,608
Net (losses)/gains from changes in fair value	(16,101)	61,380
Currency translation differences	44	(13)
Disposals	(1,935)	–
	<u>280,484</u>	<u>63,975</u>
At 31 December	<u>280,484</u>	<u>63,975</u>

Available-for-sale financial assets include the following:

	2015 RMB'000	2014 RMB'000
Listed equity securities	229,791	2,650
Unlisted equity investments	<u>50,693</u>	<u>61,325</u>
	<u>280,484</u>	<u>63,975</u>

The listed equity securities mainly represented the Group's equity investment in Zeus Entertainment (*Note 3*), the fair value of the investment in Zeus Entertainment as at 31 December 2015 was RMB228,921,000.

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

The directors of the Company appointed an independent valuer, Avista Valuation Advisory Limited, to estimate the fair value of the investment in Blingstorm as at 31 December 2015. The fair value of the investment was approximately RMB49,693,000 (2014: RMB61,325,000), which was determined using the discounted cash flow method. The fair value measurement of the investment in Blingstorm is categorized within level 3 of the fair value hierarchy. The significant assumptions and inputs utilized in the valuation were as follows:

Discount rate:	23.8%
Terminal growth rate:	3%
Discount for lack of marketability:	15%
Discount for lack of control:	15%

5. Trade receivables

	2015 RMB'000	2014 RMB'000
Trade receivables	77,858	95,204
Less: impairment provision	<u>–</u>	<u>(892)</u>
	<u>77,858</u>	<u>94,312</u>

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

	2015 RMB'000	2014 RMB'000
0-60 days	51,724	67,306
60-90 days	12,687	14,832
90-180 days	6,139	10,705
Over 180 days	<u>7,308</u>	<u>2,361</u>
	<u>77,858</u>	<u>95,204</u>

- (b) As at 31 December 2015, trade receivables of past due but not impaired were approximately RMB32,172,000 (2014: RMB29,103,000). These related to a number of independent platforms and third party payment vendors which the Group has not encountered any credit defaults in the past and they are assessed to be financially trustworthy. As a result, the directors of the Company consider that these overdue amounts can be recovered. The ageing analysis of these trade receivables was as follows:

	2015 RMB'000	2014 RMB'000
Outstanding after due dates:		
0-60 days	21,766	21,507
60-90 days	1,852	2,750
Over 90 days	<u>8,554</u>	<u>4,846</u>
	<u>32,172</u>	<u>29,103</u>

6. Financial assets at fair value through profit or loss

	2015 RMB'000	2014 RMB'000
Included in non-current assets		
Non-quoted investments in (<i>Note (a)</i>):		
– asset management plans	163,221	–
– equity investment partnerships	96,636	9,937
– preferred shares issued by a private company	–	12,148
	<u>259,857</u>	<u>22,085</u>
Included in current assets		
Non-quoted investments in certain wealth management products (<i>Note (b)</i>)	<u>222,561</u>	–
	<u>482,418</u>	<u>22,085</u>

- (a) As at 31 December 2015, the fair values of the investments in asset management plans were determined mainly with reference to the estimated return; the fair values of the investments in equity investment partnerships were determined mainly with reference to the Group's share of their respective net asset values; and the fair value of the preferred shares issued by a private company was assessed to be zero as the operating activities of this private company had been ceased and the investment cost was not expected to be recovered.
- (b) Investments in wealth management products have an initial term ranging from 88 days to 1 year. The fair values of these investments were based on the quotations provided by the counterparties.
- (c) The above financial assets were designated as financial assets at fair value through profit or loss upon their initial recognition as the performance of these financial assets is evaluated on a fair value basis pursuant to the Group's investment strategy.
- (d) The Group invests in a number of unconsolidated structured entities which are sponsored and managed by other entities for investment return, and records gains or losses in profit or loss therefrom. The information of total size of the unconsolidated structured entities listed above is not readily available from the public domain.

7. Share capital, share premium and shares held for RSU Scheme

The total authorized share capital of the Company comprises 2,000,000,000 ordinary shares (2014: 2,000,000,000 ordinary shares) with par value of USD0.00005 per share (2014: USD0.00005 per share).

As at 31 December 2015, the total number of issued ordinary shares of the Company was 765,067,000 shares (2014: 757,992,000 shares) which included 90,298,503 shares (2014: 105,423,190 shares) held under the RSU Scheme (Note 8(c)). They have been fully paid up.

	<i>Note</i>	Number of ordinary shares (in thousands)	Nominal value of ordinary shares USD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Shares held for RSU Scheme RMB'000
At 1 January 2014		737,559	37	239	738,070	(33)
Buy-back of shares		(90)	–	–	(587)	–
Employee share option and RSU schemes						
– proceeds from shares issued	(a)	20,523	1	6	7,288	–
– vesting of shares held for RSU Scheme	8(c)	–	–	–	(14)	14
Dividends	16	–	–	–	(112,428)	–
At 31 December 2014/ 1 January 2015		757,992	38	245	632,329	(19)
Employee share option and RSU schemes						
– proceeds from shares issued	(a)	7,075	–	3	2,907	–
– vesting of shares held for RSU Scheme	8(c)	–	–	–	(1)	1
Dividends	16	–	–	–	(45,122)	–
At 31 December 2015		<u>765,067</u>	<u>38</u>	<u>248</u>	<u>590,113</u>	<u>(18)</u>

- (a) Share options exercised during the year ended 31 December 2015 resulted in 7,074,937 shares being issued (2014: 20,523,187 shares), with a total exercise proceeds of RMB2,910,000. As at 31 December 2015, no amount was due from The Core Admin Boyaa Option Limited (31 December 2014: RMB106,000), being the nominee of the Group's share option scheme.

8. Share-based payments

(a) *Share options*

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

On 23 October 2013, the Board of the Company approved the establishment of a share option scheme (the “**Post-IPO Share Option Scheme**”) with the objective to recognize and reward the contribution of eligible directors and employees to the growth and development of the Group. The contractual life of all options under Post-IPO Share Option Scheme is ten years from the grant date.

(i) *Grant of share options*

On 7 September 2015, the Group granted 26,360,000 share options under the Post-IPO Share Option Scheme to its employees. The vesting period of the share options granted is 4 years and the vesting schedule is 25% after 12 months from the grant date, 25% after 24 months from the grant date, and 2.083% from each month of 25 to 48 months from the grant date. Exercise price of the share options granted is HKD3.108 per share. The expiry date of the above newly granted share options is 6 September 2025.

The total fair value of the above newly granted share options on 7 September 2015 is HKD35,932,000, as determined using the Binomial model. The significant inputs used in the model were exercise price of HKD3.108 per share at the grant date, fair value of underlying stock of HKD2.95 per share at the valuation date, volatility of 49.29%, dividend yield of 2% and an expected option life of 10 years. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices of comparable companies.

The options may be exercised provided that the grantees continue to be employed by the Group.

(ii) *Outstanding share options*

Movements in the number of share options outstanding:

	Number of share options	
	2015	2014
At 1 January	8,827,506	29,527,781
Granted	26,360,000	–
Exercised	(7,074,937)	(20,523,187)
Lapsed	(2,548,848)	(177,088)
At 31 December	<u>25,563,721</u>	<u>8,827,506</u>

Out of the 25,563,721 outstanding options, 167,315 options were exercisable as at 31 December 2015. Options exercised in 2015 resulted in 7,074,937 shares being issued at a weighted average price of USD0.07 each. The related weighted average share price at the time of exercise was HKD6.11 per share.

Details of the exercise prices and the respective numbers of share options which remained outstanding as at 31 December 2015 and 2014 are as follows:

Expiry Date	Exercise price		Number of share options	
	Original currency	Equivalent to HKD	2015	2014
31 January 2019	USD0.05	HKD0.388	120,232	6,307,675
1 March 2020	USD0.10	HKD0.775	65,249	197,500
30 June 2020	USD0.15	HKD1.163	78,240	209,655
31 October 2020	USD0.15	HKD1.163	–	2,112,676
6 September 2025	HKD3.108	HKD3.108	25,300,000	–
			<u>25,563,721</u>	<u>8,827,506</u>

(b) RSUs

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

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

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

On 12 March 2015, the Group granted 4,955,000 additional RSUs to its employees. The vesting period of the RSUs granted is 4 years and the vesting schedule is 25% after 12 months from the grant date, 25% after 24 months from the grant date, 12.5% after 30 months from the grant date, 12.5% after 36 months from the grant date, and 2.083% from each month of 37 to 48 months from the grant date. The expiry date of the above newly granted RSUs is 11 March 2023. The fair value of each of the above newly granted RSU on 12 March 2015 equals to the closing price of the Company’s ordinary shares on the grant date, which was HKD5.61 per share.

Movements in the number of RSUs outstanding:

	Number of RSUs	
	2015	2014
At 1 January	74,215,932	79,654,565
Granted	4,955,000	–
Lapsed	(16,662,814)	(4,124,633)
Vested and transferred	(15,124,687)	(1,314,000)
At 31 December	47,383,431	74,215,932
Vested but not transferred as at 31 December	34,223,281	44,748,853

The related weighted-average share price at the time when the RSUs were vested and transferred was HKD5.47 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, 15,124,687 of RSUs were vested and transferred (Note (b) above), and as a result, 90,298,503 ordinary shares of the Company underlying the RSUs were held by The Core Admin Boyaa RSU Limited as at 31 December 2015 (2014: 105,423,190 shares).

Meanwhile as a result of the vesting of 4,599,115 of RSUs during the year ended 31 December 2015 (see Note (b) above) (2014: 46,062,853 RSUs), approximately RMB1,000 (2014: RMB14,000) of other reserves was transferred to share premium upon vesting of these RSUs under the RSU Scheme.

9. Trade and other payables

	2015	2014
	RMB'000	RMB'000
Trade payables	727	670
Other taxes payable	44,967	45,189
Accrued expenses	25,640	31,274
Guarantee deposit from a third party	–	19,887
Salary and staff welfare payables	12,946	9,769
Payables for the remaining considerations for the acquisitions of subsidiaries (Note 18)	5,000	–
Advance received from sales of prepaid game cards	3,099	2,718
Returns on investments received in advance	–	2,500
Others	3,381	3,162
	95,760	115,169

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

	2015 RMB'000	2014 <i>RMB'000</i>
0-30 days	420	448
31-60 days	39	–
Over 90 days	268	222
	<u>727</u>	<u>670</u>

10. Revenue and segment information

	2015 RMB'000	2014 <i>RMB'000</i>
Development and operations of online games		
– Web-based games	333,941	409,544
– Mobile games	479,539	535,775
	<u>813,480</u>	<u>945,319</u>

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

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

	2015 RMB'000	2014 <i>RMB'000</i>
Simplified Chinese	349,746	426,153
Other languages	463,734	519,166
	<u>813,480</u>	<u>945,319</u>

The Group has a large number of game players, none of which contributed 10% or more of the Group's revenue for the years ended 31 December 2015 and 2014.

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

	2015 RMB'000	2014 <i>RMB'000</i>
Mainland China	61,626	97,128
Other locations	8,451	2,164
	<u>70,077</u>	<u>99,292</u>

11. Expenses by nature

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

	2015 RMB'000	2014 <i>RMB'000</i>
Commission charges by Platforms and third party payment vendors	307,268	311,391
Advertising expenses	104,894	152,620
Employee benefit expenses (excluding share-based compensation expenses)	151,951	110,601
Share-based compensation expenses	23,089	26,590
Servers rental expenses	23,645	17,458
Other professional service fees	10,893	10,860
Office rental expenses	10,195	7,766
Travelling and entertainment expenses	9,468	7,173
Auditor's remuneration	7,000	7,099
Depreciation of property, plant and equipment	7,362	5,211
Amortization of intangible assets	2,218	766
Other expenses	14,163	16,012
	<u>672,146</u>	<u>673,547</u>

12. Other gains – net

	2015 RMB'000	2014 RMB'000
Gain on disposal of the investment in RaySns (<i>Note 3</i>)	212,937	–
Realized/unrealized fair value gains on financial assets at fair value through profit or loss	17,310	3,476
Return on short-term investments	4,197	44,541
Foreign exchange losses, net	(3,988)	(1,929)
Government subsidies and tax rebates	2,282	8,733
Gain on disposal of subsidiaries (<i>Note 19</i>)	1,707	–
Dilution gains arising from deemed disposal of investment in certain associate (<i>Note 3</i>)	1,407	–
Gain on disposal of available-for-sale financial assets	250	–
Gain arising from partial disposal of an associate (<i>Note 3</i>)	175	–
Loss on disposals of property, plant and equipment	(39)	(30)
Others	164	86
	<u>236,402</u>	<u>54,877</u>

13. Finance income – net

	2015 RMB'000	2014 RMB'000
Finance income		
Interest income	40,545	8,518
Interest income on non-current loans to employees	998	–
	<u>41,543</u>	<u>8,518</u>
Finance costs		
Discounting effects of non-current loans to employees	(4,473)	–
Foreign exchange losses, net	(2,174)	(6,389)
	<u>(6,647)</u>	<u>(6,389)</u>
Finance income – net	<u>34,896</u>	<u>2,129</u>

14. Income tax expense

The income tax expense of the Group for the years ended 31 December 2015 and 2014 is analyzed as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Current tax	35,011	52,791
Deferred tax	28,462	2,622
	<u>63,473</u>	<u>55,413</u>

(a) *Cayman Islands income tax*

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) *Hong Kong profits tax*

Hong Kong profits tax has been provided for as there was business operation that is subject to Hong Kong profits tax. It has been provided for at the rate of 16.5% on the estimated assessable profits for the years ended 31 December 2015 and 2014.

(c) *PRC Corporate Income Tax ("CIT")*

The income tax provision of the Group in respect of operations in the PRC has been calculated at the tax rate of 25% on the estimated assessable profits for the years ended 31 December 2015 and 2014, based on the existing legislation, interpretations and practices in respect thereof.

Boyaa Shenzhen has successfully renewed its "High and New Technology Enterprise" ("HNTe") qualification in 2015 and as a result, Boyaa Shenzhen enjoys a preferential tax rate of 15% from 1 January 2015 to 31 December 2017. Therefore, the actual income tax rate for Boyaa Shenzhen was 15% for the year ended 31 December 2015 (2014: 15%).

Boyaa PRC qualified as a HNTe under the Corporate Income Tax Law in 2013 and as a result, Boyaa PRC enjoys a preferential tax rate of 15% from 1 January 2013 to 31 December 2015. Therefore, the actual income tax rate for Boyaa PRC was 15% for the year ended 31 December 2015 (2014: 15%). Besides based on management's self-assessment, it is highly probable that Boyaa PRC will successfully renew the HNTe qualification for the next 3 years ending 31 December 2018 in 2016.

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engage in research and development activities are entitled to claim 150% of the research and development expenses so incurred in a year as tax deductible expenses in determining its tax assessable profits for that year ("**Super Deduction**"). Boyaa Shenzhen and Boyaa PRC has claimed such Super Deduction in ascertaining its tax assessable profits for the years ended 31 December 2015 and 2014.

(d) **PRC withholding tax (“WHT”)**

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

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

	2015 RMB’000	2014 RMB’000
Profit before income tax	420,110	335,000
Less: Share of results of associates	(7,478)	(6,222)
	412,632	328,778
Tax calculated at a tax rate of 25% (2014: 25%)	103,158	82,195
Tax effects of:		
– Tax holiday on assessable profits of Boyaa Shenzhen and Boyaa PRC	(19,669)	(10,145)
– Different tax rates available to different subsidiaries of the Group	(23,908)	(19,126)
– Expenses not deductible for tax purposes	6,183	4,345
– Tax losses for which no deferred income tax asset was recognised	4,086	–
– Income not subject to tax	(427)	–
– Effect of Super Deduction	(5,950)	(1,856)
Income tax expense	63,473	55,413

15. Earnings per share

(a) **Basic**

Basic earnings per ordinary share is calculated by dividing the profit of the Group attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares held for the RSU Scheme which are treated as treasury shares.

	2015 RMB’000	2014 RMB’000
Profit attributable to owners of the Company	357,799	280,065
Weighted average number of ordinary shares in issue (thousand shares)	704,147	665,739
Basic earnings per share (expressed in RMB cents per share)	50.81	42.07

(b) Diluted

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

For the year ended 31 December 2014 and 2015, the Company had two categories of dilutive potential ordinary shares, share options and RSUs. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options and RSUs. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and RSUs.

	2015 RMB'000	2014 RMB'000
Profit used to determine diluted earnings per share	<u>357,799</u>	<u>280,065</u>
Weighted average number of ordinary shares in issue (thousand shares)	704,147	665,739
Adjustment for RSUs (thousand shares)	20,232	50,501
Adjustment for share options (thousand shares)	<u>2,155</u>	<u>19,362</u>
Weighted average number of ordinary shares for calculating diluted earnings per share (thousand shares)	<u>726,534</u>	<u>735,602</u>
Diluted earnings per share (expressed in RMB cents per share)	<u>49.25</u>	<u>38.07</u>

16. Dividends

The Board did not declare final and interim dividends during 2015.

A final dividend in respect of the year ended 31 December 2014 of RMB0.059 per share (equivalent to HKD0.075 per share) was proposed pursuant to a resolution passed by the Board on 11 March 2015 and approved by the shareholders at the annual general meeting held on 14 May 2015. Such dividend, amounted to approximately HKD57,254,000 (equivalent to approximately RMB45,122,000), was paid in June 2015.

On 12 August 2014, the Board resolved to declare an interim dividend of RMB0.062 per share, which was payable on 11 September 2014 to shareholders who were on the register at 2 September 2014. Such dividend, amounted to HKD59,012,498 (equivalent to approximately RMB46,838,000), was paid in September 2014.

17. Commitments

(a) Capital commitments

Capital commitments as at 31 December 2015 are analysed as follows:

	2015 RMB'000	2014 RMB'000
Contracted:		
Purchase of building for office use	<u>11,332</u>	<u>–</u>

(b) Operating lease commitments

The Group leases servers and office buildings under non-cancellable operating lease agreements. The lease terms are between 3 months to 5 years, and majority of lease agreements are renewable at the end of the lease period at market rate.

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2015 RMB'000	2014 RMB'000
Not later than 1 year	8,957	9,508
Later than 1 year and not later than 5 years	<u>11,432</u>	<u>14,698</u>
	<u>20,389</u>	<u>24,206</u>

18. Business combinations

Pursuant to the agreement entered into between the Group and certain independent third parties, the Group acquired 100% equity interests in Function Technology Co., Ltd. and Shenzhen Guanhai Technology Co., Ltd (深圳市觀海科技有限公司) on 5 January 2015, 100% equity interest in Shenzhen Fengxunsheng Technology Co., Ltd. (深圳市豐訊盛科技有限公司) on 15 January 2015, and 100% equity interest in Shenzhen Coalaa Network Technology Co., Ltd. (深圳市卡拉網絡科技有限公司) on 3 March 2015 for a total consideration of RMB5,000,000. These four acquired companies are mainly engaged in development and operations of online card and board game business.

The following table summarizes the consideration, the fair value of assets acquired, and liabilities assumed at the acquisition dates.

Consideration	On acquisition dates RMB'000
Consideration payable	<u>5,000</u>
Recognized amounts of identifiable assets acquired and liabilities assumed	On acquisition dates RMB'000
Cash and cash equivalents	19
Trade receivables	143
Prepayments and other receivables	116
Property, plant and equipment	181
Contractual customer relationships (included in intangible assets)	4,823
Trade and other payables	(7)
Deferred tax liabilities	<u>(275)</u>
Total identifiable net assets	<u>5,000</u>

The revenue included in the consolidated statement of comprehensive income since acquisition dates contributed by the four acquired companies was RMB48,710,000. The four acquired companies also recorded profit of RMB26,767,000 during the same period.

Had the four companies been consolidated from 1 January 2015, the consolidated statement of comprehensive income of the Group for the year ended 31 December 2015 would have shown pro-forma revenue of RMB814,448,000 and profit of RMB352,826,000.

19. Disposal of subsidiaries

On 25 May 2015, the Group entered into an agreement with an independent third party to dispose of its 31% equity interest in Allin Group at a consideration of RMB6,078,000, the Group's remaining equity interest in Allin Group is 20%. The cash flows from the disposal were as follows:

	RMB'000
Consideration received – Cash consideration	6,078
Less: cash and cash equivalents held by the subsidiaries on the disposal date	<u>(1,412)</u>
Net proceeds from disposal	<u>4,666</u>

Net assets of Allin Group as at the date of the disposal were as follows:

	<i>RMB'000</i>
Cash and cash equivalents	1,412
Trade receivables	100
Prepayments and other receivables	2,308
Property, plant and equipment	55
Trademarks and technical know-how (included in intangible assets)	17,028
Trade and other payables	(385)
Deferred tax liabilities	<u>(4,257)</u>
 Total identifiable net assets	 <u>16,261</u>
 49% of non-controlling interest disposed of	 <u>7,968</u>

Since the Group still has the contractual right to appoint director to the board of directors of Allin Group, the directors of the Company consider that the Group has significant influence on Allin Group, and accordingly it is accounted for as an associate of the Group. The above transaction had been completed as of 31 December 2015.

The gain on disposal of Allin Group was calculated as follows:

	<i>RMB'000</i>
Consideration received	6,078
Fair value of 20% interest retained	<u>3,922</u>
	10,000
 Less:	
51% share of net assets of Allin Group on disposal date	<u>(8,293)</u>
 Gain on disposal in the Group's financial statements	 <u>1,707</u>

**RECONCILIATION FROM NET PROFIT TO UNAUDITED NON-IFRS
ADJUSTED NET PROFIT
FOR THE YEAR AND THREE MONTHS ENDED 31 DECEMBER 2015**

	For the year ended 31 December		Year- on-Year Change*
	2015	2014	
	<i>RMB'000</i>	<i>RMB'000</i>	%
	(audited)	(audited)	
Revenue	813,480	945,319	(13.9)
Cost of revenue	<u>(385,536)</u>	<u>(377,467)</u>	2.1
Gross profit	427,944	567,852	(24.6)
Selling and marketing expenses	(146,741)	(178,682)	(17.9)
Administrative expenses	(139,869)	(117,398)	19.1
Other gains – net	<u>236,402</u>	<u>54,877</u>	330.8
Operating profit	377,736	326,649	15.6
Finance income – net	34,896	2,129	1,539.1
Share of profit of associates	<u>7,478</u>	<u>6,222</u>	20.2
Profit before income tax	420,110	335,000	25.4
Income tax expense	<u>(63,473)</u>	<u>(55,413)</u>	14.5
Profit for the year	<u>356,637</u>	<u>279,587</u>	27.6
Non-IFRS Adjustment (unaudited)			
Share-based compensation expense included in cost of revenue	6,371	10,519	(39.4)
Share-based compensation expense included in selling and marketing expenses	5,097	3,995	27.6
Share-based compensation expense included in administrative expenses	<u>11,621</u>	<u>12,076</u>	(3.8)
Non-IFRS adjusted net profit (unaudited)	<u>379,726</u>	<u>306,177</u>	24.0

	For the three months ended				
	31	30	31	Year-	Quarter-
	December	September	December	on-Year	on-Quarter
	2015	2015	2014	Change*	Change**
	RMB' 000	RMB' 000	RMB' 000	%	%
	(unaudited)	(unaudited)	(unaudited)		
Revenue	186,523	189,921	243,906	(23.5)	(1.8)
Cost of revenue	<u>(86,757)</u>	<u>(83,616)</u>	<u>(105,591)</u>	(17.8)	3.8
Gross profit	99,766	106,305	138,315	(27.9)	(6.2)
Selling and marketing expenses	(18,312)	(20,485)	(45,413)	(59.7)	(10.6)
Administrative expenses	(37,598)	(33,268)	(34,835)	7.9	13.0
Other gains – net	<u>215,056</u>	<u>5,007</u>	<u>18,361</u>	1,071.3	4,195.1
Operating profit	258,912	57,559	76,428	238.8	349.8
Finance income – net	6,873	12,248	1,495	359.7	(43.9)
Share of (loss)/profit of associates	<u>(1,108)</u>	<u>3,162</u>	<u>762</u>	(245.4)	(135.0)
Profit before income tax	264,677	72,969	78,685	236.4	262.7
Income tax expense	<u>(42,916)</u>	<u>(10,761)</u>	<u>(13,184)</u>	225.5	298.8
Profit for the period	<u>221,761</u>	<u>62,208</u>	<u>65,501</u>	238.6	256.5
Non-IFRS Adjustment (unaudited)					
Share-based compensation expense included in cost of revenue	1,878	1,414	1,877	0.1	32.8
Share-based compensation expense included in selling and marketing expenses	1,868	1,288	713	162.0	45.0
Share-based compensation expense included in administrative expenses	<u>3,887</u>	<u>2,858</u>	<u>2,155</u>	80.4	36.0
Non-IFRS adjusted net profit (unaudited)	<u>229,394</u>	<u>67,768</u>	<u>70,246</u>	226.6	238.5

* 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 2015 and the immediately preceding quarter.

OTHER INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2015, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2015, 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 a deviation from the code provision A.2.1 which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Zhang Wei is the chairman and chief executive Officer of the Company. With extensive experience in the Internet industry, Mr. Zhang Wei is responsible for the overall strategic planning and general management of our Group and is instrumental to the Company’s growth and business expansion since its establishment in 2004. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises two executive directors (including Mr. Zhang Wei), and three independent non-executive directors and therefore has a strong independence element in its composition.

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.

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 2015.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with 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. Gao Shaofei. Mr. Cheung Ngai Lam is the chairman of the Audit Committee.

The Audit Committee has reviewed and discussed the annual results for the year ended 31 December 2015.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the announcement of the Group’s results for the year ended 31 December 2015 have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers 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 PricewaterhouseCoopers on the results announcement.

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

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

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

Hong Kong, 23 March 2016

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