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

2014

Interim Report

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Wei *(Chairman)*
Mr. Dai Zhikang
Mr. Gao Junfeng

Non-executive Director

Mr. Zhou Kui

Independent Non-executive Directors

Mr. Cheung Ngai Lam
Mr. Choi Hon Keung Simon
Mr. Gao Shaofei

AUDIT COMMITTEE

Mr. Cheung Ngai Lam *(Chairman)*
Mr. Choi Hon Keung Simon
Mr. Gao Shaofei

NOMINATION COMMITTEE

Mr. Zhang Wei *(Chairman)*
Mr. Choi Hon Keung Simon
Mr. Gao Shaofei

REMUNERATION COMMITTEE

Mr. Cheung Ngai Lam *(Chairman)*
Mr. Choi Hon Keung Simon
Mr. Gao Shaofei

JOINT COMPANY SECRETARIES

Ms. Huang Haiyan
Ms. Lai Siu Kuen

AUTHORIZED REPRESENTATIVES

Mr. Zhang Wei
Ms. Lai Siu Kuen

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

COMPLIANCE ADVISOR

Guotai Junan Capital Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

COMPANY'S WEBSITE

www.boyaa.com.hk

STOCK CODE

0434

Corporate Information

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HONG KONG SHARE REGISTRAR

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REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Cayman Islands

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Gloucester Tower
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Hong Kong

PRINCIPAL BANKS

China Merchants Bank, Shenzhen Branch

The Hongkong and Shanghai Banking Corporation Limited,
Hong Kong Branch

Business Overview and Outlook

BUSINESS OVERVIEW AND OUTLOOK

In the second quarter of 2014, Boyaa Interactive International Limited (the "**Company**", together with its subsidiaries, the "**Group**") continued to make sound progress in our business development achieved since the first quarter through our continuous development of new card and board games and game portfolio, expansion of our experienced game development and operations team, enhanced customer services and further leveraging the competitiveness in our overseas operations. Accordingly, we achieved stable growth in our financial results for the second quarter and maintained our leading position in our target online and mobile card and board games markets despite the market challenges and the intensely competitive market conditions.

We also witnessed a considerable growth in our Monthly Active Players ("**MAUs**"), Daily Active Players ("**DAUs**") and paying player base, in particular for our mobile games. The Average Revenue Per Paying Player ("**ARPPU**") of our two most important games, Texas Hold'em and Fight the Landlord, also maintained steady growth in both web-based and mobile games offering and remained in the ramp up phase of their respective life span. The ARPPU of our other games in mobile games, which represents the average ARPPU of our games other than Texas Hold'em and Fight the Landlord in mobile games, has also improved slightly as compared to the first quarter of 2014.

In the second quarter of 2014, we further broadened our game portfolio and launched five new online games, including Three Card Poker, Two Seven Ten, Ma Gu, Fight the Landlord tournament and Sichuan-Style Fight the Landlord. The Three Card Poker game is currently only offered in Traditional Chinese and as a web-based game operated and promoted through Facebook; whilst the other four new online games were targeted and offered to the local card and board game market in mainland China, of which Two Seven Ten, Ma Gu and Sichuan-Style Fight the Landlord are offered in Simplified Chinese only and as both web-based and mobile games that operate on PCs and the iOS and Android platforms, and Fight the Landlord tournament is offered in Simplified Chinese only and as a mobile game that operates on the Android platform.

In terms of promotion of our distribution channels, we continued to strengthen our cooperative relationships with the three telecom operators in China, namely China Mobile, China Unicom and China Telecom, and made our mobile games available in their online application stores. Currently, we offered seven games through the online application stores of China Mobile, and have over ten games made available through the online application stores of China Unicom and China Telecom. Concurrently, we also continued to expand into the channel of pre-installing games in devices such as smartphones and tablets. In terms of our overseas markets, we tapped into the overseas online games market through the launch of our new self-developed card and board game, Three Card Poker, in Hong Kong and Taiwan, in the second quarter of 2014. In addition, we continued to extend our cooperation with social networking platforms, such as Facebook and planned to extend the promotion of mobile games through pre-installation arrangements in our overseas markets. These initiatives enabled us to continue to maintain our edge in our key traditional and target markets whilst achieving favorable performance in emerging markets, such as Indonesia.

Business Overview and Outlook

In the second quarter of 2014, we completed equity investments in two Internet companies, namely Shenzhen Gangyun Technology Co., Ltd. (深圳港雲科技有限公司, "**Gangyun**") and 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 of which we now hold 12% and 15% equity stake in Gangyun and HuifuWorld, respectively. Gangyun's core business is the development and operation of camera and video beautification systems with domestic and international mobile phones manufacturers as their major customers. HuifuWorld's principal business is the development and operation of Internet Protocol television ("**IPTV**") and Android Set-Top-Box related channels and platforms and lottery. We envisage that through such investments, our business development will gain further momentum in the mobile phone manufacturers channel and the domestic IPTV channel.

In terms of technology investment and innovation, as at the end of the second quarter of 2014, we had 502 servers hosted in 15 locations in different countries and regions. We also continued to refine our game development engine — Boyaa Building Engine, thereby further enhancing our game development capability and efficiency. The integration and optimization of the data servers also strengthened our disaster recovery and data loss prevention capabilities.

In the second half of 2014, we will continue to strengthen and broaden our game portfolio. In particular, we plan to strengthen the development of localized card and board games and to develop and test another three new games. We also aim to further improve user experience and quality of our services by offering more mobile specific value-added features and to broaden the reach to paying players. In terms of promoting our domestic distribution channels, we will continue to strengthen our cooperation with telecom operators, devices manufacturers and IPTV operators in order to establish a more extensive platform for promoting our games. In terms of overseas markets, we will continue to promote and expand the localized channels and key traditional target markets and enhance our localized services. For emerging markets, we will extend our distribution channels, products and teams to tap market opportunities. We will also continue our efforts in enhancing the functions of our Boyaa Building Engine and in improving and investing in our network infrastructure and cloud-based server in order to improve data storage and security and to provide a more stable and higher quality game experience for our players. We will also continue to strengthen research and development efforts in emerging and cutting-edge technology so that our games can be adapted to different technology platforms in order to satisfy changing player preferences.

Management Discussion and Analysis

FINANCIAL REVIEW

Second Quarter of 2014 Compared to Second Quarter of 2013

Revenue

Our revenue for the three months ended 30 June 2014 amounted to approximately RMB236.3 million, representing year-on-year increase of 48.1% from approximately RMB159.5 million recorded for the same period of 2013. The year-on-year increase was mainly due to the increase in paying players from 539 thousand in the three months ended 30 June 2013 to 1,618 thousand in the same period in 2014, mainly as a result of our effective monetization measures, as indicated by the increase in ARPPU of Texas Hold'em and Fight the Landlord through the increase in the paying players' in game purchases and the number of rounds of game played. In terms of revenue by game forms, our continued shift in our strategic focus from web-based games to mobile games has contributed to a significant increase in revenue generated from our mobile games. The percentage of the revenue generated from our mobile games of total revenue were approximately 54.8% and 34.8%, respectively, for the three months ended 30 June 2014 and the same period in 2013.

Cost of revenue

Our cost of revenue for the three months ended 30 June 2014 amounted to approximately RMB85.7 million, representing year-on-year increase of 37.1% from approximately RMB62.5 million recorded for the same period of 2013. The year-on-year increase was mainly due to the increase in commission fees paid to our payment collection channels in line with the increase in revenue and an increase in employee benefit expenses resulting from the increase in the number of our game development staff and operations support staff.

Gross profit and gross profit margin

Our gross profit for the three months ended 30 June 2014 amounted to approximately RMB150.6 million, representing year-on-year increase of 55.3% from approximately RMB97.0 million recorded for the same period of 2013.

Our gross profit margin were approximately 63.7% and 60.8%, respectively, for the three months ended 30 June 2014 and the same period of 2013.

Selling and marketing expenses

Our selling and marketing expenses for the three months ended 30 June 2014 amounted to approximately RMB45.2 million, representing year-on-year increase of 25.1% from approximately RMB36.1 million recorded for the same period of 2013. The year-on-year increase was mainly attributable to the increase in advertising and promotional activities relating to the launch and the promotion of our new games and the promotion of the pre-installation arrangement of our existing mobile games in our existing China market. It was also attributable to the increase in employee benefit expenses resulting from the increase in headcount of our selling and marketing personnel.

Administrative expenses

Our administrative expenses for the three months ended 30 June 2014 amounted to approximately RMB28.2 million, representing year-on-year increase of 14.8% from approximately RMB24.6 million recorded for the same period of 2013. The year-on-year increase was mainly due to the increase in employee benefit expenses resulting from the increase in headcount.

Other gains — net

For the three months ended 30 June 2014, we recorded other gains — net of approximately RMB14.1 million, compared to approximately RMB3.2 million recorded for the same period of 2013. The other gains — net primarily consisted of gains on financial assets at fair value through profit or loss relating to the wealth management products we purchased and return on short-term investments. The year-on-year increase was primarily due to the increase of the short term investment.

Finance income/(costs) — net

Our net finance cost for the three months ended 30 June 2014 was approximately RMB2.6 million, compared to the net finance cost of approximately RMB2.4 million recorded for the same period of 2013. The year-on-year change was primarily due to the fair value change of the liability component of Series A Preferred Shares for the three months ended 30 June 2013.

Share of profit/(loss) of associates

We held investments in five associates, namely Shenzhen Fanhou Technology Co., Ltd., RaySns Technology Co., Ltd., Shanghai Teqi Internet Technology Co., Ltd., HuifuWorld and Gangyun, as at 30 June 2014 (31 December 2013: three), all of which were Internet or online game companies. We recorded a share of profit of associates of approximately RMB2.5 million recorded for the three months ended 30 June 2014, compared to a share of profit of associates of approximately RMB0.1 million recorded for the same period of 2013.

Income tax expense

Our income tax expense for the three months ended 30 June 2014 was approximately RMB15.6 million, representing an increase of 122.2% from approximately RMB7.0 million recorded for the three months ended 30 June 2013. The effective tax rate were 17.1% and 18.9%, respectively, for the three months ended 30 June 2014, and the same period of 2013. The decrease in effective tax rate for the three months ended 30 June 2014 compared to the corresponding period in 2013 is primarily due to the decrease of the share-based payment expense which was a non-tax deductible item.

Profit for the period

As a result of the foregoing, our profit attributable to equity holders of the Company for the three months ended 30 June 2014 amounted to approximately RMB75.6 million, representing year-on-year increase of 150.7% from approximately RMB30.2 million recorded for the same period of 2013.

Management Discussion and Analysis

Non-IFRS Measure — Adjusted net profit

To supplement our consolidated financial statements which are presented in accordance with International Financial Reporting Standards ("**IFRS**"), we also use unaudited non-IFRS adjusted net profit as an additional financial measure to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. Our unaudited non-IFRS adjusted net profit for the three months ended 30 June 2014 was derived from our unaudited profit of the same period excluding share-based compensation expenses of approximately RMB2.6 million, RMB1.0 million and RMB2.9 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 30 June 2013 was derived from our unaudited profit for the same period excluding share-based compensation expenses of approximately RMB5.5 million, RMB2.1 million and RMB6.4 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively, and fair value change of liability component of Series A Preferred Shares of approximately RMB3.1 million included in finance income/(costs) – net, and listing related expenses of approximately RMB5.8 million included in administrative expenses.

First Half of 2014 Compared to First Half of 2013

Revenue

Our revenue for the six months ended 30 June 2014 amounted to approximately RMB458.0 million, representing an increase of 48.2% from approximately RMB308.9 million recorded in the corresponding period in 2013. The increase in revenue was primarily driven by the increase in paying players, mainly as a result of our effective monetization measures, as indicated by the increase in ARPPU of Texas Hold'em and Fight the Landlord through the increase in the paying players' in game purchases and the number of rounds of game played. In terms of revenue by game forms, our continued shift in our strategic focus from web-based games to mobile games has contributed to a significant increase in revenue generated from our mobile games. The percentage of the revenue generated from our mobile games of total revenue were approximately 52.6% and 30.1%, respectively, for the six months ended 30 June 2014 and 2013.

Cost of revenue

Our cost of revenue increased by 47.9% to approximately RMB174.1 million in the six months ended 30 June 2014 from approximately RMB117.7 million for the corresponding period in 2013, primarily due to the increase in commission fees paid to our payment collection channels in line with the increase in revenue. The increase in cost of revenue was also attributable to an increase in employee benefit expenses resulting from the increase in the number of our game development staff and operations support staff.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 48.4% to approximately RMB283.9 million for the six months ended 30 June 2014 from approximately RMB191.2 million for the corresponding period in 2013, and our gross profit margin increased to 62.0% for the six months ended 30 June 2014 from 61.9% for the corresponding period in 2013.

Selling and marketing expenses

Our selling and marketing expenses increased by 38.9% to approximately RMB87.9 million for the six months ended 30 June 2014 from approximately RMB63.3 million for the corresponding period in 2013, which was mainly attributable to the increase in advertising and promotional activities relating to the launch and the promotion of our new games and the promotion of the pre-installation arrangement of our existing mobile games in our target overseas markets as well as our existing China market. It was also attributable to the increase in employee benefit expenses resulting from the increase in headcount of our selling and marketing personnel.

Administrative expenses

Our administrative expenses increased by 26.4% to approximately RMB54.8 million for the six months ended 30 June 2014 from approximately RMB43.4 million for the corresponding period in 2013. The increase was mainly due to the increase in employee benefit expenses resulting from the increase in headcount.

Other gains — net

We recorded other gains - net of approximately RMB21.9 million for the six months ended 30 June 2014, which primarily consisted of RMB20.7 million of gains on financial assets at fair value through profit or loss relating to the wealth management products we purchased and return on short-term investments and RMB1.5 million of government subsidies we received. In the corresponding period in 2013, we recorded other gains – net of approximately RMB6.1 million.

Finance income/(costs) — net

Our net finance income was approximately RMB0.3 million for the six months ended 30 June 2014. We recorded net finance costs of approximately RMB5.9 million for the corresponding period in 2013, which mainly represent the fair value change of the liability component of Series A Preferred Shares for the six months ended 30 June 2013.

Share of profit/(loss) of associates

We recorded a share of profit of associates of approximately RMB2.8 million for the six months ended 30 June 2014, compared to a share of loss of associates of approximately RMB0.2 million for the corresponding period in 2013.

Income tax expense

Our income tax expense increased by approximately 97.9% to approximately RMB28.2 million for the six months ended 30 June 2014 from approximately RMB14.2 million for the corresponding period in 2013 in line with the increase of the profit before income tax. The effective tax rate increased to approximately 17.0% for the six months ended 30 June 2014 from approximately 16.9% for the corresponding period in 2013.

Profit for the period

As a result of the foregoing, our profit attributable to equity holders of the Company increased by approximately 96.5% to approximately RMB137.8 million for the six months ended 30 June 2014 from approximately RMB70.2 million for the corresponding period in 2013.

Non-IFRS Measure — Adjusted net profit

Our unaudited non-IFRS adjusted net profit for the six months ended 30 June 2014 was derived from our unaudited profit for the same period excluding share-based compensation expenses of approximately RMB6.3 million, RMB2.4 million and RMB7.3 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively. Our unaudited non-IFRS adjusted net profit for the six months ended 30 June 2013 was derived from our unaudited profit for the same period excluding share-based compensation expenses of approximately RMB7.8 million, RMB3.0 million and RMB9.0 million included in cost of revenue, selling and marketing expenses and administrative expenses, respectively, and fair value change of liability component of Series A Preferred Shares of approximately RMB5.7 million included in finance income/(costs) – net, and listing related expenses of approximately RMB8.3 million included in administrative expenses.

Liquidity and Capital Resources

For the six months ended 30 June 2014, 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, investments and business operations with internal resources and through organic and sustainable growth. We will make investments in line with our capital and investment management policies and strategies.

Cash and cash equivalents

As at 30 June 2014, we had cash and cash equivalents of approximately RMB394.1 million (31 December 2013: approximately RMB965.6 million), which primarily consisted of cash at bank and in hand. Out of the RMB394.1 million, approximately RMB289.5 million is denominated in Renminbi and approximately RMB104.6 million is denominated in other currencies (primarily US dollars). We currently do not hedge transactions undertaken in foreign currencies. Due to our persistent efforts in managing our exposure to foreign currencies through constant monitoring to limit as much as possible the amount of foreign currencies held by us, fluctuations in currency exchange rates such as the recent devaluation of RMB do not have any material adverse impact on our financial results.

Up to 30 June 2014, a total amount of RMB38 million from the net proceeds from our initial public offering had been utilized for expanding our marketing and promotion activities and two equity investments. The unutilized net proceeds has been deposited into short-term demand deposits in a bank account maintained by the Group as well as used in short-term investments in certain wealth management products which are principal protected and with guaranteed return.

Short-term investments and financial assets at fair value through profit or loss

As at 30 June 2014, we had short-term investments of approximately RMB960.0 million (31 December 2013: RMB223.0 million). These short-term investments represent investments in certain money market instruments in the form of principal and return-guaranteed products denominated in Renminbi offered by certain state-owned financial institution and commercial banks in China and have a term ranging from four months to one year. The effective interest rate for these short-term investments for the six months ended 30 June 2014 was 6.2% (for the six months ended 30 June 2013: Nil), and the returns on such short-term investments amounted to approximately RMB18.5 million for the six months ended 30 June 2014 (for the six months ended 30 June 2013: Nil).

The short-term investments were made for treasury management purpose and were made in line with our treasury and investment policies, after taking into account, among others, the level of risk, return on investment, liquidity and the term to maturity. The Company decided and as agreed with the financial institutions offering the short-term investments, all the short-term investments were represented by interbank bonds and cash deposits which were highly liquid.

In addition, we also held certain short-to mid-term wealth management products amounted to approximately RMB7.0 million as at 30 June 2014 (31 December 2013: approximately RMB107.0 million) issued by a high-credit quality commercial bank and a state-owned financial institution in China. These wealth management products were recorded in our financial statements as financial assets at fair value through profit or loss and mainly comprise risk-free, principal-guaranteed and/or low-risk structured investment products with an initial term ranging from two years to three years, and such products shall expire by September 2014.

Borrowings

During the six months ended 30 June 2014, we did not have any short-term or long-term bank borrowings and we had no outstanding, utilized or unutilized banking facilities.

Capital expenditures

For the six months ended 30 June 2014, our capital expenditure amounted to approximately RMB13.0 million (2013: approximately RMB1.7 million). The capital expenditure mainly includes payment for equity investments of RMB9.7 million (2013: nil), which was funded by using the net proceeds from our initial public offering; and purchasing of additional furniture and office equipment and computer software of RMB3.3 million (2013: approximately RMB1.7 million), which was funded by using our cash flow generated from our operations.

Contingent liabilities and guarantees

As at 30 June 2014, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against us.

Material acquisitions and future plans for major investment

During the six months ended 30 June 2014, the Group has completed two equity investments. On 16 June 2014, we entered into an agreement with HuifuWorld pursuant to which we acquired 15% equity interest in HuifuWorld at a consideration of RMB5.0 million. On 19 June 2014, we entered into an agreement with Gangyun pursuant to which we acquired 12% equity interest in Gangyun at a consideration of RMB3.2 million. In the coming future, the Group will continue to identify new opportunities for business development.

Pledge of assets

As at 30 June 2014, none of the Group's assets was pledged.

Employees and Staff Costs

As at 30 June 2014, we had a total of 778 full time employees, mainly located in mainland China. In particular, 632 employees are responsible for our game development and operation functions, 49 for game support, 37 for business development and 60 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 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 six months ended 30 June 2014, the total staff costs of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to RMB65.3 million, representing approximately 20.6% 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**") as well as the RSU scheme adopted by the Company in September 2013 (the "**RSU Scheme**"), there were a total of 20,069,329 share options and 77,169,748 shares underlying the RSUs granted to a total of 294 directors, senior management members and employees of the Group as at 30 June 2014. There were an additional number of 29,366,442 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.

Dividends

The board of directors of the Company (the "**Board**") declared an interim dividend of RMB0.062 per share, amounting to a total of approximately RMB46.3 million for the six months ended 30 June 2014 (the "**2014 Interim Dividend**"), representing a payout ratio of 30% of our unaudited adjusted net profit for the six months ended 30 June 2014. Based on the directors' current outlook for the Company's financial performance in the second half of the year and our overall financial position, the planned dividend payout ratio for the full year of 2014 shall not be less than 30% of our unaudited adjusted net profit for the year. However, the planned dividend payout ratio will be subject to the full year financial performance and business plan of the Company and market outlook early next year, therefore a final dividend for the full year of 2014 may or may not be paid. The Core Admin Boyaa RSU Limited, the nominee which holds the shares underlying the RSUs for the benefit of eligible participants pursuant to the RSU Scheme (the "**RSU Nominee**"), will be entitled to receive the 2014 Interim Dividend. As at the date of this report, RSUs represented by (i) 77,169,748 issued shares held by the RSU Nominee were granted, (ii) 27,082,625 issued shares held by the RSU Nominee have not been granted and (iii) 2,283,817 RSUs that have been granted have lapsed during the six months ended 30 June 2014. The shares underlying the RSUs that have not been granted or lapsed have returned to the pool of RSUs (the "**RSU Pool**") held by the RSU Nominee. Accordingly, a total dividend of approximately RMB6.6 million shall be distributed to the RSU Nominee, of which (i) approximately RMB4.8 million will be distributed to the RSU Nominee for the benefit of the grantees in respect of the 77,169,748 issued shares underlying the granted and outstanding RSUs and (ii) approximately RMB1.8 million will be distributed to the RSU Nominee in respect of the 29,366,442 issued shares in the RSU Pool. The dividends with respect to the issued shares in the RSU Pool of approximately RMB1.8 million will first be used to settle the outstanding fees and expenses of the RSU Scheme payable by the Company to the trustee of the RSU Scheme and the remaining portion of such dividends will be transferred to the shareholders of the Company immediately prior to the adoption of the RSU Scheme, namely Boyaa Global Limited, Emily Technology Limited, Comsenz Holdings Limited and Sequoia Capital (which refers to Sequoia Capital China II, L.P., Sequoia Capital China Partners Fund II, L.P. and Sequoia Capital China Principals Fund II, L.P.), in the proportion of their then respective shareholding interests in the Company.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2014, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") were as follows:

(a) Interests of Directors and Chief Executive of the Company

Name of Director/ Chief Executive	Name of company	Capacity/Nature of interest	Number of underlying Shares[1]	Approximate percentage of shareholding[5]
Mr. Zhang Wei[2]	The Company	Founder of a discretionary trust	256,572,474(L)	34.35%
Mr. Dai Zhikang[3]	The Company	Founder of a discretionary trust	40,000,000(L)	5.36%
Mr. Gao Junfeng[4]	The Company	Beneficial owner	12,394,366(L)	1.66%

Notes:

(1) The letter "L" denotes the person's long position in such Shares.

(2) Chunlei Investment Limited ("**Chunlei Investment**"), a company wholly-owned by a trust named the Chunlei Trust (the "**Zhang Family Trust**"), directly holds the entire issued share capital of each of Boyaa Global Limited and Emily Technology Limited. The Zhang Family Trust is a discretionary trust established by Mr. Zhang Wei (as the settlor) and the discretionary beneficiaries of which include Mr. Zhang Wei and his children. Accordingly, Mr. Zhang Wei is deemed to be interested in the 176,572,474 Shares and 80,000,000 Shares held by each of Boyaa Global Limited and Emily Technology Limited, respectively.

(3) Visioncode Holdings Limited, a company wholly-owned by a trust named the Visioncode Trust (the "**Dai Family Trust**"), directly holds the entire issued share capital of Comsenz Holdings Limited. The Dai Family Trust is a discretionary trust established by Mr. Dai Zhikang (as the settlor) and the discretionary beneficiaries of which include Mr. Dai Zhikang and his children. Accordingly, Mr. Dai Zhikang is deemed to be interested in the 40,000,000 Shares held by Comsenz Holdings Limited.

(4) Mr. Gao Junfeng is interested in 9,014,085 RSUs (as defined below) granted to him under the RSU Scheme (as defined below) entitling him to receive 9,014,085 Shares subject to vesting. Mr. Gao Junfeng is also interested in 3,380,281 options granted to him under the Pre-IPO Share Option Scheme (as defined below), representing 3,380,281 underlying Shares.

(5) As at 30 June 2014, the Company had 746,886,326 issued Shares.

(b) Interests in other members of the Group

So far as the Directors are aware, as at 30 June 2014, the following person (excluding the Company) is directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of subsidiary	Name of shareholder	Registered capital	Approximate percentage of interest
Shenzhen Dong Fang Bo Ya Technology Co., Ltd.	Mr. Zhang Wei	RMB9,800,000	98%

Save as disclosed above, as at 30 June 2014, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2014, the following persons (other than the Directors or the chief executive of the Company) have interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Name of company	Nature of interest	Number of Shares or securities held[1]	Approximate percentage of interest[7]
Cantrust (Far East) Limited[2,3]	The Company	Trustee of a trust	296,572,474 (L)	39.71%
Rustem Limited[2,3]	The Company	Nominee for another person	296,572,474 (L)	39.71%
Chunlei Investment[2]	The Company	Interest in a controlled corporation	256,572,474 (L)	34.35%
Boyaa Global Limited[2]	The Company	Beneficial owner	176,572,474 (L)	23.64%
Emily Technology Limited[2]	The Company	Beneficial owner	80,000,000 (L)	10.71%
Visioncode Holdings Limited[3]	The Company	Interest in a controlled corporation	40,000,000 (L)	5.36%
Comsenz Holdings Limited[3]	The Company	Beneficial owner	40,000,000 (L)	5.36%
Ms. Li Bing[4]	The Company	Interest of spouse	40,000,000 (L)	5.36%
Mr. Shen Nanpeng[5]	The Company	Interest in a controlled corporation	122,201,460 (L)	16.36%
Sequoia Capital China II, L.P. and its affiliates[5]	The Company	Beneficial owner	122,201,460 (L)	16.36%
The Core Trust Company Limited[6]	The Company	Trustee of a trust	106,536,190 (L)	14.26%
The Core Admin Boyaa RSU Limited[6]	The Company	Nominee for another person	106,536,190 (L)	14.26%

Notes:

(1) The letter "L" denotes the person's long position in such Shares.

(2) Cantrust (Far East) Limited, the trustee of the Zhang Family Trust, holds the entire issued share capital of Chunlei Investment through Rustem Limited (as nominee for Cantrust (Far East) Limited). Chunlei Investment in turn holds the entire issued share capital of each of Boyaa Global Limited and Emily Technology Limited. The Zhang Family Trust is a discretionary trust established by Mr. Zhang Wei (as the settlor) and the discretionary beneficiaries of which include Mr. Zhang Wei and his children. Accordingly, each of Mr. Zhang Wei, Cantrust (Far East) Limited and Chunlei Investment are deemed to be interested in the 176,572,474 Shares and 80,000,000 Shares held by each of Boyaa Global Limited and Emily Technology Limited, respectively.

(3) Cantrust (Far East) Limited, the trustee of the Dai Family Trust, holds the entire issued share capital of Visioncode Holdings Limited through Rustem Limited (as nominee for Cantrust (Far East) Limited). Visioncode Holdings Limited in turn holds the entire issued share capital of Comsenz Holdings Limited. The Dai Family Trust is a discretionary trust established by Mr. Dai Zhikang (as the settlor) and the discretionary beneficiaries of which include Mr. Dai Zhikang and his children. Accordingly, each of Mr. Dai Zhikang, Cantrust (Far East) Limited and Visioncode Holdings Limited are deemed to be interested in the 40,000,000 Shares held by Comsenz Holdings Limited.

(4) Ms. Li Bing is the wife of Mr. Dai Zhikang and is deemed to be interested in the Shares which are interested by Mr. Dai Zhikang under the SFO.

(5) Each of Sequoia Capital China II, L.P., Sequoia Capital China Partners Fund II, L.P. and Sequoia Capital China Principals Fund II, L.P, all managed by Sequoia Capital China Advisors Limited with Sequoia Capital China Management II, L.P. acting as each of their general partner, held 102,417,054 Shares, 2,578,446 Shares and 17,205,960 Shares, respectively. As Sequoia Capital China Advisors Limited and Sequoia Capital China Management II, L.P. are indirectly wholly-owned by Mr. Shen Nanpeng, Mr. Shen Nanpeng is deemed to be interested in the 102,417,054 Shares, 2,578,446 Shares and 17,205,960 Shares held by Sequoia Capital China II, L.P., Sequoia Capital China Partners Fund II, L.P. and Sequoia Capital China Principals Fund II, L.P, respectively.

(6) The Core Trust Company Limited, (the "**RSU Trustee**"), directly holds the entire issued share capital of The Core Admin Boyaa RSU Limited as the RSU nominee, which holds 106,536,190 Shares underlying the RSUs (as defined below) granted and to be granted under the RSU Scheme (as defined below) for the benefit of eligible participants pursuant to the RSU Scheme (as defined below).

(7) As at 30 June 2014, the Company had 746,886,326 issued Shares.

Save as disclosed above, as at 30 June 2014, no persons (other than the Directors or the chief executive of the Company) has any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEMES AND RESTRICTED SHARE UNIT SCHEME

Post-IPO Share Option Scheme

On 23 October 2013, a share option scheme (the "**Post-IPO Share Option Scheme**") of the Company was approved and adopted by the shareholders of the Company. The purpose of the Post-IPO Share Option Scheme is to incentivize and reward the employees (whether full time or part-time) or directors of members of the Group or associated companies of the Company (the "**Eligible Persons**") for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company. Pursuant to the Post-IPO Share Option Scheme, the Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Post-IPO Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of shares of the Company as the Board may determine to an Eligible Person.

Further details of the principal terms of the Post-IPO Share Option Scheme are set out in the prospectus of the Company dated 31 October 2013. As at 30 June 2014, no option has been granted or agreed to be granted under the Post-IPO Share Option Scheme.

Pre-IPO Share Option Scheme

On 7 January 2011, a Pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") of the Company was approved and adopted by the Board, which was subsequently amended on 17 September 2013. The purpose of the Pre-IPO Share Option Scheme is to enable our Company to grant pre-IPO options to employees, officers and directors of or consultant to any member of the Group (the "**Eligible Participants**") as recognition and acknowledgement of the contributions that such Eligible Participants have made or may make to the Group or any affiliates.

Further details of the principal terms of the Pre-IPO Share Option Scheme are set out in the prospectus of the Company dated 31 October 2013. No further options will be granted under the Pre-IPO Share Option Scheme after the listing of the Company. During the six months ended 30 June 2014, no option has been cancelled. Details of the movements in options during the six months ended 30 June 2014 under the Pre-IPO Share Option Scheme are set out in the section headed "Details of the options granted and outstanding under the Pre-IPO Share Option Scheme and the RSUs granted and outstanding under the RSU Scheme" below.

Restricted Share Unit Scheme

On 17 September 2013, a restricted share unit scheme (the "**RSU Scheme**") of the Company was approved and adopted by the Board. The purpose of the RSU Scheme is 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.

Persons eligible to receive restricted share units (the "**RSUs**") under the RSU Scheme are existing employees, Directors (whether executive or non-executive, but excluding independent non-executive Directors) or officers of the Company or any of its subsidiaries ("**RSU Eligible Persons**"). The Board selects the RSU Eligible Persons to receive RSUs under the RSU Scheme at its discretion.

Further details of the principal terms of the RSU Scheme are set out in the prospectus of the Company dated 31 October 2013. During the six months ended 30 June 2014, no RSU has been granted or agreed to be granted under the RSU Scheme, nor has any RSU been cancelled. Details of the movements in the RSUs under the RSU Scheme are set out in the section headed "Details of the options granted and outstanding under the Pre-IPO Share Option Scheme and the RSUs granted and outstanding under the RSU Scheme" below.

Details of the options granted and outstanding under the Pre-IPO Share Option Scheme and the RSUs granted and outstanding under the RSU Scheme

Name of option holder/ grantees of RSU	Position held with the Group	Nature	Number of Shares represented by options or RSUs at 1 January 2014	Date of grant	Exercise price (US$)	Exercised during the period	Weighted average closing price of Shares immediately before the dates on which the options were exercised	Lapsed during the period	Number of Shares represented by options or RSUs at 30 June 2014
Director of the Company									
Gao Junfeng	Executive Director and Chief Financial Officer	Options	3,380,281	1 November 2012	0.15	—	—	—	**3,380,281**
		RSUs	3,380,282	1 November 2012	—	—	—	—	**3,380,282**
			5,633,803	4 March 2013	—	—	—	—	**5,633,803**
		Sub-total	12,394,366			—		—	**12,394,366**
Director of our subsidiary									
Suo Hongbin	Director of Boyaa Thailand and Vice President	Options	7,500,000	1 February 2011	0.05	6,249,984	8.56	—	**1,250,016**
		RSUs	7,500,000	1 February 2011	—	—	—	—	**7,500,000**
		Sub-total	15,000,000			6,249,984		—	**8,750,016**
292 other employees of the Group		Options	17,695,000	1 February 2011	0.05	2,965,968	8.60	—	**14,729,032**
			362,500	2 March 2012	0.10	51,000	8.62	50,000	**261,500**
			590,000	1 July 2012	0.15	60,250	8.72	81,250	**448,500**
		RSUs	17,695,000	1 February 2011	—	67,000	—	—	**17,628,000**
			362,500	2 March 2012	—	49,000	—	—	**313,500**
			590,000	1 July 2012	—	21,000	—	—	**569,000**
			44,492,980	4 March 2013	—	64,000	—	2,283,817	**42,145,163**
		Sub-total	81,787,980			3,278,218		2,415,067	**76,094,695**
Total		Options	25,195,000	1 February 2011	0.05	9,215,952	8.57	—	**15,979,048**
			362,500	2 March 2012	0.10	51,000	8.62	50,000	**261,500**
			590,000	1 July 2012	0.15	60,250	8.72	81,250	**448,500**
			3,380,281	1 November 2012	0.15	—	—	—	**3,380,281**
		RSUs	25,195,000	1 February 2011	—	67,000	—	—	**25,128,000**
			362,500	2 March 2012	—	49,000	—	—	**313,500**
			590,000	1 July 2012	—	21,000	—	—	**569,000**
			3,380,282	1 November 2012	—	—	—	—	**3,380,282**
			50,126,783	4 March 2013	—	64,000	—	2,283,817	**47,778,966**
			109,182,346			9,528,202		2,415,067	**97,239,077**

(a) Consideration paid for the grant of options, the vesting period and the exercise period of the options granted under the Pre-IPO Share Option Scheme

The holders of the options granted under the Pre-IPO Share Option Scheme as referred to in the table above are not required to pay for the grant of any option under the Pre-IPO Share Option Scheme.

Subject to the satisfactory performance of the option holders, the options granted to each of the option holders shall be vested in accordance with vesting schedule as follows:

(i) as to 25% of the aggregate number of Shares underlying the option on the date ending 12 months after the date of grant of such option;

(ii) as to 12.5% of the aggregate number of Shares underlying the option on the date ending 18 months after the date of grant of such option;

(iii) as to 12.5% of the aggregate number of Shares underlying the option on the date ending 24 months after the date of grant of such option; and

(iv) as to the remaining 50% of the aggregate number of Shares underlying the option, on a monthly basis starting from the 25th month after the date of grant of such option in 24 monthly equal lots.

Each option granted under the Pre-IPO Share Option Scheme has an eight-year exercise period.

(b) Consideration paid for the grant of RSUs and the vesting period of the RSUs granted under the RSU Scheme

The grantees of the RSUs granted under the RSU Scheme as referred to in the table above are not required to pay for the grant of any RSU under the RSU Scheme.

RSUs that were granted before 4 March 2013 were granted to replace the Pre-IPO Share Option Scheme and have the same vesting period as the options granted under the Pre-IPO Share Option Scheme. See the preceding sub-paragraph "Consideration paid for the grant of options, the vesting period and the exercise period of the options granted under the Pre-IPO Share Option Scheme" above.

For the RSUs granted on 4 March 2013 to the named individual grantee of RSUs set out in the table above, they shall (unless the Company shall otherwise determine and so notify such grantee in writing) vest as follows:

(i) as to 25% of the RSUs on the date ending 12 months after the date of grant of the RSUs;

(ii) as to 12.5% of the RSUs on the date ending 18 months after the date of grant of the RSUs;

(iii) as to 12.5% of the RSUs ending 24 months after the date of grant of the RSUs; and

(iv) as to the remaining 50% of the RSUs, on a monthly basis starting from the 25th month after the date of grant in 24 monthly equal lots.

For the remaining RSUs granted on 4 March 2013, they shall (unless the Company shall otherwise determine and so notify such grantees in writing) vest as follows:

(i) 25% of the RSUs on the date ending 12 months after 30 September 2013;

(ii) 12.5% of the RSUs on the date ending 18 months after 30 September 2013;

(iii) 12.5% of the RSUs ending 24 months after 30 September 2013; and

(iv) as to the remaining 50% of the RSUs, on a monthly basis starting from the 25th month after 30 September 2013 in 24 monthly equal lots.

PURCHASES, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2014, the Company repurchased 90,000 shares of the Company on the Stock Exchange at an aggregate consideration of HK$736,750.00 pursuant to the share repurchase mandate approved by the shareholders of the Company at the annual general meeting held on 8 May 2014. Details of the repurchases are summarised as follows:

Date of repurchase	Price per share Highest HK$	Price per share Lowest HK$	Number of ordinary shares of US$0.00005 each	Total consideration HK$
25 June 2014	**8.30**	**8.20**	**20,000**	**165,030.00**
26 June 2014	**8.28**	**8.23**	**20,000**	**165,400.00**
27 June 2014	**8.13**	**8.08**	**20,000**	**162,300.00**
30 June 2014	**8.20**	**8.06**	**30,000**	**244,020.00**
Total:			**90,000**	**736,750.00**

All the repurchased shares of the Company have been cancelled on 8 July 2014 and the issued share capital of the Company has been reduced by the nominal value of the repurchased shares. The premium paid on repurchase was charged against the share premium of the Company. The repurchases were effected by the Board with a view to benefiting the shareholders of the Company as a whole by enhancing the net value of the Company and its assets and earnings per share.

Except as disclosed above, the Group did not purchase, sell or redeem any of the listed securities of the Company during the six months ended 30 June 2014.

Other Information

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board declared the 2014 Interim Dividend of RMB0.062 per share, amounting to a total of approximately RMB46.3 million, for the six months ended 30 June 2014, representing a payout ratio of 30% of our unaudited adjusted net profit for the six months ended 30 June 2014. Adopting an exchange rate of HK$1=RMB0.792, the 2014 Interim Dividend is equivalent to HK$0.078 per share. Based on the directors' current outlook for the Company's financial performance in the second half of the year and our overall financial position, the planned dividend payout ratio for the full year of 2014 shall not be less than 30% of our unaudited adjusted net profit for the year. However, the planned dividend payout ratio will be subject to the full year financial performance and business plan of the Company and market outlook early next year, therefore a final dividend for the full year of 2014 may or may not be paid.

The register of members of the Company will be closed from 29 August 2014 to 2 September 2014 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for the 2014 Interim Dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 28 August 2014. The 2014 Interim Dividend will be paid on or about 11 September 2014 to those shareholders whose names appear on the register of members of the Company on 2 September 2014.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For the six months ended 30 June 2014, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 the Group and is instrumental to the Company's growth and business expansion since the 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 the 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 three executive directors (including Mr. Zhang Wei), one non-executive director and three independent non-executive directors and therefore has a fairly 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.

Other Information

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 throughout the six months ended 30 June 2014.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the Code. As at the date of this report, the Audit Committee comprises the three independent non-executive directors of the Company, 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 unaudited interim results for the six months ended 30 June 2014.

CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in directors' biographical details of the Company since the date of the 2013 annual report of the Company are as follows:

Mr. Dai Zhikang (戴志康), an executive Director of the Company, resigned as the general manager of Beijing Comsenz Innovation Technology Co., LLC (北京康盛新創科技有限責任公司) on 31 March 2014.

Mr. Cheung Ngai Lam (張毅林), an independent non-executive Director of the Company, resigned on 29 May 2014 as an independent director of Ninetowns Internet Technology Group Co., Ltd. (九城網絡技術集團有限公司), a company which was delisted from NASDAQ Stock Market on 29 May 2014.

Mr. Choi Hon Keung Simon (蔡漢強), an independent non-executive Director of the Company, resigned on 31 December 2013 as an independent director of China BCT Pharmacy Group, Inc., a company which was delisted from the OTC Electronic Bulletin Board on 28 May 2013.

Save as disclosed above, there is no other change in the Directors' biographical details which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since the date of 2013 annual report of the Company.

Other Information

USE OF PROCEEDS FROM THE GLOBAL OFFERING

On 12 November 2013, the Company's Shares were listed on the Main Board of the Stock Exchange. A total of 177,014,000 ordinary Shares with nominal value of US$0.00005 each of the Company were issued at HK$5.35 per share for a total of approximately HK$947.0 million. The net proceeds raised by the Company from the abovementioned global offering are approximately HK$837.9 million. Up to 30 June 2014, a total amount of RMB38 million from the net proceeds from our initial public offering had been utilized for expanding our marketing and promotion activities and two equity investments. The unutilized net proceeds has been deposited into short-term demand deposits in a bank account maintained by the Group as well as used in short-term investments in certain wealth management products which are principal protected and with guaranteed return.

The Company will continue to utilize the net proceeds from the initial public offering for the purpose consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 31 October 2013.

Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF
BOYAA INTERACTIVE INTERNATIONAL LIMITED
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 25 to 58, which comprises the consolidated balance sheet of Boyaa Interactive International Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2014 and the related consolidated statements of comprehensive income for the three and six months then ended, consolidated statement of changes in equity and consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 12 August 2014

Consolidated Balance Sheet

As at 30 June 2014

	Note	**30 June 2014 RMB'000 (Unaudited)**	31 December 2013 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	7	**10,900**	10,804
Intangible assets	7	**1,668**	1,032
Investments in associates	8	**18,978**	7,977
Deferred income tax assets	9	**4,466**	4,383
Prepayments and other receivables	11	**11,234**	9,285
		47,246	33,481
Current assets			
Trade receivables	10	**83,535**	59,376
Prepayments and other receivables	11	**28,372**	19,690
Financial assets at fair value through profit or loss	12	**7,000**	107,000
Short-term investments	13	**960,000**	223,000
Cash and cash equivalents	14	**394,114**	965,566
		1,473,021	1,374,632
Total assets		**1,520,267**	1,408,113

Consolidated Balance Sheet

As at 30 June 2014

	Note	**30 June 2014 RMB'000 (Unaudited)**	31 December 2013 RMB'000 (Audited)
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**242**	239
Share premium	15	**675,390**	738,070
Treasury shares	15	**(587)**	—
Shares held for RSU Scheme	15	**(22)**	(33)
Reserves	16	**75,524**	53,512
Retained earnings		**560,667**	422,831
Total equity		**1,311,214**	1,214,619
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	9	**591**	591
Current liabilities			
Trade and other payables	18	**107,836**	97,651
Deferred revenue	19	**35,055**	39,202
Current income tax liabilities		**65,571**	56,050
		208,462	192,903
Total liabilities		**209,053**	193,494
Total equity and liabilities		**1,520,267**	1,408,113
Net current assets		**1,264,559**	1,181,729
Total assets less current liabilities		**1,311,805**	1,215,210

The notes on pages 31 to 58 form an integral part of this interim financial information.

On behalf of the Board of Directors

Zhang Wei
Director

Gao Junfeng
Director

Consolidated Statements of Comprehensive Income

For the Three and Six Months Ended 30 June 2014

	Note	Three months ended 30 June		Six months ended 30 June	
		2014	2013	**2014**	2013
		RMB'000	RMB'000	**RMB'000**	RMB'000
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Revenue	6	**236,324**	159,528	**457,951**	308,927
Cost of revenue	21	**(85,710)**	(62,518)	**(174,100)**	(117,696)
Gross profit		**150,614**	97,010	**283,851**	191,231
Selling and marketing expenses	21	**(45,215)**	(36,136)	**(87,917)**	(63,317)
Administrative expenses	21	**(28,201)**	(24,570)	**(54,846)**	(43,401)
Other gains - net	22	**14,121**	3,194	**21,875**	6,057
Operating profit		**91,319**	39,498	**162,963**	90,570
Finance income	23	**611**	949	**6,644**	1,405
Finance costs	23	**(3,164)**	(3,350)	**(6,386)**	(7,342)
Finance (costs)/income - net	23	**(2,553)**	(2,401)	**258**	(5,937)
Share of profit/(loss) of associates	8	**2,460**	97	**2,801**	(229)
Profit before income tax		**91,226**	37,194	**166,022**	84,404
Income tax expense	24	**(15,627)**	(7,034)	**(28,186)**	(14,244)
Profit for the period		**75,599**	30,160	**137,836**	70,160
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
– Currency translation differences		**1,172**	(1,439)	**6,025**	(2,211)
Total comprehensive income for the period		**76,771**	28,721	**143,861**	67,949
Profit attributable to:					
Equity holders of the Company		**75,599**	30,160	**137,836**	70,160
Total comprehensive income attributable to:					
Equity holders of the Company		**76,771**	28,721	**143,861**	67,949
Earnings per share (expressed in RMB cents per share)					
– Basic	25	**11.60**	11.44	**21.49**	26.84
– Diluted	25	**10.32**	6.79	**18.79**	15.50
Dividends	26	**—**	—	**46,307**	—

The notes on pages 31 to 58 form an integral part of this interim financial information.

Consolidated Statement Of Changes In Equity

For the Six Months Ended 30 June 2014

	Note	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Shares held for RSU Scheme RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
		(Unaudited)						
Balance at 1 January 2014		239	738,070	—	(33)	53,512	422,831	1,214,619
Comprehensive income								
Profit for the period		—	—	—	—	—	137,836	137,836
Other comprehensive income								
– currency translation differences		—	—	—	—	6,025	—	6,025
Total comprehensive income for the period		—	—	—	—	6,025	137,836	143,861
Employee share option and RSU schemes								
– value of employee services	16	—	—	—	—	15,987	—	15,987
– proceeds from shares issued	15	3	2,921	—	—	—	—	2,924
– vesting of shares held for RSU Scheme	15	—	(11)	—	11	—	—	—
Buy-back of shares	15	—	—	(587)	—	—	—	(587)
Dividends relating to 2013	15	—	(65,590)	—	—	—	—	(65,590)
Total transactions with owners, recognised directly in equity		3	(62,680)	(587)	11	15,987	—	(47,266)
Balance at 30 June 2014		242	675,390	(587)	(22)	75,524	560,667	1,311,214

Consolidated Statement Of Changes In Equity

For the Six Months Ended 30 June 2014

		(Audited)			
	Note	Share capital RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2013		123	31,038	271,263	302,424
Comprehensive income					
Profit for the period		—	—	70,160	70,160
Other comprehensive loss					
– currency translation differences		—	(2,211)	—	(2,211)
Total comprehensive income for the period		—	(2,211)	70,160	67,949
Employee share option and RSU schemes – value of employee services	16	—	19,754	—	19,754
Total transactions with owners, recognised directly in equity		—	19,754	—	19,754
Balance at 30 June 2013		123	48,581	341,423	390,127

The notes on pages 31 to 58 form an integral part of this interim financial information.

Consolidated Statement Of Cash Flows

For the Six Months Ended 30 June 2014

	Note	Six months ended 30 June	
		2014	2013
		RMB'000	RMB'000
		(Unaudited)	(Audited)
Cash flows from operating activities			
Cash generated from operations		**134,703**	95,049
Income tax paid		**(18,748)**	(5,195)
Net cash generated from operating activities		**115,955**	89,854
Cash flows from investing activities			
Purchase of property, plant and equipment		**(2,458)**	(1,487)
Purchase of intangible assets		**(826)**	(234)
Purchase of short-term investments		**(790,000)**	—
Purchase of financial assets at fair value through profit or loss		**—**	(420,000)
Investments in associates	8	**(8,200)**	—
Prepayment for acquisition of a subsidiary		**(1,500)**	—
Proceeds from disposals of financial assets at fair value through profit or loss		**102,113**	331,943
Proceeds from disposals of short-term investments		**53,000**	—
Proceeds on disposal of property, plant and equipment		**10**	—
Proceeds from partial disposal of investment in an associate		**—**	2,000
Return on short-term investments received		**16,862**	—
Interest received		**6,644**	1,405
Net cash used in investing activities		**(624,355)**	(86,373)
Cash flows from financing activities			
Payments for buy-back of shares	15	**(587)**	—
Dividends paid to equity holders	26	**(65,590)**	—
Proceeds from issuance of ordinary shares	15	**2,341**	—
Prepayment for listing-related expenses		**—**	(3,535)
Net cash used in financing activities		**(63,836)**	(3,535)
Net decrease in cash and cash equivalents		**(572,236)**	(54)
Cash and cash equivalents at beginning of the period		**965,566**	274,682
Exchange gains/(losses) on cash and cash equivalents		**784**	(1,594)
Cash and cash equivalents at end of the period		**394,114**	273,034

The notes on pages 31 to 58 form an integral part of this interim financial information.

Notes to the Interim Financial Information

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 since 12 November 2013 (the "Listing").

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

The consolidated balance sheet as at 30 June 2014, the consolidated statements of comprehensive income for the three and six months then ended, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes (collectively defined as the "Interim Financial Information") of the Group have been approved by the Board of Directors (the "Board") on 12 August 2014.

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

This Interim Financial Information has been reviewed, not audited.

2. BASIS OF PREPARATION

The Interim Financial Information is prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' issued by the International Accounting Standards Board. This Interim Financial Information should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2013 as set out in the 2013 annual report of the Company dated 27 February 2014 (the "2013 Financial Statements").

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The following new standards and amendments to standards have been issued and are relevant to the Group, but are not effective for the financial year beginning on 1 January 2014 and have not been early adopted:

- Annual improvements 2012, which include changes from the 2010-2012 cycle of the annual improvements project, that affect the following standards: IFRS 2, 'Share-based payment', IFRS 3, 'Business combinations' and consequential amendments to IFRS 9, 'Financial instruments', IAS 37, 'Provisions, contingent liabilities and contingent assets', and IAS 39, 'Financial instruments – Recognition and measurement', IFRS 8, 'Operating segments', IAS 16, 'Property, plant and equipment', IAS 38, 'Intangible assets' and IAS 24, 'Related Party Disclosures'. The above amendments will be effective for annual periods beginning on or after 1 July 2014 and the Group is yet to assess the impact of these amendments on the Group's consolidated financial statements.

- Annual improvements 2013, which include changes from the 2011-2013 cycle of the annual improvements project that affect the following standards: IFRS 3, 'Business combinations', IFRS 13, 'Fair value measurement', IAS 40, 'Investment property'. The above amendments will be effective for annual periods beginning on or after 1 July 2014 and the Group is yet to assess the impact of these amendments on the Group's consolidated financial statements.

- Amendments to IAS 16 and IAS 38 on clarification of acceptable methods of depreciation and amortisation, which clarify when a method of depreciation or amortisation based on revenue may be appropriate. The amendment to IAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate. The amendment to IAS 38 establishes a rebuttable presumption that amortisation of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted in certain limited circumstances: (1) where the intangible asset is expressed as a measure of revenue; or (2) where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The above amendments will be effective for annual periods beginning on or after 1 January 2016 and the Group is yet to assess the impact of these amendments on the Group's consolidated financial statements.

- IFRS15 "Revenue from Contracts with Customers", which establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer (2) Identify separate performance obligations in a contract (3) Determine the transaction price (4) Allocate transaction price to performance obligations and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes to an 'asset-liability' approach based on transfer of control. IFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The above new standard will be effective for annual periods beginning on or after 1 January 2017 and the Group is yet to assess the impact of these amendments on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The following new standards and amendments to standards have been issued and are relevant to the Group, but are not effective for the financial year beginning on 1 January 2014 and have not been early adopted *(Continued)*:

- IFRS 9, "Financial instruments", which the first standard issued as part of a wider project to replace IAS 39. IFRS "Classification and Measurement" retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. For financial liabilities designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in other comprehensive income ("OCI"), unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. IFRS 9 "Hedge Accounting" applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more "rule-based" approach of IAS 39. The guidance in IAS 39 on impairment of financial assets continues to apply. The above new standard will be effective for annual periods beginning on or after 1 January 2018 and the Group is yet to assess the impact of this new standard on the Group's consolidated financial statements.

4. ESTIMATES

The preparation of the Interim Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2013 Financial Statements.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group is subject to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2013 Financial Statements.

There were no significant changes in any risk management policies during the six months ended 30 June 2014.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.2 Foreign exchange risk

The Group operates internationally and it is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB and United States dollars ("USD"). The Group currently does not hedge transactions undertaken in foreign currencies but manages its exposure through constant monitoring to limit as much as possible the amount of its foreign currencies exposures. Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Finance Department is responsible for monitoring and managing the net position in each foreign currency.

For the two PRC subsidiaries, Boyaa On-line Game Development (Shenzhen) Co., Ltd. ("Boyaa PRC") and Shenzhen Dong Fang Bo Ya Technology Co., Ltd. ("Boyaa Shenzhen") whose functional currencies are RMB, if USD had strengthened/weakened by 5% against RMB with all other variables held constant, the post-tax profit for the six months ended 30 June 2014 would have been approximately RMB1,656,000 higher/lower (for the six months ended 30 June 2013: RMB1,544,000), mainly as a result of net foreign exchange gains/losses on translation of net monetary assets denominated in USD. For group companies outside of the PRC whose functional currencies are USD or HKD, if RMB had strengthened/weakened by 5% against USD and HKD with all other variables held constant, the post-tax profit for the six months ended 30 June 2014 would have been approximately RMB3,944,000 higher/lower (for the six months ended 30 June 2013: RMB6,259,000), mainly as a result of net foreign exchange gains/losses on translation of net monetary assets denominated in RMB.

5.3 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.4 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.4 *Fair value estimation* *(Continued)*

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2014 and 31 December 2013:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Unaudited				
At 30 June 2014				
Assets				
Financial assets at fair value through profit or loss	**—**	**—**	**7,000**	**7,000**
Audited				
At 31 December 2013				
Assets				
Financial assets at fair value through profit or loss	—	—	107,000	107,000

The following table presents the changes in level 3 instruments for the period ended 30 June 2014:

	Financial assets at fair value through profit or loss and available-for-sale financial assets RMB'000 (Unaudited)
Opening balance	**107,000**
Disposals	**(102,153)**
Gains recognised in profit or loss	**2,153**
Closing balance	**7,000**
Total gains for the period recognised in profit or loss under "other gains - net"	**2,153**

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.4 *Fair value estimation* *(Continued)*

The following table presents the changes in level 3 instruments for the period ended 30 June 2013:

	Financial assets at fair value through profit or loss and available-for-sale financial assets RMB'000 (Audited)
Opening balance	124,322
Additions	420,000
Disposals	(331,943)
Gains recognised in profit or loss	4,737
Closing balance	217,116
Total gains for the period recognised in profit or loss under "other gains - net"	4,737

6. REVENUE AND SEGMENT INFORMATION

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Development and operations of online games				
– Web-based games	**106,784**	103,983	**216,982**	216,094
– Mobile games	**129,540**	55,545	**240,969**	92,833
	236,324	159,528	**457,951**	308,927

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

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

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Simplified Chinese	**94,804**	52,960	**177,049**	95,017
Other languages	**141,520**	106,568	**280,902**	213,910
	236,324	159,528	**457,951**	308,927

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

The Group's non-current assets other than deferred income tax assets were located in the PRC at 30 June 2014 and 31 December 2013.

7. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment RMB'000 (Unaudited)	**Intangible assets RMB'000 (Unaudited)**
Six months ended 30 June 2014		
Opening balance as at 1 January 2014	**10,804**	**1,032**
Additions	**2,458**	**826**
Depreciation and amortisation	**(2,328)**	**(190)**
Disposals	**(34)**	**—**
Closing balance as at 30 June 2014	**10,900**	**1,668**

	Property, plant and equipment RMB'000 (Audited)	Intangible assets RMB'000 (Audited)
Six months ended 30 June 2013		
Opening balance as at 1 January 2013	7,426	871
Additions	1,487	234
Depreciation and amortisation	(1,676)	(110)
Disposals	(1)	—
Closing balance as at 30 June 2013	7,236	995

8. INVESTMENTS IN ASSOCIATES

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Audited)
At beginning of the period	**7,977**	8,946
Additions	**8,200**	—
Disposals	**—**	(1,146)
Share of profit/(loss)	**2,801**	(229)
At end of the period	**18,978**	7,571

On 16 June 2014, the Group acquired 15% equity interest in Shenzhen HuifuWorld Network Technology Co., Ltd. (深圳市滙富天下網絡科技有限公司, "HuifuWorld"), which is mainly engaged in provision of IPTV platform services, at a consideration of RMB5,000,000, from an independent third party.

On 19 June 2014, the Group acquired 12% equity interest in Shenzhen GangYun Technology Co., Ltd. (深圳港雲科技有限公司, "Gangyun"), which is mainly engaged in the manufacturing of mobile camera, at a consideration of RMB3,200,000, from an independent third party.

Since the Group has the contractual right to appoint a director to the board of directors of HuifuWorld and Gangyun, the directors of the Company consider that the Group has significant influence on HuifuWorld and Gangyun, and accordingly they are accounted for as associates of the Group.

9. DEFERRED INCOME TAX

The movement in deferred income tax assets and liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

	Deferred income tax assets RMB'000 (Unaudited)	**Deferred income tax liabilities RMB'000 (Unaudited)**
At 1 January 2014	**4,383**	**591**
Credited to profit or loss	**83**	**—**
At 30 June 2014	**4,466**	**591**

9. DEFERRED INCOME TAX *(Continued)*

	Deferred income tax assets RMB'000 (Audited)	Deferred income tax liabilities RMB'000 (Audited)
At 1 January 2013	2,844	903
Credited to profit or loss	528	(149)
At 30 June 2013	3,372	754

10. TRADE RECEIVABLES

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Trade receivables	**84,427**	60,268
Less: impairment provision	**(892)**	(892)
	83,535	59,376

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
0 - 60 days	**57,659**	46,668
60 - 90 days	**10,525**	7,788
90 - 180 days	**15,149**	4,440
Over 180 days	**1,094**	1,372
	84,427	60,268

11. PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Included in non-current assets		
Loans to employees	**9,734**	9,285
Prepayment for acquisition of a subsidiary	**1,500**	—
	11,234	9,285
Included in current assets		
Prepaid commission charges	**7,983**	10,875
Loans to employees	**6,548**	3,817
Prepayments for advertising costs	**4,061**	1,058
Accrued investment returns	**3,237**	1,551
Receivables on government subsidy	**1,990**	—
Office rental deposits	**458**	458
Prepaid professional fees	**381**	—
Amount due from a third party payment vendor	**55**	919
Others	**3,659**	1,012
	28,372	19,690
	39,606	28,975

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Non-quoted investments	**7,000**	107,000

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

The above investments represent investments in certain wealth management products issued by a state-owned financial institution and a commercial bank in the PRC. These wealth management products are principal protected and with non-guaranteed return. They are denominated in RMB and have an initial term ranging from two years to three years, and were classified as fair value through profit or loss upon initial recognition. Changes in fair values (realised and unrealised) of these financial assets had been recognised in "other gains - net" in the consolidated statement of comprehensive income (Note 22).

13. SHORT-TERM INVESTMENTS

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Short-term investments	**960,000**	223,000

Short-term investments represent investments in certain wealth management products issued by certain state-owned financial institution and commercial banks in the PRC. These wealth management products are principal protected and with guaranteed return. They are denominated in RMB and have a term ranging from 4 months to 1 year. The effective interest rate of these investments for the six months ended 30 June 2014 was 6.2% (for the year ended 31 December 2013: 6.0%).

14. CASH AND CASH EQUIVALENTS

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Cash at bank and in hand	**394,114**	265,566
Short-term bank deposits	**—**	700,000
	394,114	965,566

15. SHARE CAPITAL, SHARE PREMIUM, TREASURY SHARES AND SHARES HELD FOR RSU SCHEME

The total authorised share capital of the Company comprises 1,000,000,000 ordinary shares with par value of USD0.00005 per share.

As at 30 June 2014, the total number of issued ordinary shares of the Company was 746,886,000 shares (31 December 2013: 737,559,000 shares) which included 106,536,190 shares (31 December 2013: 106,737,190) held under the restricted shares units ("RSUs") scheme ("RSU Scheme") (Note 17), and 90,000 treasury shares (31 December 2013: nil) repurchased for subsequent cancellation. They were fully paid up.

	Note	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	Treasury shares RMB'000	Shares held for RSU Scheme RMB'000
			(Unaudited)				
At 1 January 2014		**737,559**	**37**	**239**	**738,070**	**—**	**(33)**
Buy-back of shares	(a)	**—**	**—**	**—**	**—**	**(587)**	**—**
Employee share option and RSU schemes							
– proceeds from shares issued	(b)	**9,327**	**—**	**3**	**2,921**	**—**	**—**
– vesting of shares held for RSU Scheme	17(d)	**—**	**—**	**—**	**(11)**	**—**	**11**
Dividends relating to 2013		**—**	**—**	**—**	**(65,590)**	**—**	**—**
At 30 June 2014		**746,886**	**37**	**242**	**675,390**	**(587)**	**(22)**

	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
		(Audited)			
At 1 January 2013/30 June 2013	360,000	18	123	—	—

15. SHARE CAPITAL, SHARE PREMIUM, TREASURY SHARES AND SHARES HELD FOR RSU SCHEME *(Continued)*

(a) The Group repurchased 90,000 of its own shares from the market in June 2014. The total amount paid to acquire the shares was RMB587,000 and has been deducted from the shareholders' equity. These treasury shares have been subsequently cancelled in July 2014. The related weighted average price at the time of buy-back was HKD8.16 per share.

(b) Share options exercised during the six months ended 30 June 2014 resulted in 9,327,202 shares being issued (for the six months ended 30 June 2013: nil), with exercise proceeds of RMB2,924,000. As at 30 June 2014, an amount of RMB583,000 was due from The Core Admin Boyaa Option Limited. The related weighted average price at the time of exercise was HKD8.49 per share.

16. RESERVES

	(Unaudited)					
	Capital reserve RMB'000	**Currency translation differences RMB'000**	**Statutory surplus reserve fund RMB'000**	**Share-based compensation reserve RMB'000**	**Other reserves RMB'000**	**Total RMB'000**
At 1 January 2014	**2,000**	**(8,103)**	**21,000**	**56,481**	**(17,866)**	**53,512**
Employee share option and RSU schemes						
– value of employee services	**—**	**—**	**—**	**15,987**	**—**	**15,987**
Currency translation differences	**—**	**6,025**	**—**	**—**	**—**	**6,025**
At 30 June 2014	**2,000**	**(2,078)**	**21,000**	**72,468**	**(17,866)**	**75,524**

	(Audited)						
	Capital reserve RMB'000	Currency translation differences RMB'000	Statutory surplus reserve fund RMB'000	Equity component of the Series A Preferred Shares (Note 20) RMB'000	Share-based compensation reserve RMB'000	Other reserves RMB'000	Total RMB'000
At 1 January 2013	2,000	767	21,000	16,061	9,109	(17,899)	31,038
Employee share option and RSU schemes							
– value of employee services	—	—	—	—	19,754	—	19,754
Currency translation differences	—	(2,211)	—	—	—	—	(2,211)
At 30 June 2013	2,000	(1,444)	21,000	16,061	28,863	(17,899)	48,581

17. SHARE-BASED PAYMENTS

(a) Share options

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

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

	Number of share options	
	2014	2013
At 1 January	**29,527,781**	59,130,563
Exercised	**(9,327,202)**	—
Lapsed	**(131,250)**	(75,000)
Transferred to the RSU Scheme	**—**	(29,527,782)
At 30 June	**20,069,329**	29,527,781

(ii) Outstanding share options

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

		Number of share options	
Expiry Date	Price	**30 June 2014**	31 December 2013
Tranche I	USD0.05	**15,979,048**	25,195,000
Tranche II	USD0.10	**261,500**	362,500
Tranche III	USD0.15	**448,500**	590,000
Tranche IV	USD0.15	**3,380,281**	3,380,281
		20,069,329	29,527,781

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

17. SHARE-BASED PAYMENTS *(Continued)*

(b) RSUs

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

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

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

Movements in the number of RSUs outstanding:

	Number of RSUs	
	2014	2013
At 1 January	**79,654,565**	—
Transferred from the Pre-IPO Share Option Scheme	**—**	29,527,782
Granted	**—**	50,516,783
Lapsed	**(2,283,817)**	—
Vested and transferred	**(201,000)**	—
At 30 June	**77,169,748**	80,044,565
Vested but not transferred as at 30 June	**35,715,437**	—

(c) Expected retention rate of grantees

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of vesting periods of the shares options (the "Expected Retention Rate") in order to determine the amount of share-based compensation expenses charged to the statement of comprehensive income. As at 30 June 2014, the Expected Retention Rate was assessed to be 85% (31 December 2013: 85%).

17. SHARE-BASED PAYMENTS *(Continued)*

(d) Shares held for RSU Scheme

Pursuant to a resolution passed by the Board of the Company on 17 September 2013, the Company set up a RSU Scheme. On 11 October 2013, the Company entered into a trust deed with The Core Trust Company Limited (the "RSU Trustee") and The Core Admin Boyaa RSU Limited (the "RSU Nominee"), pursuant to which the RSU Trustee acts as the administrator of the RSU Scheme and the RSU Nominee holds the shares underlying the RSU Scheme.

On 23 October 2013, Boyaa Global Limited transferred 35,769,526 of the Company's ordinary shares held by it to the RSU Nominee at nil consideration. On 23 October 2013, the Company also issued 70,967,664 ordinary shares to the RSU Nominee at a par value of US$0.00005 each, with the consideration amounting to approximately RMB22,000 being funded by Mr. Zhang Wei (the "Founder"). Accordingly, 106,737,190 ordinary shares of the Company underlying the RSUs were held by the RSU Nominee for the benefit of eligible participants pursuant to the RSU Scheme.

The above shares held for RSU Scheme were regarded as treasury shares and had been deducted from shareholders' equity; the costs of these shares totaling approximately RMB33,000 were credited to "other reserves" as deemed contribution from shareholders (Note 15). As a result of the vesting of 35,916,437 of RSUs (see Note (b) above), approximately RMB11,000 of shares held for RSU Scheme was transferred to share premium.

18. TRADE AND OTHER PAYABLES

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Trade payables	**1,097**	635
Other taxes payable	**45,387**	43,671
Accrued expenses	**27,532**	19,368
Salary and staff welfare payables	**12,626**	16,453
Returns on short-term investments received in advance	**11,823**	6,914
Advance received from sales of prepaid game cards	**3,999**	3,395
Others	**5,372**	7,215
	107,836	97,651

18. TRADE AND OTHER PAYABLES *(Continued)*

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
0 - 30 days	**589**	468
31 - 60 days	**455**	22
61 - 90 days	**53**	11
Over 90 days	**—**	134
	1,097	635

19. DEFERRED REVENUE

Deferred revenue represented service fees prepaid by the game players for the Group's online games in the forms of prepaid game cards, game tokens and virtual items, for which the related services had not been rendered as at 30 June 2014 and 31 December 2013.

20. SERIES A PREFERRED SHARES

On 30 September 2010, the Company entered into a share purchase agreement with certain investors Sequoia Capital and its affiliates, namely Sequoia Capital China II, L.P., Sequoia Capital China Partners Fund II, L.P. and Sequoia Capital China Principals Fund II, L.P. (collectively defined as "Sequoia Capital"), and pursuant to which, the Company issued 6,478,873 shares (equal to 129,577,460 shares after the three share splits in 2011 and 2012) of Series A Preferred Shares at a price of USD0.9261 per share with total amount of USD6,000,084. The issuance of the Series A Preferred Shares closed on 7 January 2011.

On 12 November 2013, upon the Listing of the Company on the Main Board of the Stock Exchange of Hong Kong Limited, all the 129,577,460 Series A Preferred Shares were automatically converted into ordinary shares, on a one-for-one basis.

In conjunction with the issuance of the Series A Preferred Shares, Sequoia Capital also undertook to offer various consulting and advisory services to the Company in preparing it for the Listing. As a result, the Series A Preferred Shares were issued to Sequoia Capital at certain discount from the then assessed fair value, and these shares issued have been accounted for as share-based payments in accordance with IFRS 2.

20. SERIES A PREFERRED SHARES *(Continued)*

According to the terms of the Series A Preferred Shares, the Company did not have the unconditional right to avoid delivering cash. Therefore, the Series A Preferred Shares had been accounted for as a compound financial instrument which included the following two components:

- A liability component (i.e. the preferred share shareholder's right to demand payment in cash under the redemption feature or liquidation preferences); and
- An equity component (i.e. the preferred share shareholder's right to demand settlement in the Company's shares through exercising its conversion right).

The Company first measured the fair value of the liability component, and the residual amount of the compound financial instrument was recognised as the equity component. Subsequent to the initial recognition, the liability component of the Series A Preferred Shares was stated at fair value, with changes recorded in profit or loss under "finance costs – net". The equity component was not re-measured subsequent to initial recognition.

The movement of the liability component of the Series A Preferred Shares for the six months ended 30 June 2013 was set out below:

	RMB'000 (Audited)
Liability component as at 1 January 2013	42,980
Fair value change	5,748
Exchange losses	(597)
Liability component as at 30 June 2013	48,131

21. EXPENSES BY NATURE

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

	Three months ended 30 June		**Six months ended 30 June**	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)	**2014 RMB'000 (Unaudited)**	2013 RMB'000 (Audited)
Commission charges by platforms and third party payment vendors	**69,548**	46,169	**137,618**	87,879
Advertising expenses	**40,591**	31,560	**75,147**	53,928
Employee benefit expenses (excluding share-based compensation expenses)	**20,588**	12,019	**49,352**	27,093
Share-based compensation expenses	**6,469**	13,980	**15,987**	19,754
Business tax and related surcharges (Note (a))	**1,950**	4,718	**4,155**	8,718
Servers rental expenses	**3,976**	3,374	**7,500**	6,282
Auditor's remuneration	**1,000**	92	**2,000**	123
Listing-related expenses	**—**	5,794	**—**	8,271
Other professional service fees	**3,155**	530	**5,503**	1,869
Depreciation and amortisation (Note 7)	**1,351**	905	**2,518**	1,786
Office rental expenses	**2,197**	799	**3,470**	1,777
Travelling and entertainment expenses	**3,059**	1,600	**4,176**	2,262
Other expenses	**5,242**	1,684	**9,437**	4,672
	159,126	123,224	**316,863**	224,414

(a) Business tax and related surcharges that are applicable to the Group are as follows:

Category	**Tax rate**	**Basis of levies**
Business tax ("BT")	3%	Revenue from provision of on-line game services
City construction tax	7%	Actual BT payment
Educational surcharges	3%	Actual BT payment

21. EXPENSES BY NATURE *(Continued)*

(b) Research and development expenses during the three and six months ended 30 June 2014 and 2013 were analysed as below:

	Three months ended 30 June		Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)	**2014 RMB'000 (Unaudited)**	2013 RMB'000 (Audited)
Employee benefit expenses	**11,239**	5,943	**19,473**	11,203
Depreciation of property, plant and equipment	**244**	112	**464**	209
Rental expenses	**685**	259	**1,241**	556
	12,168	6,314	**21,178**	11,968

No development expenses were capitalised for the three and six months ended 30 June 2014 and 2013.

22. OTHER GAINS – NET

	Three months ended 30 June		Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)	**2014 RMB'000 (Unaudited)**	2013 RMB'000 (Audited)
Returns on short-term investments	**14,080**	—	**18,508**	—
Realised/unrealised fair value gains on financial assets at fair value through profit or loss	**566**	3,260	**2,153**	4,737
Government subsidies(a)	**3**	413	**1,546**	413
Foreign exchange (losses)/gains,net	**(441)**	(347)	**(225)**	178
Gain arising from partial disposal of an associate	**—**	—	**—**	854
Losses on disposals of property, plant and equipments	**(21)**	—	**(24)**	(1)
Others	**(66)**	(132)	**(83)**	(124)
	14,121	3,194	**21,875**	6,057

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

23. FINANCE COSTS – NET

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Finance income				
Interest income	**611**	949	**6,644**	1,405
Finance costs				
Fair value change of the liability component of Series A Preferred Shares	**—**	(3,087)	**—**	(5,748)
Foreign exchange losses, net	**(3,164)**	(263)	**(6,386)**	(1,594)
	(3,164)	(3,350)	**(6,386)**	(7,342)
Finance (costs)/income - net	**(2,553)**	(2,401)	**258**	(5,937)

24. INCOME TAX EXPENSE

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

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Current tax	**15,254**	7,555	**28,269**	14,921
Deferred tax (Note 9)	**373**	(521)	**(83)**	(677)
	15,627	7,034	**28,186**	14,244

24. INCOME TAX EXPENSE *(Continued)*

(a) Cayman Islands income tax

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

(b) Hong Kong profits tax

Hong Kong profits tax has been provided for as there was business operation that is subject to Hong Kong profits tax. It has been provided for at the rate of 16.5% on the estimated assessable profits for the three and six months ended 30 June 2014 and 2013.

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

The income tax provision of the Group in respect of operations in the PRC has been calculated at the tax rate of 25% on the estimated assessable profits for the three and six months ended 30 June 2014 and 2013, based on the existing legislation, interpretations and practices in respect thereof.

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

Boyaa PRC qualified as a HNTE under the Corporate Income Tax Law in 2013 and as a result, Boyaa PRC enjoys a preferential tax rate of 15% from 1 January 2013 to 31 December 2015. Therefore, the actual income tax rate for Boyaa PRC was 15% for the three and six months ended 30 June 2014 and 2013.

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

24. INCOME TAX EXPENSE *(Continued)*

(d) PRC withholding tax ("WHT")

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

As at 30 June 2014, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside of the PRC, for which no deferred income tax liability had been provided, were approximately RMB478,831,000 (31 December 2013: RMB438,142,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to a foreign investor in the foreseeable future based on management's estimation of overseas funding requirements.

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

	Three months ended 30 June		**Six months ended 30 June**	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)	**2014 RMB'000 (Unaudited)**	2013 RMB'000 (Audited)
Profit before income tax	**91,226**	37,194	**166,022**	84,404
Add: Share of (profit)/loss of associates, net of tax	**(2,460)**	(97)	**(2,801)**	229
	88,766	37,097	**163,221**	84,633
Tax calculated at a tax rate of 25%	**22,191**	9,274	**40,805**	21,158
Tax effects of:				
– Tax holiday on assessable profits of subsidiaries	**(2,070)**	(7,277)	**(4,632)**	(12,598)
– Different tax rates available to different subsidiaries of the Group	**(5,230)**	(20)	**(9,821)**	(548)
– Expenses not deductible for tax purposes	**1,193**	5,270	**2,637**	6,686
– Super Deduction	**(457)**	(213)	**(803)**	(454)
Income tax expense	**15,627**	7,034	**28,186**	14,244

25. EARNINGS PER SHARE

(a) Basic

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

	Three months ended 30 June		**Six months ended 30 June**	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Profit attributable to equity holders of the Company	**75,599**	30,160	**137,836**	70,160
Weighted average number of ordinary shares in issue (thousand shares)	**651,631**	263,627	**641,482**	261,370
Basic earnings per share (expressed in RMB cents per share)	**11.60**	11.44	**21.49**	26.84

As a closing condition to the share purchase agreement ("SPA"), on 7 January 2011, the Founder, Sequoia Capital and the Company, entered into a share restriction agreement ("Share Restriction Agreement"). Pursuant to the Share Restriction Agreement, certain ordinary shares ("Restricted Shares") of the Company held by the Founder were subject to vesting conditions and repurchase right of the Company until the Restricted Shares become vested. The Restricted Shares should automatically vest on the Founder and be released from the restrictions over a period of 48 months after the closing of the SPA in 48 monthly equal lots provided that the Founder remains as an employee of the Group at the time of vesting. Vesting of all Restricted Shares would be accelerated upon the Listing.

As these Restricted Shares were contingently returnable prior to the Listing, they were not treated as outstanding and were excluded from the calculation of basic earnings per share. Had these shares not been put in escrow with the Company as Restricted Shares, the weighted average number of ordinary shares in issue for the three and six months ended 30 June 2013 would be 360,000,000 and 360,000,000, and the basic earnings per share would be RMB8.38 cents and RMB19.49 cents per share for the three and six months ended 30 June 2013.

25. EARNINGS PER SHARE *(Continued)*

(b) Diluted

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

For the three and six months ended 30 June 2013, the Company had two categories of dilutive potential ordinary shares, the Restricted Shares and Series A Preferred Shares. Share options and RSUs were not considered as dilutive potential ordinary shares as they were issuable contingently upon the Listing. Restricted Shares were assumed to have been fully vested and released from restrictions with no impact on earnings. The Series A Preferred Shares were assumed to have been converted into ordinary shares since the beginning of the reporting period, and the net profit is adjusted to eliminate the fair value change in the liability component.

For the three and six months ended 30 June 2014, the Company had two categories of dilutive potential ordinary shares, share options and RSUs. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options and RSUs. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and RSUs.

25. EARNINGS PER SHARE *(Continued)*

(b) Diluted (Continued)

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Profit attributable to equity holders of the Company	**75,599**	30,160	**137,836**	70,160
Fair value change in the liability component of the Series A Preferred Shares	**—**	3,087	**—**	5,748
Profit used to determine diluted earnings per share	**75,599**	33,247	**137,836**	75,908
Weighted average number of ordinary shares in issue (thousand shares)	**651,631**	263,627	**641,482**	261,370
Adjustment for the Restricted Shares (thousand shares)	**—**	96,373	**—**	98,630
Adjustment for conversion of Series A Preferred Shares (thousand shares)	**—**	129,577	**—**	129,577
Adjustment for RSUs (thousand shares)	**54,917**	—	**64,834**	—
Adjustment for share options (thousand shares)	**26,321**	—	**27,409**	—
Weighted average number of ordinary shares for calculating diluted earnings per share (thousand shares)	**732,869**	489,577	**733,725**	489,577
Diluted earnings per share (expressed in RMB cents per share)	**10.32**	6.79	**18.79**	15.50

26. DIVIDENDS

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

On 12 August 2014, the Board has resolved to declare an interim dividend of RMB0.062 per share (for the six months ended 30 June 2013: nil), which is payable on or about 11 September 2014 to shareholders who are on the register at 2 September 2014. This interim dividend, amounting to RMB46,307,000, has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2014.

27. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group had no material transactions with related parties for the three and six months ended 30 June 2014, and no material balances with related parties as at 30 June 2014.

28. OPERATING LEASE COMMITMENTS

The Group leases servers and office buildings under non-cancellable operating lease agreements. The lease terms are between 6 months to 3 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:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Not later than 1 year	**4,322**	7,392
Later than 1 year and not later than 5 years	**8,797**	10,385
	13,119	17,777

Reconciliation from Unaudited Net Profit to Unaudited Non-IFRS Adjusted Net Profit

	For the six months ended 30 June		
	2014	2013	Year-on-Year
	RMB' 000	RMB' 000	Change
	(unaudited)	(audited)	%
Revenue	**457,951**	308,927	48.2
Cost of revenue	**(174,100)**	(117,696)	47.9
Gross profit	**283,851**	191,231	48.4
Selling and marketing expenses	**(87,917)**	(63,317)	38.9
Administrative expenses	**(54,846)**	(43,401)	26.4
Other gains — net	**21,875**	6,057	261.2
Operating profit	**162,963**	90,570	79.9
Finance income/(costs) — net	**258**	(5,937)	104.3
Share of profit/(loss) of associates	**2,801**	(229)	1,323.1
Profit before income tax	**166,022**	84,404	96.7
Income tax expense	**(28,186)**	(14,244)	97.9
Profit for the period	**137,836**	70,160	96.5
Non-IFRS Adjustment (unaudited)			
Share-based compensation expense included in cost of revenue	**6,325**	7,815	(19.1)
Share-based compensation expense included in selling and marketing expenses	**2,402**	2,967	(19.1)
Share-based compensation expense included in administrative expenses	**7,260**	8,972	(19.1)
Fair value change of liability component of Series A Preferred Shares included in finance cost	**—**	5,748	(100.0)
Listing-related exepnses included in administrative expenses	**—**	8,271	(100.0)
Non-IFRS adjusted net profit (unaudited)	**153,823**	103,933	48.0

Reconciliation from Unaudited Net Profit to Unaudited Non-IFRS Adjusted Net Profit

	For the three months ended 30 June			
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	Year-on-Year Change %	Quarter-on-Quarter Change %
Revenue	**236,324**	159,528	48.1	6.6
Cost of revenue	**(85,710)**	(62,518)	37.1	(3.0)
Gross profit	**150,614**	97,010	55.3	13.0
Selling and marketing expenses	**(45,215)**	(36,136)	25.1	5.9
Administrative expenses	**(28,201)**	(24,570)	14.8	5.8
Other gains — net	**14,121**	3,194	342.1	82.1
Operating profit	**91,319**	39,498	131.2	27.5
Finance (costs)/income — net	**(2,553)**	(2,401)	6.3	(190.8)
Share of profit/(loss) of associates	**2,460**	97	2,436.1	621.4
Profit before income tax	**91,226**	37,194	145.3	22.0
Income tax expense	**(15,627)**	(7,034)	122.2	24.4
Profit for the period	**75,599**	30,160	150.7	21.5
Non-IFRS Adjustment (unaudited)				
Share-based compensation expense included in cost of revenue	**2,559**	5,531	(53.7)	(32.0)
Share-based compensation expense included in selling and marketing expenses	**972**	2,099	(53.7)	(32.0)
Share-based compensation expense included in administrative expenses	**2,938**	6,350	(53.7)	(32.0)
Fair value change of liability component of Series A Preferred Shares included in finance cost	**—**	3,087	(100.0)	—
Listing-related expenses included in administrative expenses	**—**	5,794	(100.0)	—
Non-IFRS adjusted net profit (unaudited)	**82,068**	53,021	54.8	14.4