boyaa

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

2013 Annual Report

Table of Contents

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

HEADQUARTERS IN THE PRC

Room 9B-C, Block D3
International E Town
TCL Industry Park
1001 Zhong Shan Yuan Road
Nanshan District, Shenzhen
518000, PRC

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall, Cricket Square
Grand Cayman KY1-1102
Cayman Islands

Corporate Information

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE IN CAYMAN ISLANDS

The offices of Maples Corporate Services Limited
PO Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

8th Floor
Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

PRINCIPAL BANKS

China Merchants Bank, Shenzhen Branch
The Hongkong and Shanghai Banking Corporation Limited, Hong Kong Branch

Financial Summary

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the year ended 31 December			
	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**681,262**	517,745	317,859	156,139
Gross profit	**416,209**	313,829	182,738	87,568
Profit before income tax	**164,730**	187,481	111,487	72,560
Profit for the year	**135,507**	142,791	88,059	73,134
Total comprehensive income for the year	**126,637**	142,802	88,300	73,649
Profit attributable to equity holders of the Company	**135,507**	142,791	88,059	73,134
Total comprehensive income attributable to equity holders of the Company	**126,637**	142,802	88,300	73,649

CONSOLIDATED BALANCE SHEETS

	As at 31 December			
	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Non-current assets	**33,481**	29,973	28,143	4,878
Current assets	**1,374,632**	444,829	225,542	81,504
Total assets	**1,408,113**	474,802	253,685	86,382
Equity and liabilities				
Total equity	**1,214,619**	302,424	153,893	64,065
Non-current liabilities	**591**	43,883	35,373	—
Current liabilities	**192,903**	128,495	64,419	22,317
Total liabilities	**193,494**	172,378	99,792	22,317
Total equity and liabilities	**1,408,113**	474,802	253,685	86,382
Net current assets	**1,181,729**	316,334	161,123	59,187
Total assets less current liabilities	**1,215,210**	346,307	189,266	64,065

Chairman's Statement

Dear shareholders,

On behalf of the board of directors (the "**Board**") of Boyaa Interactive International Limited (the "**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2013.

The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 12 November 2013, which is an important milestone for the Company's development. The Company's successful listing reflected the recognition by the capital markets of the Company's development strategy and corporate governance, and laid a solid foundation for the development of the Company in the future.

For the year ended 31 December 2013, revenue of the Group amounted to approximately RMB681.3 million, representing an increase of approximately 31.6% from the revenue of approximately RMB517.7 million recorded in 2012. The unaudited adjusted net profit for the year of 2013 derived by excluding non-operational and one-off items amounted to approximately RMB218.7 million, representing an increase of 36.9% from approximately RMB159.7 million recorded in 2012. In addition, the number of Daily Active Users for the year of 2013 reached approximately 4.9 million, representing an increase of approximately 13.6% from approximately 4.3 million in 2012. As at the end of 2013, the number of paying players of the Group reached approximately 2.2 million, an increase of approximately 260.2% from approximately 0.6 million in 2012.

In 2013, the mobile business strategy of the Company was well implemented and satisfactory result has been achieved. The Group's leading position in the mobile card and board game segment in the target markets was further enhanced. In the fast-growing mobile games market, the Group continues to expand its game player base by leveraging our rich portfolio of mobile games and pleasant game experience. As at 31 December 2013, the number of paying players for our mobile games reached approximately 1.8 million, representing a significant increase of approximately 778.0% from approximately 0.2 million as at the end of 2012. Revenue of the Group derived from mobile games for the year ended 31 December 2013 amounted to approximately RMB275.1 million, representing an increase of approximately 214.7% from approximately RMB87.4 million recorded in 2012. The achievement resulting from the implementation of the mobile business strategy is also reflected in the revenue structure of the Group. Revenue derived from mobile games accounted for approximately 40.4% of the total revenue of the Group in 2013, an increase from approximately 16.9% in 2012.

Benefiting from our global expansion strategy, the Group continues to strengthen its advantageous position in overseas players markets. The Group's strong localization capabilities, in particular the strategy of launching different new language versions of games to suit specific target markets, further deepened market penetration of our games in local markets, which resulted in significant increase in the results of the Group derived from various overseas players markets. For the year ended 31 December 2013, revenue generated from language versions of games other than simplified Chinese and traditional Chinese grew approximately 49.8% from approximately RMB213.6 million in 2012 to approximately RMB319.9 million in 2013.

Chairman's Statement

Further, in 2013, the Group also strengthened its technology structure and its stability by improving the technology infrastructure, including our game building engine and cloud-based server and network infrastructure. The Group successfully developed and launched several new card and board games and added new language versions of our existing games.

Driven by technology advancement and penetration of smartphones and other mobile devices and high-speed wireless Internet connection, the online card and board game markets are expected to continue to grow at a high speed. In the future, the Group will integrate and centralize resources, deepen penetration in mobile games market, focus on increasing its market share in target overseas markets and continue to invest in research and development in advanced technologies. Meanwhile, the Group will strive to achieve a sustainable development of the Group and pursue the goal of becoming a leading global brand for online card and board games by actively exploring appropriate opportunities of cooperation and acquisition and improving the brand value of the Company. The Board and management of the Company are confident about the Group's future development.

The Board recommends the payment of a final dividend of RMB0.089 (equivalent to HK$0.112) per share for the year ended 31 December 2013, which is subject to the approval of the Company's shareholders at the annual general meeting to be held on 8 May 2014.

I would like to take this opportunity to express my sincere gratitude to the management and staff of the Group for their dedication in the past year in achieving the successful listing of the Company in Hong Kong and the continuous development of the Group, and to the shareholders and business partners of the Company for their attention and confidence in the Group.

Zhang Wei
Chairman

Hong Kong, 27 February 2014

Boyaa • Card and Board Game Portfolio

博雅 德州撲克

博雅 鬥地主

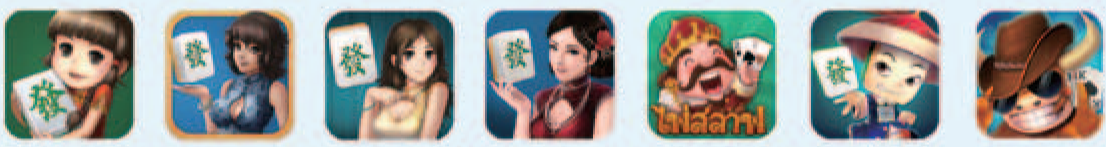
博雅 鋤大地

大話骰

博雅 中國象棋

博雅 四川麻將

博雅 十六張麻將



博雅 麻雀

博雅 麻將

博雅 廣東麻將

博雅 上海麻將

King&Slave

博雅 二人麻將

瘋狂的牛仔

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

Overview

2013 was a year of great significance for the Group. The Group continued to develop new online games as well as offer more language versions of our existing games in 2013, which further expanded the size and geographic reach of our player base and further diversified our revenue sources. Leveraging on our strong game development and operation team, our established proprietary online game development and operation infrastructure and a broad game player base, we saw significant growth in our mobile game business in 2013. In addition, the Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 12 November 2013 (the "**Listing Date**"), marking a milestone for the Group in improving its capital strength and corporate governance as well as enhancing its competitive edge, which laid a solid foundation for the Group's future development.

Industry review

From a macro perspective, our largest target markets, China, Hong Kong and Taiwan, are expected to have recorded a mild yet favorable trend both in terms of GDP growth and population growth in 2013. This presents the basis for the growth potential for the online and mobile game industry in our largest target markets. In 2013, Chinese Internet users and the overall Internet penetration rate also continued to increase over prior years, while the Group also saw similar growth trends in other key target markets. The Company therefore continues to deepen market penetration of both our web-based and mobile games and allocate significant resources to pursue our mobile strategy.

2013 also witnessed continuous growth in China's online game market, in particular, the mobile segment of the online card and board game market in China, attributable to the rising popularity of smart devices, growing availability of affordable smartphones, increasingly diverse and convenient payment methods and growing needs for entertainment during people's leisure time. The Group has taken advantage of these industry trends and has continued to implement the strategy in expanding the existing mobile game line-up and allocating additional and significant resources, and management attention to the development of mobile versions of other selected popular classic card and board games in 2013.

Overall Business and Financial Performance

Our games

In 2013, we further capitalized on our early mover advantage and the tremendous growth opportunities in the fast growing mobile game market in China and abroad and continued to maintain our leading position in online and mobile card and board games in our target markets.

The Texas Hold'em series continued to perform well in 2013 and maintained its significance in our game portfolio. During the year, we continued to primarily focus on our largest target markets, China, Hong Kong and Taiwan, and the simplified and traditional Chinese versions of our games remained the most significant revenue-contributing language versions. Nevertheless, we also placed a strong focus on expanding our overall game portfolio both in terms of types of games, as well as language versions. We also continued to see growth in other markets as a result of our strong game localization capabilities and broad series of language versions which we offered.

Management Discussion and Analysis

During the year, we launched a total of three new online games, namely Shanghai Mahjong, Boyaa Two-Player Mahjong and Crazy Cowboy, which are offered as mobile card and board games, all with a broad existing player base in China, thereby further enhancing and broadening our game portfolio. Our Crazy Cowboy is currently offered in simplified Chinese only and operates on the Android platform. Our Shanghai Mahjong is currently offered in simplified Chinese only and operates on the iOS platform. Our Boyaa Two-Player Mahjong is currently offered in simplified Chinese only and operates on the iOS and Android platforms. In these three new mobile games, players compete with each other to win the virtual tokens contributed by the other playing parties and players can purchase virtual tokens in the game. In further establishing and strengthening our global presence, we have also developed and offered six more language versions of our existing games, including Greek, Swedish and Hungarian versions of our Texas Hold'em, Portuguese and Vietnamese versions of our Ant Wars, and Indonesian version of our American 8-Ball Pool and enhanced the simplified Chinese version of our existing Mahjong game series with localized features.

The diversification in our games offering also enables us to broaden our revenue stream by games, as well as by language versions. Revenue generated from our Texas Hold'em series grew by 25.7% from approximately RMB472.6 million for the year ended 31 December 2012 to approximately RMB594.0 million for the year ended 31 December 2013, accounting for approximately 91.3% and 87.2% of our total revenue in 2012 and 2013, respectively. On the other hand, revenue generated from other games within our game portfolio has shown an increase in their contribution to our total revenue in 2013, with a total revenue from these other games amounted to approximately RMB87.3 million for the year ended 31 December 2013 as compared to approximately RMB45.1 million for the year ended 31 December 2012 and accounted for approximately 12.8% of our total revenue in 2013 (2012: 8.7%).

In terms of language versions, revenue generated from the simplified and traditional Chinese versions of our games increased by 18.8% from approximately RMB304.1 million for the year ended 31 December 2012 to approximately RMB361.4 million for the year ended 31 December 2013, accounting for approximately 58.7% and 53.0% of our total revenue in 2012 and 2013, respectively. Revenue generated from other language versions of our games also grew both in terms of absolute amount and in terms of their contribution to our total revenue. Total revenue generated from our international versions increased by 49.8% from approximately RMB213.6 million in 2012 to approximately RMB319.9 million in 2013, representing approximately 41.3% and 47.0% of our total revenue in 2012 and 2013, respectively.

Management Discussion and Analysis

In addition, as at 31 December 2013, we offered a total of 18 online games, 13 of which are offered as both web-based and mobile games, one as web-based games only and four as mobile games only. Whilst our web-based games continued to be our most significant game form in 2013, the significant increase in the contribution of the revenue generated from our mobile games from approximately 16.9% in 2012 to approximately 40.4% in 2013 has proven our success in rolling out our strategy to continue to shift our strategic focus from web-based games to mobile games. The following table sets forth revenue generated from each of our game forms in absolute amounts and as percentages of our total revenue for the years indicated, together with the change (expressed in percentages) from 2012 to 2013:

	For the year ended 31 December				
	2012		**2013**		Change
	RMB'000	%	**RMB'000**	**%**	%
Development and operations of online games:					
– Web-based games	430,331	83.1	**406,197**	**59.6**	(5.6)
– Mobile games	87,414	16.9	**275,065**	**40.4**	214.7
Total	517,745	100.0	**681,262**	**100.0**	31.6

Our game distribution platforms and payment collection channels

In 2013, we continued to utilize our primary game distribution platforms, including major social networking websites (such as Facebook for our overseas markets and Sina Weibo, 51.com and Tencent QQ for the domestic market in China), web-based game portals and our own game portal, boyaa.com, for our web-based games and online application stores (such as Apple Inc.'s App Store and Google Play) and regional mobile game portals for our mobile games (collectively referred to as the "**Platforms**"). During the year, to deepen market penetration of our mobile games through new distribution channels, we also further strengthened our cooperative relationships with the three major Chinese wireless telecommunications operators, namely China Mobile, China Unicom and China Telecom, and made our mobile games available in their online application stores. Currently, our Texas Hold'em, Fight the Landlord and Sichuan Mahjong are available in the online application stores of China Unicom, China Mobile and China Telecom, and our American 8 Ball Pool and Chinese Chess are available in the online application stores of China Telecom. We have also started promoting our mobile games through pre-installation arrangements with certain mobile phone manufacturers and retailers in China.

We also continued to broaden and expand our business relationships with an increasing number of payment collection channels as our business continues to expand during the year. Payments through our game distribution platforms' payment systems, such as Facebook Credits on Facebook or Weibo Credit on Sina Weibo, continued to be our largest type of payment collection channel in terms of revenue. The revenue contributed by our pre-paid game card distributors maintained relatively stable in 2013 and accounted for approximately 23% of our total revenue in both 2012 and 2013. We saw significant growth in terms of revenue with respect to payments through third-party payment vendors with respect to our games offered in traditional Chinese, Thai, Indonesian and Vietnamese languages. The following table sets forth a breakdown of revenue contributed by our payment collection channels in absolute amounts and as percentages of our total revenue for the years indicated, together with the change (expressed in percentages) from 2012 to 2013:

	For the year ended 31 December				
	2012		**2013**		Change
	RMB'000	%	**RMB'000**	**%**	%
Game distribution platforms' payment systems	303,871	58.7	**328,864**	**48.3**	8.2
Pre-paid game card distributors	123,117	23.8	**157,230**	**23.1**	27.7
Third-party payment vendors	90,757	17.5	**195,168**	**28.6**	115.0
Total	517,745	100.0	**681,262**	**100.0**	31.6

Our players

Our cumulative registered players increased from approximately 251.1 million as at 31 December 2012 to over 368.7 million as at 31 December 2013. In addition, as at 31 December 2013, we have registered players located in over 100 countries and regions and paying players located in over 100 countries and regions based on IP addresses. In particular, our cumulative registered players located outside of China increased from approximately 93.3 million as at 31 December 2012 to approximately 131.7 million as at 31 December 2013, accounting for approximately 37.2% and 35.7%, respectively, of our total registered players as at the same dates.

Management Discussion and Analysis

Driven by the success of our games and primarily due to the strategic focus we placed on our mobile game business, our mobile game business, both in terms of active player base and revenue, continued to experience significant growth in 2013. The table below sets forth certain information relating to our web-based games and mobile games for the years indicated:

	For the year ended 31 December		
	2012	**2013**	Change %
Paying players (in thousands)			
Web-based games	402	**366**	(9.0)
Mobile games	209	**1,835**	778.0
Daily Active Players ("DAUs") (in thousands)			
Web-based games	2,062	**1,562**	(24.2)
Mobile games	2,247	**3,333**	48.3
Monthly Active Players ("MAUs") (in thousands)			
Web-based games	10,568	**8,021**	(24.1)
Mobile games	9,950	**15,301**	53.8
Monthly average revenue per paying player ("ARPPU") (in RMB)			
Web-based games	89.2	**92.5**	3.7
Mobile games	34.9	**12.5**	(64.2)
Revenue (in RMB'000)			
Web-based games	430,331	**406,197**	(5.6)
Mobile games	87,414	**275,065**	214.7

Notwithstanding the satisfactory results we had achieved in implementing our mobile business strategy in 2013, the ARPPU of our web-based games remained significantly higher than that of our mobile games during the year, primarily as a result of (i) a broader coverage of various payment channels provided by web-based games, compared to currently underserved mobile players who have limited payment options for mobile games and (ii) more operable functions that currently are only possible on desktop computers, which have higher hardware configuration and processing capabilities compared to most mobile devices. We shall continue to increase our efforts in promoting players' in-game purchases, in launching various in-game promotions and activities, such as the offering of premium services such as private rooms and loyalty programs, and in enhancing the payment convenience and streamlining the payment processes for players of our mobile games in support of our mobile games business strategy and with an aim to enhancing the growth in the ARPPU of our mobile games in the future.

Our dedicated customer service team, which comprised of 51 service representatives as at 31 December 2013, continued to provide timely customer services in 18 languages via our in-game customer service system, which we believe played a significant role in retaining our players and contributed to the expansion of our player base.

Management Discussion and Analysis

Our game development and operation teams and technology infrastructure

As at 31 December 2013, we had nine in-house game studios with 442 game development personnel, who are responsible for game development and operation of two technical support centres, as well as the development and maintenance of our proprietary game development engine, the Boyaa Building Engine.

In addition, leveraging our sophisticated and advanced technology infrastructure (consisting of our proprietary Boyaa Building Engine for cross-platform game development and the cloud-based infrastructure network with over 427 servers hosted in 16 locations in China and certain other countries and regions) and our continued efforts in refining our Boyaa Building Engine, our game development capability and efficiency has been further enhanced and our game operation further optimized. During the year, we continued to improve and invest in our cloud-based server and network infrastructure and implement network-based caches, which enable us to speed up data access and respond to massive data access triggered by a large and increasing number of concurrent players and at the same time reduce demand on local bandwith and minimize access to the server database which is primarily responsible for data synchronization. As a result, we are able to satisfy additional capacity needs attributable by the expansion of our game portfolio and our player base with minimum incremental cost. We intend to commence the integration of our player accounts across various game distribution platforms and the building of a unified player system to further enhance our players' game experience in 2014.

Outlook for 2014

During 2014, we will continue our efforts to achieve our goal of becoming a leading global brand for online card and board games. We intend to pursue the following:

- further strengthen and expand our mobile game portfolio by developing additional high-quality mobile card and board games and offer more mobile specific value-added features to enrich the game experience on mobile devices;
- continue to further enhance our existing casual games offered, such as American 8-Ball Pool, Ant Wars and Happy Babies, on our overseas website, *www.boyaa.com.hk*, to help the investors and website visitors better understand our games and business;
- develop new tailor-made games and further establish regional marketing and game distribution platforms through cooperation relationships with local game portals in selected overseas markets, such as Indonesia and Vietnam;
- increase premium service offerings for our paying players, including improving payment convenience and flexibility by utilizing emerging technology and payment methods and streamlining payment process, such as finalizing our arrangement with key mobile telecommunications carriers (namely China Unicom and China Mobile) with respect to short message payment services provided by mobile telecommunications carriers; and
- continue to strengthen our research and development efforts and commence conducting research on emerging and cutting-edge technologies, such as technologies relating to Internet Protocol television (IPTV) and HTML5, to further optimize our games and services and to improve players' game experience and satisfy changing player preferences, including facilitating our future development of TV-compatible games.

In addition, the Internet and mobile Internet industry in our largest target markets are expected to continue to grow in 2014. In particular, Internet, mobile Internet and smartphone penetration rates in China also indicate a growing trend in 2014, which we believe will contribute to our continued success and enable us in achieving our goal to become a leading global brand for online card and board games.

Management Discussion and Analysis

The following table is a summary of our consolidated statements of comprehensive income with line items in absolute amounts and as percentages of our total revenue for the years indicated, together with the change (expressed in percentages) from 2012 to 2013:

	For the year ended 31 December				
	2012		**2013**		Change
	RMB'000	%	**RMB'000**	**%**	%
Revenue	517,745	100.0	**681,262**	**100.0**	31.6
Cost of revenue	(203,916)	(39.4)	**(265,053)**	**(38.9)**	30.0
Gross profit	313,829	60.6	**416,209**	**61.1**	32.6
Selling and marketing expenses	(81,714)	(15.8)	**(147,685)**	**(21.7)**	80.7
Administrative expenses	(46,918)	(9.1)	**(111,415)**	**(16.4)**	137.5
Other gains-net	11,347	2.2	**19,082**	**2.8**	68.2
Operating profit	196,544	38.0	**176,191**	**25.9**	(10.4)
Finance costs-net	(7,722)	(1.5)	**(11,638)**	**(1.7)**	50.7
Share of (loss)/profit of associates	(1,341)	(0.3)	**177**	**0.0**	113.2
Profit before income tax	187,481	36.2	**164,730**	**24.2**	(12.1)
Income tax expense	(44,690)	(8.6)	**(29,223)**	**(4.3)**	(34.6)
Profit for the year	142,791	27.6	**135,507**	**19.9**	(5.1)
Non-IFRS Measure:					
Adjusted net profit (unaudited)	159,749	30.9	**218,676**	**32.1**	36.9
Dividends	—	—	**65,640**	**—**	—

Revenue

Our revenue for the year ended 31 December 2013 amounted to approximately RMB681.3 million, representing an increase of 31.6% from approximately RMB517.7 million recorded in 2012. The increase in revenue was primarily driven by the increase in paying players from 611 thousand in 2012 to 2,201 thousand in 2013 mainly as a result of our effective monetization measures and the provision of a broader range of games in 2013, partially offset by the decrease in our overall ARPPU in light of the significantly lower ARPPU of our continuously expanding mobile game business.

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. For the year ended 31 December 2013, revenue generated from our mobile games amounted to approximately RMB275.1 million as compared to approximately RMB87.4 million in 2012, representing a growth of approximately 214.7% and which accounted for approximately 40.4% of our total revenue in 2013 (2012: 16.9% of our total revenue).

Management Discussion and Analysis

In terms of revenue by language versions of games, our continued efforts in developing additional language versions of our existing games and enhancing our games with localized features during the year has contributed to the continued increase in revenue attributable to our games offered in language versions other than simplified Chinese and traditional Chinese. For the year ended 31 December 2013, revenue generated from language versions other than simplified Chinese and traditional Chinese grew 49.8% from approximately RMB213.6 million in 2012 to approximately RMB319.9 million in 2013, which accounted for approximately 41.3% and 47.0% of our total revenue in 2012 and 2013, respectively.

Cost of revenue

Our cost of revenue increased by 30.0% from approximately RMB203.9 million in 2012 to approximately RMB265.1 million in 2013 primarily due to increases in commission fees paid to our payment collection channels as a result of the increase in commission fees charged by our game distribution platforms' payment systems and our pre-paid game card distributors, both of which were in line with the increase in revenue derived from these two types of payment collection channels. The increase in our cost of revenue was also attributable to an increase in share-based compensation expenses from nil in 2012 to approximately RMB18.7 million in 2013, which mainly represented restricted share unit awards ("**RSUs**") granted to our game development staff and operations support staff in March 2013.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 32.6% from approximately RMB313.8 million for the year ended 31 December 2012 to approximately RMB416.2 million for the year ended 31 December 2013. In addition, our gross margin increased from 60.6% in 2012 to 61.1% in 2013. The growth in our gross margin was primarily a result of the increase in the proportion of revenue derived from the sales from our pre-paid game card distributors and third-party payment vendors, which are subject to lower commission rates compared to the revenue derived from the game distribution platforms' payment channels and also reflecting our efforts in improving our cost efficiency.

Selling and marketing expenses

Our selling and marketing expenses increased by 80.7% from approximately RMB81.7 million in 2012 to approximately RMB147.7 million in 2013, which was mainly attributable to increased advertising and promotional activities for our games in China and overseas markets and the increase in employee benefit expenses resulting from the increase in share-based compensation expenses in connection with the share options and RSUs we have granted to our selling and marketing department staff and the increase in headcount of our selling and marketing department.

Administrative expenses

Our administrative expenses increased by 137.5% from approximately RMB46.9 million in 2012 to approximately RMB111.4 million in 2013. The increase was mainly due to an increase of approximately RMB37.5 million in employee benefit expenses resulting from the increase in share-based compensation expenses in connection with the share options and RSUs we have granted to our employees and the increase in headcount during the year. The increase was also due to listing related expenses in the amount of approximately RMB18.9 million we incurred in relation to our global offering and listing in November 2013. In addition, as our business continued to expand, we have incurred additional office rental expenses and audit, legal and other advisory fees and other expenses of approximately RMB8.1 million in 2013.

Management Discussion and Analysis

Other gains-net

We recorded other gains-net of approximately RMB19.1 million for the year ended 31 December 2013, which primarily consisted of approximately (i) RMB14.1 million of realized and unrealized fair value 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, (ii) RMB0.9 million of gains arising from partial disposal of an associate, RaySns Technology Co., Ltd. and (iii) RMB5.3 million of government subsidies that have been granted to support our research and development efforts. In 2012, we recorded other gains-net of approximately RMB11.3 million, which primarily consisted of approximately (i) RMB10.4 million of realized and unrealized fair value gains on financial assets at fair value through profit or loss relating to the wealth management products we purchased and (ii) RMB8.1 million of government subsidies we received, partially offset by RMB6.4 million of impairment charges on our investments in associates and available-for-sale assets.

Finance costs-net

Our finance income increased from approximately RMB0.5 million in 2012 to approximately RMB2.0 million in 2013 as a result of the increase in interest income. Our finance costs increased significantly from approximately RMB8.2 million in 2012 to approximately RMB13.6 million in 2013, primarily due to the increase in fair value change of the liability component of Series A Preferred Shares. As a result, we recorded net finance costs of approximately RMB7.7 million and approximately RMB11.6 million for the years ended 31 December 2012 and 2013, respectively.

Share of (loss)/profit of associates

We held investments in three associates, namely Shenzhen Fanhou Technology Co., Ltd., RaySns Technology Co., Ltd. and Shanghai Teqi Internet Technology Co., Ltd., as at 31 December 2013 (31 December 2012: four), all of which were Internet or online game companies. We recorded a share of loss of associates of approximately RMB1.3 million and a share of profit of associates of approximately RMB0.18 million for the years ended 31 December 2012 and 2013, respectively. As a result of unfavourable operating performances exhibited by two of our associates, namely Shenzhen Duoluo Technology Co., Ltd. and Shanghai Teqi Internet Technology Co., Ltd., both of which reported continuous losses, our Company has considered that the carrying amount of the investments in these two companies were not recoverable and full impairment was made to these investments. In particular, Shenzhen Duoluo Technology Co., Ltd. has completed its liquidation process as at 31 December 2013. In addition, in February 2013, 8% equity interest held by the Group in RaySns Technology Co., Ltd. was repurchased by such company at a consideration of RMB2.0 million, which resulted in a gain of approximately RMB0.9 million. Accordingly, our equity interest in RaySns Technology Co., Ltd. was reduced from 24% to 16%, thereby decreasing the profit shared in such associate by the Company in 2013.

Income tax expense

Our income tax expense decreased by 34.6% from approximately RMB44.7 million for the year ended 31 December 2012 to approximately RMB29.2 million for the year ended 31 December 2013, primarily due to a decrease in profit before income tax from approximately RMB187.5 million in 2012 to approximately RMB164.7 million in 2013, and the decrease in the Group's effective income tax rate from approximately 23.8% in 2012 to approximately 17.7% in 2013 primarily as a result of the preferential income tax rate that Boyaa On-line Game Development (Shenzhen) Co., Ltd, our wholly-owned subsidiary, obtained in 2013 as a "High and New Technology Enterprise".

Profit for the year

As a result of the foregoing, our profit attributable to equity holders of the Company decreased by 5.1% from approximately RMB142.8 million in 2012 to approximately RMB135.5 million in 2013.

Non-IFRS Measure - Adjusted net profit

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use 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 adjusted net profit was derived from our net profit for the year excluding share-based compensation expenses, fair value change of liability component of Series A Preferred Shares and service fees relating to the issuance of the Series A Preferred Shares and listing-related expenses. The adjusted net profit is an unaudited figure.

The following table reconciles our adjusted net profit for the years presented to the audited profit under IFRS for the years indicated:

	For the year ended 31 December		
	2012 RMB'000	**2013** **RMB'000**	Change %
Profit for the year			
Add:	142,791	**135,507**	(5.1)
Share-based compensation expenses	5,729	**47,372**	726.9
Fair value of change of liability component of Series A Preferred Shares	8,229	**16,922**	105.6
Service fees relating to the issuance of the Series A Preferred Shares and listing-related expenses	3,000	**18,875**	529.2
Adjusted net profit (unaudited)	159,749	**218,676**	36.9

Notwithstanding a slight decrease in our profit for the year primarily as a result of the significant increase in our selling and marketing expenses and administrative expenses due to the expansion of our business, our adjusted net profit increased by 36.9% from approximately RMB159.7 million in 2012 to approximately RMB218.7 million in 2013. The increase in our adjusted net profit is generally in line with the increase in our revenue, and also as a result of the increased amount of expenses, including share-based compensation expenses in connection with the share options and RSUs granted to our employees, the fair value change of the liability component of Series A Preferred Shares (which were fully converted into ordinary shares prior to our listing in November 2013) and the listing expenses incurred in 2013, being adjusted and added to our profit for the year. All of the Series A Preferred Shares of the Company were fully converted into ordinary shares immediately prior to our listing in November 2013. In addition, all listing-related expenses had been paid in full and had been duly accounted for in the financial statements for the year ended 31 December 2013. Accordingly, the Company envisages that it will not incur any further fair value change of the liability component of Series A Preferred Shares or listing-related expenses.

Management Discussion and Analysis

Liquidity and capital resources

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

Cash and cash equivalents

As at 31 December 2013, we had cash and cash equivalents of approximately RMB965.6 million (31 December 2012: approximately RMB274.7 million), which primarily consisted of cash at bank and in hand and which were mainly denominated in Renminbi (as to 92.8%), Hong Kong dollars (as to 2.7%) and other currencies (as to 4.5%). In view of our currency mix, we currently do not hedge transactions undertaken in foreign currencies but manage our exposure through constant monitoring to limit as much as possible the amount of our foreign currency exposures.

Net proceeds from our initial public offering, after deducting the underwriting commission and other estimated expenses in connection with the offering which the Company received amounted to approximately HK$837.9 million. As at the date of this report, the net proceeds from our initial public offering had not yet been utilized and all of the net proceeds has been deposited into short-term demand deposits in a bank account maintained by the Group. In 2014, we will start utilizing the net proceeds from our initial public offering and for purposes 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.

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

As at 31 December 2013, we had short-term investments of approximately RMB223.0 million (2012: nil). These short-term investments represent investments in certain principal-guaranteed wealth management products denominated in Renminbi offered by certain state-owned financial institution and commercial bank in China and have a term ranging from six months to 1 year. These short-term investments are with guaranteed return and the effective interest rate for these investments for the year ended 31 December 2013 was 6%. In addition, we also held certain short- to mid-term wealth management products amounted to approximately RMB107.0 million as at 31 December 2013 (2012: approximately RMB124.3 million) issued by several high-credit quality commercial banks and financial institutions in China and Hong Kong. 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 six months to three years, and all of which shall expire by September 2014. According to our internal investment management policies, no less than 95% of our total investment amount shall be invested in risk-free or principal-guaranteed investments, while the remaining investment amount of up to 5% can be invested in low-risk products. The majority of these wealth management products do not involve derivative elements and we have a diversified investment portfolio to mitigate risks, and the above investments were made in line with our capital and investment management policies and strategies.

Borrowings

During the year, we did not have any short-term or long-term bank borrowings. As at 31 December 2012, we had unutilized banking facilities of RMB30 million. The relevant facilities agreement has expired in 2013 and we have not entered into any new banking facilities or loan agreements with the bank since its expiration. Accordingly, as at 31 December 2013, we had no outstanding, utilized or unutilized, banking facilities.

Capital expenditures

Our capital expenditures comprised expenditures on the purchase of office furniture and equipment, motor vehicles, leasehold improvements and computer software. For the year ended 31 December 2013, our total capital expenditure amounted to approximately RMB7.4 million (2012: approximately RMB5.4 million), including the purchase of additional furniture and office equipment of approximately RMB3.5 million (2012: approximately RMB2.2 million), motor vehicles of approximately RMB0.7 million (2012: approximately RMB0.5 million), leasehold improvements of approximately RMB2.9 million (2012: approximately RMB1.7 million) and computer software of approximately RMB0.4 million (2012: approximately RMB0.9 million). We funded our capital expenditure by using our cash flow generated from our operations and the net proceeds received from our global offering.

Contingent liabilities and guarantees

As at 31 December 2013, 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 year ended 31 December 2013, the Group has not conducted any material acquisitions or disposals. In addition, the Group currently has no specific plan for major investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

Employees and staff costs

As at 31 December 2013, we had a total of 684 full time employees, mainly worked and located in China. In particular, 579 employees are responsible for our game development and operation functions, 31 for game support, 20 for business development and 54 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 RSUs granted pursuant to the share incentive schemes of the Company, and performance-based bonuses to better motivate our employees. As required by PRC laws and regulations, we have also made contributions to various mandatory social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance and maternity leave insurance, and to mandatory housing accumulation funds, for or on behalf of our employees.

For the year ended 31 December 2013, the total staff costs of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to RMB131.1 million, representing approximately 25.0% of the total expenses of the Group. Pursuant to the pre-IPO share option scheme adopted by the Company in January 2011 and amended in September 2013 (the "**Pre-IPO Share Option Scheme**") as well as the RSU scheme adopted by the Company in September 2013 (the "**RSU Scheme**"), there were a total of 29,527,781 share options and 79,654,565 shares underlying the RSUs outstanding and granted to a total of 332 directors, senior management members and employees of the Group as at 31 December 2013. There were an additional number of 27,082,625 shares underlying the RSUs allowed to be granted under the RSU Scheme which were held by The Core Admin Boyaa RSU Limited as nominee for the benefit of eligible participants pursuant to the RSU Scheme. Further details of the Pre-IPO Share Option Scheme and the RSU Scheme, together with details of the options and RSUs granted under such schemes, are set out in the section headed "Share Option Schemes and Restricted Share Unit Scheme" in the Directors' Report in this annual report.

Management Discussion and Analysis

Dividends

The Board recommends the payment of a final dividend of RMB0.089 per share, amounting to approximately a total of RMB65.6 million for the year ended 31 December 2013 (the "**2013 Final Dividend**"), representing a payout ratio of 30.0% of our unaudited adjusted net profit for the year ended 31 December 2013. The 2013 Final Dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting (the "**AGM**"), which will be held on 8 May 2014. All shareholders on the register of members of the Company as of the record date for the 2013 Final Dividend, being 16 May 2014, which shall include 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 2013 Final Dividend. As at the date of this report, RSUs represented by (i) 79,654,565 issued shares held by the RSU Nominee were granted and outstanding, (ii) 26,692,625 issued shares held by the RSU Nominee have not been granted and (iii) 390,000 RSUs that have been granted have lapsed for the year ended 31 December 2013. 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 dividends of approximately RMB9.5 million shall be distributed to the RSU Nominee, of which (i) approximately RMB7.1 million will be distributed to the RSU Nominee for the benefit of the grantees in respect of the 79,654,565 issued shares underlying the granted and outstanding RSUs and (ii) approximately RMB2.4 million will be distributed to the RSU Nominee in respect of the 27,082,625 issued shares in the RSU Pool. The dividends with respect to the issued shares in the RSU Pool of approximately RMB2.4 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 and its affiliates, in the proportion of their then respective shareholding interests in the Company.

Biographies of the Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Zhang Wei (張偉), age 37, is the Chairman and Chief Executive Officer of the Company and was appointed as an executive Director on 14 June 2010. Mr. Zhang is the founder of our Group. Mr. Zhang received an associate's degree in computer application from Zhengzhou University of Technology (鄭州工業大學), now known as Henan University of Technology (河南工業大學) in July 1996. Prior to founding our Group, Mr. Zhang served as an engineer at two companies, including Kingsoft Corporation Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (Stock Code: 3888). In 2001, Mr. Zhang began to venture into the Internet industry by commencing research and feasibility study on the online game business, exploring the various options and opportunities available within the Internet industry and investment planning. In 2004, Mr. Zhang established our PRC operating entity, Shenzhen Dong Fang Bo Ya Technology Co., Ltd. (深圳市東方博雅科技有限公司) ("**Boyaa Shenzhen**"). Mr. Zhang is responsible for the overall strategic planning and general management of our Group and is instrumental to our growth and business expansion since the establishment of Boyaa Shenzhen.

Mr. Dai Zhikang (戴志康), age 32, joined the Board as an executive Director on 19 August 2013. Mr. Dai serves as a director of Boyaa Shenzhen since January 2008. Mr. Dai has also served 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) since 2010 and is responsible for the overall strategic planning and general management. Mr. Dai founded Beijing Comsenz Century Technology Co., Ltd. (北京康盛世紀科技有限公司) in 2004 and has served as its chairman since inception to 2006. Mr. Dai has also served as one of the persons-in-charge of Comsenz (Beijing) Networking Corporation Limited (康盛創想 (北京) 科技有限公司) since 2006 to 2010. Mr. Dai received his bachelor's degree in communications engineering from Harbin Engineering University (哈爾濱工程大學) in June 2004.

Mr. Gao Junfeng (高峻峰), age 40, has served as the Chief Financial Officer of the Company since November 2012. His appointment as an executive Director took effect on 12 November 2013. Mr. Gao is responsible for the overall financial operation and day-to-day business of our Group. Prior to joining our Group, Mr. Gao held senior positions in accounting and finance in China-based, U.S.-listed companies. From August 1996 to October 2007, Mr. Gao served as a senior manager of the Internal Control and Risk Management Department at PricewaterhouseCoopers's Beijing office. From October 2007 to March 2008, he served as a director of business risk services of Ernst & Young. From July 2008 to February 2010, he was the Director of Finance of ATA Inc., a company listed on the NASDAQ Stock Market (NASDAQ: ATAI), and from March 2010 to November 2012, the chief financial officer of Xueda Education Group, a company listed on the New York Stock Exchange (NYSE: XUE). Mr. Gao received his bachelor's degree in accounting from the Shanghai University of Finance and Economy (上海財經大學) in July 1996. Mr. Gao is a member of the Association of Chartered Certified Accountants and the Chinese Institute of Certified Public Accountants (中國註冊會計師協會).

Biographies of the Directors and Senior Management

Non-executive Director

Mr. Zhou Kui (周逵), age 46, joined the Board as a non-executive Director on 7 January 2011. Mr. Zhou has years of management experience in various sectors, including investment, manufacturing and hi-tech. Mr. Zhou is currently a partner of Sequoia Capital China (紅杉資本中國基金). Mr. Zhou has been with Sequoia Capital China (紅杉資本中國基金) since October 2005. Mr. Zhou currently also acts as a director of Xiamen Changelight Co., Ltd. (廈門乾照光電股份有限公司), a company listed on the Growth Enterprise Board of the Shenzhen Stock Exchange (Stock Code: 300102) and a director of Sky-Mobi Limited, a company listed on the NASDAQ Stock Market (NASDAQ: MOBI). Mr. Zhou also acted as a director of VanceInfo Technologies Inc. (文思信息技術有限公司), a company listed on the New York Stock Exchange (NYSE: VIT) from 2006 to 2012, a supervisor of Beijing Ourpalm Co., Ltd. (北京掌趣科技股份有限公司) a company listed on the Growth Enterprise Board of the Shenzhen Stock Exchange (Stock Code: 300315) from 2010 to 2013 and a director of Beijing Shouhang Resources Saving Co., Ltd. (北京首航艾啟威節能技術股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 002665) from December 2010 to November 2013. From April 2001 to October 2005, he served as a senior vice president of Legend Capital Co., Ltd. (聯想投資有限公司, now known as 北京君聯資本管理有限公司), a member of Legend Holdings group. Mr. Zhou received his bachelor's degree in electrical automation from Wuhan University of Technology (武漢理工大學) in June 1989 and graduated from Tsinghua University (清華大學) with a master of business administration degree in July 2000.

Independent Non-executive Directors

Mr. Cheung Ngai Lam (張毅林), age 44, joined the Board as an independent non-executive Director on 25 October 2013. Mr. Cheung currently is the Chief Financial Officer of China Zenix Auto International Ltd. (NYSE: ZX). Mr. Cheung also currently acts as an independent director of Ninetowns Internet Technology Group Co., Ltd., a company listed on the NASDAQ Stock Market (NASDAQ: NINE). Mr. Cheung was an independent non-executive director of China Environmental Resources Group Limited (formerly known as Benefun International Holdings Limited) (Stock Code: 1130) from July 2008 to March 2013 and Sun Century Group Limited (formerly known as Hong Long Holdings Limited) (Stock Code: 1383) from February 2007 to June 2012, and both are companies listed on the Stock Exchange. Mr. Cheung is a member of the American Institute of Certified Public Accountants and is a Certified Practicing Accountant of Australia. Mr. Cheung obtained a bachelor's degree in social sciences from the University of Hong Kong in November 1991 and a master of science (investment management) degree in finance from the Hong Kong University of Science and Technology in November 2002.

Mr. Choi Hon Keung Simon (蔡漢強), age 53, joined the Board as an independent non-executive Director on 25 October 2013. Mr. Choi currently serves as an independent non-executive director of Kenford Group Holdings Limited, a company listed on the Stock Exchange (Stock Code: 464) and also serves as a member of each of its audit committee, remuneration committee and nomination committee. Mr. Choi also serves as an independent director of China BCT Pharmacy Group, Inc., a company listed on the OTC Electronic Bulletin Board (OTN: CNBI). Mr. Choi is also an active PRC legal advisor to the Hong Kong Electrical Appliances Industries Associations. Mr. Choi joined TCL Multimedia Technology Holdings Limited, a global TV manufacturer and a company listed on the Stock Exchange (Stock Code: 1070) in 2005 and has been its deputy general counsel since 2011. Mr. Choi obtained a bachelor degree in laws from Peking University in July 1991, a master degree in laws from London University in November 1992 and a Common Profession Examination Certificate in laws from Hong Kong University in June 1994. Mr. Choi was admitted as a Solicitor of the Supreme Court of England and Wales in 1998, a Solicitor of the High Court of Hong Kong in 1997 and a member of the Institute of Linguists in 1996.

Biographies of the Directors and Senior Management

Mr. Gao Shaofei (郜韶飛), age 29, joined the Board as an independent non-executive Director on 25 October 2013. Mr. Gao founded Shanghai Niwo Information Service Co., Ltd. (上海你我信息服務有限公司) in 2007 after his graduation from university by utilizing the funds received from the Shanghai Technology Entrepreneurship Foundation for Graduates (上海市大學生創業基金). Shanghai Niwo Information Service Co., Ltd. is a Chinese social online game development which engaged in online game business and Mr. Gao served as its chief executive officer from July 2007 to December 2009. From January 2010 and December 2012, Mr. Gao served as the chief executive officer of Shanghai Five Minutes Network Technology Co., Ltd. (上海五分鐘網絡科技有限公司), also an online game development company. Mr. Gao graduated from the School of Information Science and Engineering of East China University of Science and Technology (華東理工大學資訊科學與工程學院) in July 2006.

SENIOR MANAGEMENT

Mr. Liu Weiwu (劉衛武), age 30, is a Vice President of our Group. Mr. Liu joined our Group in April 2010 and is in charge of product planning, design, development, sales and marketing of our web-based card games (other than Texas Hold'em). Prior to joining our Group, Mr. Liu held senior managerial positions in Internet/information technology companies. He served as the general manager of Shenzhen Xingheng Technology Co., Ltd. (深圳興恒科技有限公司) from 2006 to 2009. Mr. Liu obtained a bachelor's degree in business management from Hubei University of Economics (湖北經濟學院) in January 2013.

Mr. Suo Hongbin (索紅彬), age 32, is a Vice President of our Group. Mr. Suo joined our Group in March 2004 and is responsible for product development and sales and marketing of our Texas Hold'em game. Mr. Suo is also a director of Boyaa Interactive (Thailand) Limited since its incorporation in June 2012. Mr. Suo obtained an associate's degree in computer science and technology from Pingyuan University (平原大學), now known as Xinxiang University (新鄉學院), in July 2003.

Mr. Xie Huiming (謝慧明), age 30, is a Vice President of our Group. Mr. Xie joined our Group in April 2006 and is responsible for the overall management of research and development of our Group. He graduated from Changsha Social Work College (長沙民政職業技術學院) with an associate's degree in computer and application in July 2004.

Ms. Huang Haiyan (黃海燕), age 34, is a Vice President of our Group and one of our joint company secretaries. Ms. Huang joined our Group in March 2011 and is in charge of the administrative matters of our Group and has a substantial involvement in the financial matters of our Group. She served as a senior auditor at the audit department of PricewaterhouseCoopers' Shenzhen office from July 2002 to August 2004. From August 2004 to July 2005, Ms. Huang was a settlement analyst at the billing and settlement department of Tencent Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 700). From August 2005 to February 2008, she was the financial planning and analysis leader of the finance department of Maigao Fine High-tech Materials Co., Ltd. (邁高精細高新材料(深圳)有限公司) (formerly known as GE High-technology Materials (Shenzhen) Co., Ltd. (通用精細高新材料深圳有限公司). From February 2008 to March 2011, Ms. Huang served as a senior finance manager at the finance department of Shenzhen Huadong Feitian Network Development Co., Ltd, a subsidiary of A8 Digital Music Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 800). Ms. Huang obtained her bachelor's degree in public finance and taxation from Sun Yat-Sen University (中山大學) in June 2001.

Directors' Report

The board of directors of the Company (the "**Board**") is pleased to present its report together with the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**"), for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activity of the Group is the development and operation of online card and board games.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2013 and the state of the Company's and the Group's financial affairs as at that date are set out in the financial statements on pages 56 to 142.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of RMB0.089 per share for the year ended 31 December 2013 (the "**2013 Final Dividend**") and is subject to the approval of the Company's shareholders ("**Shareholders**") at the forthcoming annual general meeting ("**AGM**"), which will be held on 8 May 2014. Adopting an exchange rate of HK$1=RMB0.79791, the 2013 Final Dividend is equivalent to HK$0.112 per share. The 2013 Final Dividend, if approved at the AGM, is expected to be paid on or about 26 May 2014 to those Shareholders whose names appear on the register of members of the Company on 16 May 2014.

RESERVES

Changes to the reserves of the Group during the year ended 31 December 2013 are set out in the consolidated statements of changes in equity. Changes to the reserves of the Company during the year ended 31 December 2013 are set out in Note 19 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Changes to the property, plant and equipment of the Group and the Company during the year are set out in Note 6 to the financial statements.

SHARE CAPITAL AND SHARE INCENTIVE SCHEMES

Details of the Company's share capital and share incentive schemes are set out in Note 20 to the consolidated financial statements and the paragraph headed "Share Option Schemes and Restricted Share Unit Scheme" below, respectively.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2013 are set out in Note 9 to the consolidated financial statements.

DONATIONS

Donations made by the Group during the year ended 31 December 2013 amounted to RMB0.8 million.

Directors' Report

FINANCIAL SUMMARY

The Company was listed on the Main Board of the Stock Exchange on 12 November 2013 (the "**Listing Date**"). A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 4 of this annual report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save for the Company's initial public offering as described in the Company's prospectus dated 31 October 2013, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the year ended 31 December 2013.

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.

The Post-IPO Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date, after which period no further options will be granted but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Post-IPO Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Post-IPO Share Option Scheme.

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 ("**Shares**") as the Board may determine to an Eligible Person.

The maximum number of Shares which may be issued upon the exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes (including but not limited to the Pre-IPO Share Option Scheme, as defined below, the "**Other Schemes**") of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**") (being 73,755,912 Shares). Therefore, as at 31 December 2013, the total number of Shares which may be issued on the exercise of options granted and to be granted under the Post-IPO Share Option Scheme and any Other Schemes is 73,755,912, representing approximately 10% of the issued share capital of the Company as at the date of this annual report. Options lapsed in accordance with the terms of the Post-IPO Share Option Scheme and any Other Schemes of our Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

At any time, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the Post-IPO Share Option Scheme and any Other Schemes of the Company to Eligible Persons must not exceed 30% of the total number of Shares in issue from time to time. Unless approved by the Shareholders in a general meeting, the total number of Shares issued and to be issued upon the exercise of the options granted to each Eligible Person (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue.

An offer of options shall be open for acceptance for such period (not exceeding 30 days inclusive of, and from, the date of offer) as the Board may determine and notify to the Eligible Person concerned provided that no such offer shall be open for acceptance after the expiry of the duration of the Post-IPO Share Option Scheme. An offer of options not accepted within this period shall lapse. An amount of HK$1.00 is payable upon acceptance of the grant of an option and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price.

Any option shall be vested on an option-holder immediately upon his acceptance of the offer of options provided that if any terms and conditions are specified in the offer of the option, such option shall only be vested on an option-holder according to such terms and conditions. Such terms and conditions may include any vesting schedule and/or conditions, any minimum period for which any option must be held before it can be exercised and/or any performance target which need to be achieved by an option-holder before the option can be exercised. Any vested option which has not lapsed and which conditions have been satisfied or waived by the Board in its sole discretion may, unless the Board determines otherwise in its absolute discretion, be exercised at any time from the next business day after the offer of options has been accepted. Any option which remain unexercised shall lapse upon the expiry of the option period, which period shall be determined by the Board and shall not exceed ten years from the offer date of the option.

The exercise price shall be such price as determined by the Board and notified to an option-holder and which shall not be less than the higher of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of offer of the option;

(ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the option; and

(iii) the nominal value of the Shares.

As at 31 December 2013, 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. An Eligible Participant whom an option is granted in accordance with the terms of the Pre-IPO Share Option Scheme (the "**Grantee**") is not required to pay for the grant of any option under the Pre-IPO Share Option Scheme.

No Grantee shall be entitled to any rights, interest or benefits attached to the underlying Shares of the options granted under the Pre-IPO Share Option Scheme unless and until the option in respect of such Shares has been vested on him and exercised in accordance with the terms of the Pre-IPO Share Option Scheme.

An option shall not be exercisable on any date unless such terms and conditions (including, without limitation, any performance target(s) or condition(s) up which the exercise of the option shall be conditional), if any, are satisfied and to the extent that the option has vested.

The exercise price in respect of any option granted under the Pre-IPO Share Option Scheme shall be fixed with reference to the fair market value of the underlying Share on the date upon which the option is granted, and subject to any adjustments, shall be:

(i) the latest valuation price per Share certified by an independent valuer engaged by the Company for such purpose prior to the date of grant of the relevant option; or

(ii) the latest price per Share at which the Company has issued any Shares prior to the date of grant of the relevant option,

unless the Company otherwise determines and so notifies the Grantee in writing.

Notwithstanding any other provision of the rules of the Pre-IPO Share Option Scheme or any notice of grant or the terms on which any option is granted or vested, any Shares allotted upon the exercise of the option in accordance with the Pre-IPO Share Option Scheme will, in all cases, be held by a nominee as designated by the Company (the "**Nominee**") for the Grantees. The Company has appointed The Core Trust Company Limited as the trustee to assist with the administration and vesting of the options granted pursuant to the Pre-IPO Share Option Scheme and The Core Admin Boyaa Option Limited, a company wholly-owned by the Trustee, as the Nominee to hold the Shares to be allotted to the Grantees upon the exercise of the option in accordance with the Pre-IPO Share Option Scheme.

An option, whether vested or unvested, shall automatically lapse and expire with no rights and benefits on the day falling on the eighth anniversary of the date of vesting of the relevant option or such earlier date as the Board may have determined prior to the grant of the relevant option.

All of the options granted under the Pre-IPO Share Option Scheme were granted in four batches in 2011 and 2012. As at 31 December 2013, options to subscribe for an aggregate of 29,527,781 Shares (representing approximately 4.00% of the total issued share capital of the Company as at the date of this annual report) have been granted by the Company under the Pre-IPO Share Option Scheme. There were altogether 64 option holders including an executive Director and the Chief Financial Officer of the Company, a director of Boyaa Interactive (Thailand) Limited ("**Boyaa Thailand**") (a subsidiary of the Company), three members of senior management of the Group and 59 other employees of the Group. Details of movements in the options under the Pre-IPO Share Option Scheme are set out in Note 20 to the consolidated financial statements.

Details of the options granted under the Pre-IPO Share Option Scheme and details of the vesting period, exercise period and the exercise price are set out in the section headed "Details of the options granted under the Pre-IPO Share Option Scheme and the RSUs granted under the RSU Scheme" below.

Directors' Report

During the period commencing from the Listing Date to the end of 2013, no options have been exercised by the holders, nor have any of the options lapsed or been cancelled. No further options will be granted under the Pre-IPO Share Option Scheme after the Listing Date.

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 ("**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.

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, being 4 March 2013 (unless it is terminated earlier in accordance with its terms) (the "**RSU Scheme Period**").

The maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) shall be such number of Shares held or to be held by the RSU Trustee (as defined below) for the purpose of the RSU Scheme from time to time.

The Board can determine the vesting criteria, conditions and the time schedule when the RSUs will vest and such criteria, conditions and time schedule shall be stated in the letter granting such RSUs. Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, our Board will send a vesting notice ("**Vesting Notice**") to each of the relevant participant in the RSU Scheme (the "**RSU Participants**"). The Vesting Notice will confirm the extent to which the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, and the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) involved.

The Company has appointed The Core Trust Company Limited (the "**RSU Trustee**") as the trustee to assist with the administration and vesting of RSUs granted pursuant to the RSU Scheme. The Company may (i) allot and issue Shares to the RSU Trustee to be held by the RSU Trustee and which will be used to satisfy the RSUs upon exercise and/or (ii) direct and procure the RSU Trustee to receive existing Shares from any Shareholder or purchase existing Shares (either on-market or off-market) to satisfy the RSUs upon exercise.

RSUs held by a RSU Participant that are vested as evidenced by the Vesting Notice may be exercised (in whole or in part) by the RSU Participant serving an exercise notice in writing on the RSU Trustee and copied to the Company. Upon receipt of an exercise notice, the Board may decide at its absolute discretion to:

(a) direct and procure the RSU Trustee to, within a reasonable time, transfer the Shares underlying the RSUs exercised (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) to the RSU Participant which the Company has allotted and issued to the RSU Trustee as fully paid up Shares or which the RSU Trustee has either acquired by purchasing existing Shares or by receiving existing Shares from any Shareholder, subject to the RSU Participant paying the exercise price (where applicable) and all tax, stamp duty, levies and charges applicable to such transfer to the RSU Trustee or as the RSU Trustee directs; or

(b) pay, or direct and procure the RSU Trustee to, within a reasonable time, pay, to the RSU Participant in cash an amount which represents the value of the Shares underlying the RSUs exercised on or about the date of exercise (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) less any exercise price (where applicable) and after deduction of any tax, levies, stamp duty and other charges applicable to the sale of any Shares to fund such payment and in relation thereto.

As at 31 December 2013, an aggregate of 106,737,190 Shares were held by the RSU Trustee, representing approximately 14.47% of the Shares in issue as at the date of this report. As at 31 December 2013, RSUs in respect of an aggregate of 79,654,565 Shares, representing approximately 10.80% of the Shares in issue as at the date of this report, had been granted to 332 RSU Participants pursuant to the RSU Scheme, of which one of the RSU Participants is a Director, one is a director of our subsidiary and four of the RSU Participants are members of the senior management. Details of the movements in the RSUs under the RSU Scheme are set out in Note 20 to the consolidated financial statements.

Details of the RSUs granted under the RSU Scheme and details of the vesting period are set out in the section headed "Details of the options granted under the Pre-IPO Share Option Scheme and the RSUs granted under the RSU Scheme" below.

During the period commencing from the Listing Date to the end of 2013, no RSUs have been exercised by the RSU Participants, nor have any of the RSUs been cancelled. During the same period, RSUs in respect of an aggregate of 390,000 Shares lapsed in accordance with the terms of the RSU Scheme.

Details of the options granted and outstanding under the Pre-IPO Share Option Scheme and the RSUs granted and outstanding under the RSU Scheme as at 31 December 2013

Name of option holder/grantees of RSU	Position held with the Group	Nature	Number of Shares represented by options or RSUs	Date of grant	Exercise price (US$)
Director of the Company					
Gao Junfeng	Executive Director and Chief Financial Officer	Options	3,380,281	1 November 2012	0.15
		RSUs	3,380,282	1 November 2012	—
			5,633,803	4 March 2013	—
		Sub-total	**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
		RSUs	7,500,000	1 February 2011	—
		Sub-total	**15,000,000**		

Name of option holder/grantees of RSU	Position held with the Group	Nature	Number of Shares represented by options or RSUs	Date of grant	Exercise price (US$)
330 other employees of the Group		Options	17,695,000	1 February 2011	0.05
			362,500	2 March 2012	0.10
			590,000	1 July 2012	0.15
		RSUs	17,695,000	1 February 2011	—
			362,500	2 March 2012	—
			590,000	1 July 2012	—
			44,492,980 (Note)	4 March 2013	—
		Sub-total	**81,787,980**		
Total		Options	25,195,000	1 February 2011	0.05
			362,500	2 March 2012	0.10
			590,000	1 July 2012	0.15
			3,380,281	1 November 2012	0.15
		RSUs	25,195,000	1 February 2011	—
			362,500	2 March 2012	—
			590,000	1 July 2012	—
			3,380,282	1 November 2012	—
			50,126,783 (Note)	4 March 2013	—
			109,182,346		

Note: *Excluding the RSUs in respect of an aggregate of 390,000 Shares lapsed in accordance with the terms of the RSU Scheme during the year ended 31 December 2013.*

(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.

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 the RSU Participant 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 the RSU Participant 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.

Directors' Report

DIRECTORS

The Directors during the year were:

Directors

Name	Position
Mr. Zhang Wei	Chairman of the Board, Chief Executive Officer and Executive Director
Mr. Dai Zhikang *(appointed on 19 August 2013)*	Executive Director
Mr. Gao Junfeng *(appointed on 23 October 2013 with appointment effective on 12 November 2013)*	Executive Director and Chief Financial Officer
Mr. Zhou Kui	Non-executive Director
Mr. Cheung Ngai Lam *(appointed on 25 October 2013)*	Independent Non-executive Director
Mr. Choi Hon Keung Simon *(appointed on 25 October 2013)*	Independent Non-executive Director
Mr. Gao Shaofei *(appointed on 25 October 2013)*	Independent Non-executive Director

In accordance with article 16.18 of the Company's articles of association, Mr. Zhang Wei, Mr. Dai Zhikang and Mr. Zhou Kui shall retire by rotation at the AGM and they being eligible, offer themselves for re-election.

None of Mr. Zhang Wei, Mr. Dai Zhikang and Mr. Zhou Kui has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than under normal statutory obligations.

The biographical details of the Directors and senior management of the Company are set out in "Biographies of the Directors and Senior Management" in this report.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this report, no contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

As at 31 December 2013, 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 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
Mr. Zhang Wei(2)	The Company	Founder of a discretionary trust	256,572,474 (L)	34.79%
Mr. Dai Zhikang(3)	The Company	Founder of a discretionary trust	40,000,000 (L)	5.42%
Mr. Gao Junfeng(4)	The Company	Beneficial owner	12,394,366 (L)	1.68%

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 granted to him under the RSU Scheme 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, representing 3,380,281 underlying Shares.

(b) *Interests in other members of the Group*

So far as the Directors are aware, as at 31 December 2013, 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 31 December 2013, 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 31 December 2013, 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
Cantrust (Far East) Limited(2)(3)	The Company	Trustee of a trust	296,572,474 (L)	40.21%
Rustem Limited(2)(3)	The Company	Nominee for another person	296,572,474 (L)	40.21%
Chunlei Investment(2)	The Company	Interest in a controlled corporation	256,572,474 (L)	34.79%
Boyaa Global Limited(2)	The Company	Beneficial owner	176,572,474 (L)	23.94%
Emily Technology Limited(2)	The Company	Beneficial owner	80,000,000 (L)	10.85%

Name of shareholder	Name of company	Nature of interest	Number of Shares or securities held[(1)]	Approximate percentage of interest
Visioncode Holdings Limited[(3)]	The Company	Interest in a controlled corporation	40,000,000 (L)	5.42%
Comsenz Holdings Limited[(3)]	The Company	Beneficial owner	40,000,000 (L)	5.42%
Ms. Li Bing[(4)]	The Company	Interest of spouse	40,000,000 (L)	5.42%
Mr. Shen Nanpeng[(5)]	The Company	Interest in a controlled corporation	122,201,460 (L)	16.57%
Sequoia Capital China II, L.P. and its affiliates[(5)]	The Company	Beneficial owner	122,201,460 (L)	16.57%
The Core Trust Company Limited[(6)]	The Company	Trustee of a trust	106,737,190 (L)	14.47%
The Core Admin Boyaa RSU Limited[(6)]	The Company	Nominee for another person	106,737,190 (L)	14.47%
Munsun Assets Management Ltd.[(7)]	The Company	Investment manager	38,162,000 (L)	
		Beneficial owner	16,000 (L)	
			38,178,000 (L)	5.18%

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, being the RSU Trustee, directly holds the entire issued share capital of The Core Admin Boyaa RSU Limited as the RSU nominee, which holds 106,737,190 Shares underlying the RSUs granted and to be granted under the RSU Scheme for the benefit of eligible participants pursuant to the RSU Scheme.*

(7) *Munsun Assets Management Ltd directly wholly owns Munsun Umbrella Trust – Munsun Financial II Fund (which held 6,769,000 Shares), Munsun Absolute Fund (which held 2,410,000 Shares), Munsun China Opportunity Investment Fund (which held 8,763,000 Shares) and Munsun Umbrella Trust – Munsun Stable Growth Fund (which held 20,220,000 Shares). Accordingly, Munsun Assets Management Ltd. is deemed to be interested in the long positions held by Munsun Umbrella Trust – Munsun Financial II Fund, Munsun Absolute Fund, Munsun China Opportunity Investment Fund and Munsun Umbrella Trust – Munsun Stable Growth Fund.*

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The game players make payments through various payment collection channels. Therefore, the ultimate customers of the Group are individual game players. The Group collects payments from the sales of its in-game virtual items directly from the payment collection channels of the Group and not directly from individual game players. For the year ended 31 December 2013, the five largest payment collection channels contributed a total of 51.7% of the Group's total revenue. Facebook, the current largest payment collection channel, contributed 16.2% of the Group's total revenue, for the same period.

None of our Directors, any of their associates or any Shareholders that, to the knowledge of our Directors, own more than 5% of the issued share capital of the Company had any interest in any of the five largest payment collection channels during the year ended 31 December 2013.

Data centres that provide server hosting and leasing services are the major suppliers of the Group. During the year ended 31 December 2013, the purchases from the Group's five largest suppliers accounted to less than 30% of the Group's total purchases from all of the suppliers for the same period.

Directors' Report

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has reviewed the accounting principles and policies adopted by the Group and discussed the Group's internal controls and financial reporting matters with the management. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2013.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company, although there are no restrictions against such rights under the laws in the Cayman Islands.

EMOLUMENT POLICY

The Directors believe that maintaining a stable and motivated employee force is critical to the success of the Group's business. As a fast growing company, the Company is able to provide its employees with ample career development choices and opportunities of advancement. The Company organizes various training programs on a regular basis for its employees to enhance their knowledge of online game development and operation, improve time management and internal communications and strengthen team building. The Company also provides various incentives to better motivate its employees. In addition to providing performance-based bonuses and share-based awards, the Company offers unsecured, interest-free housing loans to employees with good performance.

EMPLOYEE RETIREMENT BENEFITS

Particulars of the employee retirement benefits of the Group are set out in Note 25 to the financial statements.

PUBLIC FLOAT

As at the date of this report and based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who shall retire at the AGM and, being eligible, offer themselves for reappointment.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Company's distributable reserves calculated under the Companies Law of the Cayman Islands comprise the share premium, other reserves and retained earnings totaling approximately RMB699,163,000.

BANK AND OTHER LOANS

The Group did not have any short-term or long-term bank borrowings or other loans as at 31 December 2013.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES

Save as disclosed under the section "Share Option Schemes and Restricted Share Unit Scheme" above, at no time during the year was the Company, or any of its holding companies or subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined under the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Zhang Wei is one of the three directors of Shanghai Teqi Internet Technology Co. Ltd. (an associated company in which Boyaa Shenzhen holds a 28% interest), which is mainly engaged in online game development in the Peoples' Republic of China ("**PRC**"). Mr. Dai Zhikang holds approximately 10.8% equity interest in and is also one of the three directors of Blingstorm Entertainment Ltd. (a company in which Boyaa Shenzhen holds approximately 11.7% equity interest), which is mainly engaged in provision of mobile games (other than online card and board games) in the PRC.

Save as above, as at the date of this report, none of the Directors and directors of the Company's subsidiaries, or their respective associates had interests in businesses, which compete or are likely to compete either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.

Further, each of Mr. Zhang Wei, Boyaa Global Limited and Emily Technology Limited, each of them is a controlling Shareholder, being the covenantors (the "**Covenantors**"), has entered into a deed of non-competition (the "**Deed of Non-Competition**") in favour of the Company on 25 October 2013, pursuant to which each of the Covenantors has jointly and severally, unconditionally and irrevocably undertaken with the Company that he/it will not (except through the Group and any investment or interests held through the Group), and will procure his/its associates (other than any member of the Group) not to, directly or indirectly (including through nominees), carry on, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or connected with, any business which is in competition with or similar to or is likely to be in competition with the business of the Group. For details of the Deed of Non-Competition, please refer to the prospectus of the Company dated 31 October 2013.

The independent non-executive Directors have reviewed the compliance with the non-competition undertaking by the Covenantors under the Deed of Non-Competition and are of the view that such non-competition undertaking has been complied with during the period from the Listing Date to 31 December 2013. Each of the Covenantors has provided to the Company a written confirmation in respect of his/its compliance with the Deed of Non-Competition.

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. As at 31 December 2013, the net proceeds from the initial public offering had not yet been utilized and all of the net proceeds has been deposited into short-term demand deposits in a bank account maintained by the Group. The Company will start utilizing the net proceeds from the initial public offering and 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.

CONNECTED TRANSACTIONS

Continuing Connected Transactions

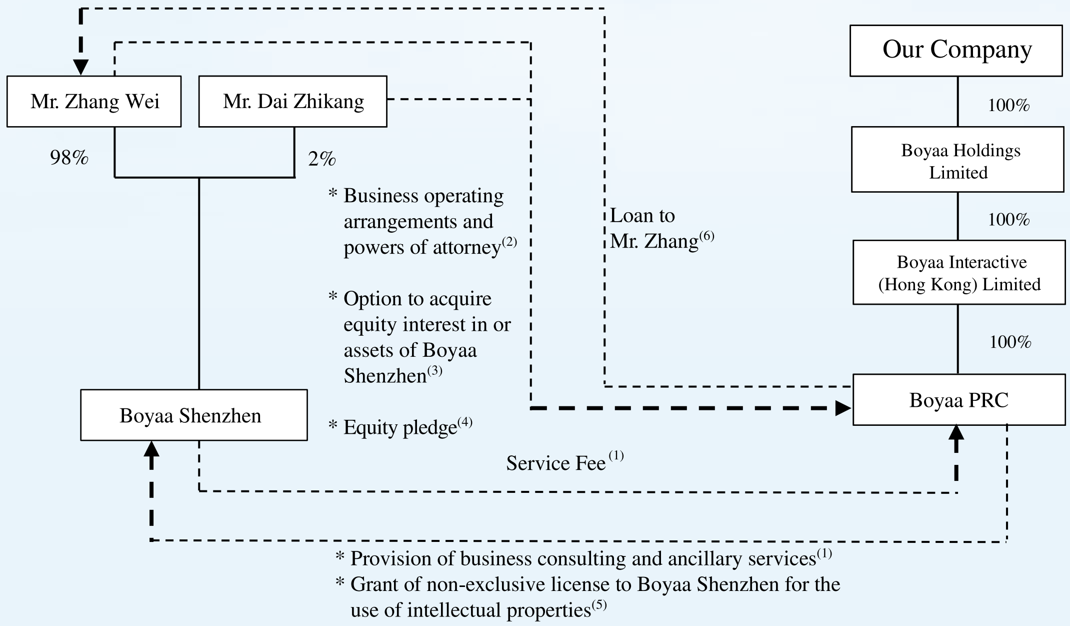
Reference is made to the prospectus of the Company dated 31 October 2013. The Company, as a foreign investor, is prohibited from holding equity interest in Boyaa Shenzhen, the PRC operating entity of the Company, which conducts the online games business and is considered to be engaged in the provision of value-added telecommunications services as a result of the operations of our website. As a result, the Group, through a wholly-owned subsidiary of the Company, Boyaa On-line Game Development (Shenzhen) Co., Ltd. ("**Boyaa PRC**"), has entered into a series of contractual arrangements (the "**Contractual Arrangements**") with Boyaa Shenzhen such that the Group can conduct its business operations indirectly in the PRC through Boyaa Shenzhen while complying with applicable PRC law and regulations. The Contractual Arrangements are designed to provide the Group with effective control over the financial and operational policies of Boyaa Shenzhen and, to the extent permitted by PRC law and regulations, the right to acquire the equity interests in and/or the assets of Boyaa Shenzhen through Boyaa PRC. As the Group operates its online games business through Boyaa Shenzhen, which is controlled by Mr. Zhang Wei and the Group does not hold any direct equity interest in Boyaa Shenzhen, the Contractual Arrangements were entered into on 15 May 2013 pursuant to which all material business activities of Boyaa Shenzhen are instructed and supervised by the Group, through Boyaa PRC, and all economic benefits and risks arising from the business of Boyaa Shenzhen are transferred to the Group.

The Contractual Arrangements currently in effect comprise of six agreements, namely (a) the Business Operating Agreement, (b) the Exclusive Business Consulting and Service Agreement, (c) the Exclusive Option Agreement, (d) the Equity Pledge Agreement, (e) the Intellectual Properties License Agreement and (f) the Loan Agreement, which were entered into between or amongst Boyaa Shenzhen, Boyaa PRC, Mr. Zhang Wei and/or Mr. Dai Zhikang (as the case may be).

Mr. Zhang Wei is a substantial Shareholder and an executive Director. He is therefore a connected person of the Company under Rule 14A.11(1) of the Listing Rules. Boyaa Shenzhen is owned as to 98% by Mr. Zhang Wei and hence an associate of Mr. Zhang Wei. Boyaa Shenzhen is therefore a connected person of the Company under Rule 14A.11(4) of the Listing Rules. In addition, Mr. Dai Zhikang is an executive Director and therefore a connected person of the Company under Rule 14A.11(1) of the Listing Rules. Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules.

Contractual Arrangements

The following simplified diagram illustrates the flow of economic benefits from Boyaa Shenzhen to the Group stipulated under the Contractual Arrangements:



Notes:

(1) Please refer to the paragraph headed "Exclusive Business Consulting and Service Agreement" below for details.

(2) Please refer to the paragraph headed "Business Operating Agreement" below for details.

(3) Please refer to the paragraph headed "Exclusive Option Agreement" below for details.

(4) Please refer to the paragraph headed "Equity Pledge Agreement" below for details.

(5) Please refer to the paragraph headed "Intellectual Properties License Agreement" below for details.

(6) Please refer to the paragraph headed "Loan Agreement" below for details.

(a) Exclusive Business Consulting and Service Agreement

Boyaa PRC and Boyaa Shenzhen entered into the Exclusive Business Consulting and Service Agreement (as restated and amended) on 15 May 2013, pursuant to which Boyaa Shenzhen agreed to engage Boyaa PRC as its exclusive consultant and service provider. Accordingly, Boyaa PRC shall provide advice and recommendations to Boyaa Shenzhen in respect of (i) consulting services in respect of the management and operations of Boyaa Shenzhen, (ii) consulting services in respect of the standardization of the operating system of Boyaa Shenzhen, (iii) consulting services in respect of market research and sales and marketing strategies, (iv) technical consulting services in respect of hardware, database and server operations, (v) the maintenance and upgrade of the online games operated by Boyaa Shenzhen, (vi) research and development of online game software and maintenance of the system, (vii) renting of certain office equipment (such as computers) and other operating equipment (save for relevant servers for the operations of the online games), (viii) branding, marketing and other promotion, (ix) training in respect of online game technology and operations related matters, (x) the grant of the use of all intellectual properties owned by Boyaa PRC pursuant to the terms of the Intellectual Properties License Agreement, (xi) human resources support, including but not limited, staff secondment arrangement and (xii) other service areas as agreed between the parties.

In addition, pursuant to the Exclusive Business Consulting and Service Agreement, without the prior written approval from Boyaa PRC, Boyaa Shenzhen shall not enter into any transactions (save as those transactions entered into in the ordinary course of business) that may affect its assets, obligations, rights or operation, including but not limited to (i) the disposal, transfer or acquisition of any assets, (ii) the provision of any guarantee or create any encumbrances relating to its assets, (iii) the entering into of any material contracts and (iv) any merger, acquisition or restructuring of Boyaa PRC.

Pursuant to the Exclusive Business Consulting and Service Agreement, Boyaa Shenzhen shall pay to Boyaa PRC a service fee that equals to the profit before taxation of Boyaa Shenzhen, after off-setting the prior-year loss (if any), working capital requirements, expenses and tax of Boyaa Shenzhen in any given year, and Boyaa PRC shall have the right to adjust the level of the service fee based on the actual service scope and with reference to the operating conditions and expansion needs of Boyaa Shenzhen. Boyaa Shenzhen has agreed to pay the service fee within one month after each quarter end for the services provided in the preceding quarter.

The Exclusive Business Consulting and Service Agreement is for a term of ten years commencing from 15 May 2013, the date of the agreement, with the payment of the service fees for the first quarter of 2013 by Boyaa Shenzhen to Boyaa PRC taking retrospective effect from January 2013, and may be automatically extended for another ten years at the discretion of Boyaa PRC. The Exclusive Business Consulting and Service Agreement may be terminated by Boyaa PRC by giving Boyaa Shenzhen a 30 days' prior written notice of termination and shall be terminated upon the transfer of the entire equity interests in and/or the transfer of all assets of Boyaa Shenzhen to Boyaa PRC or its designated person pursuant to the Exclusive Option Agreement. Boyaa Shenzhen is not contractually entitled to terminate the Exclusive Business Consulting and Service Agreement with Boyaa PRC.

(b) ***Business Operating Agreement***

Boyaa PRC, Mr. Zhang Wei, Mr. Dai Zhikang and Boyaa Shenzhen entered into the Business Operating Agreement (as restated and amended) on 15 May 2013, and as further amended and supplemented by the supplemental agreement dated 22 October 2013, pursuant to which Mr. Zhang Wei and Mr. Dai Zhikang agreed to enter into powers of attorney to unconditionally and irrevocably authorize any individual(s) appointed by Boyaa PRC to exercise all of their rights and powers as shareholders of Boyaa Shenzhen. Each of the individuals appointed by Boyaa PRC must be one of the directors of Boyaa Interactive (Hong Kong) Limited ("**Boyaa HK**"), Boyaa Holdings Limited ("**Boyaa BVI**") or the Company who is a PRC citizen, and cannot be Mr. Zhang Wei, Mr. Dai Zhikang or any of their associates. Such individuals act on Mr. Zhang Wei's and Mr. Dai Zhikang's behalf on all matters pertaining to Boyaa Shenzhen and, to the extent permissible under applicable PRC laws, exercise all of their respective rights as a shareholder thereof, including (i) rights to attend shareholders' meeting, (ii) rights to exercise voting rights in a shareholders' meeting, (iii) rights to sign minutes of the meetings, (iv) rights to file documents with relevant governmental authorities or regulatory bodies, (v) rights to appoint directors, supervisors and senior management, (vi) right to decide on any acquisition or disposal of the equity interest of Mr. Zhang Wei and Mr. Dai Zhikang in Boyaa Shenzhen or the winding-up or dissolution of Boyaa Shenzhen, (vii) right to instruct directors and senior management of Boyaa Shenzhen to act in accordance with all instructions of Boyaa PRC or its designated person and (viii) such other shareholders' rights as stipulated under applicable PRC laws, rules and regulations and the articles of association of Boyaa Shenzhen. In addition, it is also agreed that Boyaa PRC or its designee shall have the right to obtain and review the operating statistics, business data, financial information, employee information and other information relevant to the operations and business of Boyaa Shenzhen. Pursuant to the Business Operating Agreement, in the event that Boyaa PRC or its designee decided to voluntarily wind-up or dissolve Boyaa Shenzhen, each of Mr. Zhang Wei and Mr. Dai Zhikang undertakes that he will ensure and procure the execution of all related documents and completion of all relevant procedures required for completing the liquidation and winding-up process and that Boyaa PRC shall be transferred, at nil consideration, all remaining assets of Boyaa Shenzhen upon liquidation.

The Business Operating Agreement is for an indefinite term commencing from 15 May 2013, the date of the agreement, until it is terminated (i) by Boyaa PRC by giving Boyaa Shenzhen a 30 days' prior written notice of termination, or (ii) upon the transfer of the entire equity interests held by either Mr. Zhang Wei and/or Mr. Dai Zhikang in, and/or the transfer of all assets of, Boyaa Shenzhen to Boyaa PRC or its designated person pursuant to the Exclusive Option Agreement. Boyaa Shenzhen is not contractually entitled to terminate the Business Operating Agreement with Boyaa PRC. Under the Business Operating Agreement, each of Mr. Zhang Wei and Mr. Dai Zhikang warranted to Boyaa PRC that appropriate arrangements have been made to protect Boyaa PRC's interests in the event of his death, bankruptcy or divorce to avoid any practical difficulties in enforcing the Business Operating Agreement.

Power of attorney

On 15 May 2013, each of Mr. Zhang Wei and Mr. Dai Zhikang has executed a power of attorney, as amended and supplemented by the clarification to the power of attorney on 22 October 2013, pursuant to the terms of the Business Operating Agreement. Under each of the powers of attorney, each of Mr. Zhang Wei and Mr. Dai Zhikang irrevocably confirmed that the power of attorney shall remain in full force and effect within the term of the Business Operating Agreement unless Boyaa PRC requests to replace the appointed designee of Boyaa PRC under the power of attorney. Pursuant to the powers of attorney, each of the shareholders of Boyaa Shenzhen agrees to authorize any individual(s) appointed by Boyaa PRC to exercise all of their rights and powers as shareholders of Boyaa Shenzhen. Each of the individuals appointed by Boyaa PRC must be one of the directors of Boyaa HK, Boyaa BVI or the Company who is a PRC citizen and cannot be Mr. Zhang Wei, Mr. Dai Zhikang or any of their associates. These include the rights to (i) attend shareholders' meetings, (ii) exercise voting rights in shareholders' meetings to appoint directors, supervisors and senior management, (iii) decide on any acquisition or disposal of the equity interest of Mr. Zhang Wei and Mr. Dai Zhikang in Boyaa Shenzhen or the winding-up or dissolution of Boyaa Shenzhen, (iv) file documents with relevant governmental authorities or regulatory bodies, to (v) instruct directors and senior management of Boyaa Shenzhen to act in accordance with all instructions of Boyaa PRC or its designated person, and (vi) exercise such other shareholders' rights as stipulated under applicable PRC laws, rules and regulations and the articles of association of Boyaa Shenzhen.

(c) Exclusive Option Agreement

Boyaa PRC, Mr. Zhang Wei, Mr. Dai Zhikang and Boyaa Shenzhen entered into the Exclusive Option Agreement on 15 May 2013, and as further amended and supplemented by the supplemental agreement dated 22 October 2013, pursuant to which Mr. Zhang Wei and Mr. Dai Zhikang jointly and severally granted to Boyaa PRC or a subsidiary of the Company or an authorized director (being a PRC citizen) of any company within our Group irrevocable options to purchase, to the extent permitted by PRC laws and regulations, their equity interests in Boyaa Shenzhen, entirely or partially, at the minimum purchase price permitted under PRC laws and regulations. In addition, pursuant to the Exclusive Option Agreement, Boyaa Shenzhen granted to Boyaa PRC, a subsidiary of the Company or an authorized director (being a PRC citizen) of any company within our Group an irrevocable option to acquire, to the extent permitted by PRC laws and regulations, all or part of the assets of Boyaa Shenzhen at the net book value of such assets or such minimum purchase price permitted under PRC laws and regulations. Boyaa PRC, such subsidiary or authorized director may exercise such options at any time until it has acquired all equity interests and/or assets of Boyaa Shenzhen, subject to applicable PRC laws and regulations. It is also agreed that when the relevant PRC law permits the equity interests of Boyaa Shenzhen to be directly held by Boyaa PRC while it continues to operate its online games business, the parties will carry out all necessary actions to implement the transfer of all the shares of Boyaa Shenzhen to Boyaa PRC pursuant to the exercise of the option granted under the Exclusive Option Agreement.

Pursuant to the Exclusive Option Agreement, Boyaa Shenzhen has undertaken to perform certain acts or refrain from performing certain other acts unless it has obtained prior approval from Boyaa PRC, including but not limited to the following matters:

(i) Boyaa Shenzhen shall not alter its constitutional documents or its registered capital;

(ii) Boyaa Shenzhen shall prudently and effectively operate its business and transactions in accordance with good financial and business standards;

(iii) Boyaa Shenzhen shall not sell, transfer, create encumbrances or otherwise dispose of any assets, business, legal or beneficial interest of its income or allow any guarantee or security to be created on its assets;

(iv) Boyaa Shenzhen shall not incur, take up, guarantee or allow any indebtedness other than those in the ordinary course of business and having been disclosed to and consented by Boyaa PRC in writing;

(v) Boyaa Shenzhen shall not enter into any material contracts with an amount of over RMB1 million other than in the ordinary course of business;

(vi) Boyaa Shenzhen shall operate its business in order to maintain its asset value or not allow any acts or omission which adversely affects its business or assets value;

(vii) Boyaa Shenzhen shall not engage in any mergers or acquisitions or make investment in any entities;

(viii) Boyaa Shenzhen shall immediately inform Boyaa PRC if its assets or business are involved in any disputes, litigations, arbitrations or administrative proceedings; and

(ix) Boyaa Shenzhen shall not distribute any dividend to Mr. Zhang Wei or Mr. Dai Zhikang. Each of Mr. Zhang Wei or Mr. Dai Zhikang shall transfer all distributable dividends, capital dividend and other assets receivable by him at nil consideration to Boyaa PRC as soon as practicable but in any event no later than three days upon receipt of the same by any of them.

The Exclusive Option Agreement is for an indefinite term commencing on 15 May 2013, being the date of the agreement, until it is terminated (i) by Boyaa PRC by giving Boyaa Shenzhen a 30 days' prior written notice of termination, or (ii) upon the transfer of the entire equity interests held by either Mr. Zhang Wei and/or Mr. Dai Zhikang in Boyaa Shenzhen and/or the transfer of all the assets of Boyaa Shenzhen to Boyaa PRC or its designated person. Boyaa Shenzhen is not contractually entitled to terminate the Exclusive Option Agreement with Boyaa PRC.

(d) Equity Pledge Agreement

Boyaa PRC, Mr. Zhang Wei and Mr. Dai Zhikang entered into the Equity Pledge Agreement (as restated and amended) on 15 May 2013, pursuant to which each of Mr. Zhang Wei and Mr. Dai Zhikang agreed to pledge all of their respective equity interests in Boyaa Shenzhen to Boyaa PRC to secure performance of all their obligations and the obligations of Boyaa Shenzhen under the Exclusive Business Consulting and Service Agreement, the Business Operating Agreement, the Exclusive Option Agreement, the Intellectual Properties License Agreement and the Loan Agreement underlying the Contractual Arrangements.

Under the Equity Pledge Agreement, Mr. Zhang Wei and Mr. Dai Zhikang represent and warrant to Boyaa PRC that appropriate arrangements have been made to protect Boyaa PRC's interests in the event of death, bankruptcy or divorce of the Shareholders to avoid any practical difficulties in enforcing the Equity Pledge Agreement. If Boyaa Shenzhen declares any dividend during the term of the pledge, Boyaa PRC is entitled to receive all such dividends, bonus issue or other income arising from the pledged equity interests, if any. If any of Mr. Zhang Wei and Mr. Dai Zhikang breaches or fails to fulfill the obligations under any of the aforementioned agreements, Boyaa PRC, as the pledgee, will be entitled to dispose of the pledged equity interests, entirely or partially. In addition, pursuant to the Equity Pledge Agreement, each of Mr. Zhang Wei and Mr. Dai Zhikang has undertaken to Boyaa PRC, among other things, not to transfer the interest in his equity interests in Boyaa Shenzhen and not to create or allow any pledge thereon that may affect the rights and interest of Boyaa PRC without its prior written consent.

The Equity Pledge Agreement is for an indefinite term commencing on 15 May 2013, being the date of the agreement, until (i) all the agreements (other than this Equity Pledge Agreement) underlying the Contractual Arrangements have been terminated, or (ii) all the obligations under the Equity Pledge Agreement have been fulfilled.

(e) Intellectual Properties License Agreement

Boyaa PRC and Boyaa Shenzhen entered into the Intellectual Properties License Agreement on 15 May 2013, pursuant to which Boyaa PRC agrees to grant a non-exclusive license to Boyaa Shenzhen for the use of all its existing and future intellectual properties, including but not limited to trademarks, patents and copyright and whether registered or non-registered. Pursuant to the Intellectual Properties License Agreement, Boyaa Shenzhen is licensed to use such intellectual properties strictly in the operation of its telecommunication value-added services and Internet cultural services and Boyaa Shenzhen cannot sub-license such intellectual properties to any third parties or use such intellectual properties for any other purpose. Such license is only effective onshore in the PRC and does not apply to any direct or indirect use of such intellectual properties in any other territories or jurisdictions. Pursuant to the terms of the Intellectual Properties License Agreement, the license fee and royalty to be charged by Boyaa PRC for the use of such intellectual properties by Boyaa Shenzhen are included as part of the service fee under the Exclusive Business Consulting and Service Agreement.

The Intellectual Properties License Agreement is for a term of ten years commencing from 15 May 2013, being the date of the agreement, and may be automatically extended for another ten years at the discretion of Boyaa PRC, until it is terminated by Boyaa PRC by giving Boyaa Shenzhen a 30 days' prior written notice of termination.

(f) Loan Agreement

In order to satisfy the funding needs of Boyaa Shenzhen, Mr. Zhang Wei borrowed a sum of RMB8,000,000 from a third party in 2012. On 15 May 2013, Boyaa PRC and Mr. Zhang Wei entered into the Loan Agreement, and as amended and supplemented by the supplemental agreement dated 22 October 2013, pursuant to which Boyaa PRC agreed to lend RMB8,000,000 to Mr. Zhang Wei to allow him to repay the RMB8,000,000 loan which he had borrowed for the purpose of his additional capital contributions in Boyaa Shenzhen in May 2012. Pursuant to the Loan Agreement, the parties agreed to enter into the Exclusive Option Agreement where Boyaa PRC has the right to exercise a call option granted by Mr. Zhang Wei to acquire all or part of the equity interest in Boyaa Shenzhen held by Mr. Zhang Wei at the minimum consideration that is permissible under law. In addition, to secure the performance of all obligations of Mr. Zhang Wei under the Loan Agreement and all other agreements (other than the Equity Pledge Agreement) underlying the Contractual Arrangements, the parties shall enter into the restated and amended Equity Pledge Agreement where, among others, Mr. Zhang Wei pledges all of his equity interests in Boyaa Shenzhen to Boyaa PRC.

The Loan Agreement is for a term of ten years commencing from 15 May 2013, being the date of the agreement, and may be automatically extended for another ten years. The loan will become due and payable upon Boyaa PRC's demand under any of the following circumstances: (i) Mr. Zhang Wei resigns or is being removed from the various positions held by him in the Group, (ii) the death or incapacity of Mr. Zhang Wei, (iii) Mr. Zhang Wei being engaged or involved in criminal activities, (iv) Mr. Zhang Wei becoming insolvent or incurring any other significant personal debt which may affect Mr. Zhang Wei's ability to repay the loan under the Loan Agreement, or (v) Boyaa PRC exercising its option to purchase all equity interests in Boyaa Shenzhen held by Mr. Zhang Wei to the extent permitted by PRC laws and regulations as soon as the PRC foreign ownership restrictions applicable to the Group's online games business have been lifted. The Loan Agreement provides that the loan can only be repaid by Mr. Zhang Wei using proceeds he will receive upon Boyaa PRC's exercise of its irrevocable option to purchase Boyaa Shenzhen's equity interests or assets pursuant to the Exclusive Option Agreement.

A waiver has been granted by the Stock Exchange regarding strict compliance with (i) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements, (ii) the requirement of setting an annual cap for the fees payable to Boyaa PRC under the Contractual Arrangements, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less, for so long as Shares are listed on the Stock Exchange, subject to certain conditions. In addition, the Stock Exchange has also granted a waiver from strict compliance with (i) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under any new transactions, contracts, and agreements, or renewal of existing agreements to be entered into between Boyaa Shenzhen and any member of the Group (the "**New Intergroup Agreements**"), (ii) the requirement of setting an annual cap for the fees payable by/to any member of the Group to/from Boyaa Shenzhen under any New Intergroup Agreements, and (iii) the requirement of limiting the term of any New Intergroup Agreement to three years or less, for so long as Shares are listed on the Stock Exchange, subject to certain conditions.

The Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to the Group's legal structure and business operations, that such transactions are on normal commercial terms and are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Company and the Shareholders as a whole.

The independent non-executive Directors reviewed the Contractual Arrangements and confirmed that (i) the transactions carried out during the year ended 31 December 2013 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the profit generated by Boyaa Shenzhen has been substantially retained by Boyaa PRC, (ii) no dividends or other distributions have been made by Boyaa Shenzhen to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group, and (iii) no New Intergroup Agreements have been entered into between the Group and Boyaa Shenzhen from the Listing Date till the end of the year.

Further, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules.

A copy of the auditor's letter on the continuing connected transactions of the Group for the period from the Listing Date of the Company on the Stock Exchange up to 31 December 2013 has been provided by the Company to the Stock Exchange.

The discontinued related party transactions set out in Note 33(a) to the financial statements also constitute de minimis continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are exempted from the reporting, annual review, announcement and independent Shareholders' approval requirements under Rule 14A.33 of the Listing Rules. However, Ms. Hu Huan has ceased to be a director of Boyaa Shenzhen since December 2012 and therefore has ceased to be a connected person of the Company under the Listing Rules commencing from December 2013. Accordingly, the transactions contemplated thereunder have ceased to be continuing connected transactions of the Company since December 2013.

By order of the Board

Zhang Wei
Chairman

Hong Kong, 27 February 2014

Corporate Governance Report

The Company is committed to achieving high standards of corporate governance by focusing on principles of integrity, accountability, transparency, independence, responsibility and fairness. The Company has developed and implemented sound governance policies and measures, and the Board is responsible for performing such corporate governance duties. The Board will continue to review and monitor the corporate governance of the Company with reference to the Corporate Governance Code and Corporate Governance Report (the "**Code**") set out in Appendix 14 to the Listing Rules so as to maintain a high standard of corporate governance of the Company.

Throughout the period commencing from the Listing Date to 31 December 2013, the Company has complied with the applicable code provisions of the Code as set out in Appendix 14 to the Listing Rules, except for a deviation from the code provision A.2.1 which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Zhang Wei is the Chairman and Chief Executive Officer of the Company. With extensive experience in the Internet industry, Mr. Zhang Wei is responsible for the overall strategic planning and general management of our Group and is instrumental to the Company's growth and business expansion since its establishment in 2004. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises 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.

BOARD OF DIRECTORS

The Board is charged with promoting the success of the Company by directing and supervising its affairs. The Board has general powers for the management and conduct of the Company's business. The day-to-day operations and management are delegated by the Board to the management of the Company, who will implement the strategy and direction as determined by the Board.

The Board currently consists of seven Directors, namely Mr. Zhang Wei (Chairman and Chief Executive Officer), Mr. Dai Zhikang and Mr. Gao Junfeng as executive Directors, Mr. Zhou Kui as non-executive Director and Mr. Cheung Ngai Lam, Mr. Choi Hon Keung Simon and Mr. Gao Shaofei as independent non-executive Directors. The Board has a balance of skills and experience appropriate for the requirements of the business of the Company.

The biographies of the Directors are set out on pages 21 to 23 of this report.

Each of the executive Directors has entered into a service contract with the Company on 25 October 2013 and the Company has issued letters of appointment to the non-executive Director and each of the independent non-executive Directors. The principal particulars of these service contracts and letters of appointment are (a) for a term of 3 years commencing from 25 October 2013 (except for Gao Junfeng, the term shall be 3 years commencing from the Listing Date) and (b) are subject to termination in accordance with their respective terms. The term of the service contracts and the letters of appointment may be renewed in accordance with our articles of association of the Company and the applicable Listing Rules.

The aggregate remuneration (including fees, salaries, contributions to pension schemes, share-based compensation expenses, discretionary bonuses, housing and other allowances and other benefits in kind) payable to the Directors for the years ended 31 December 2013 was approximately RMB11.9 million.

The remuneration of the Directors is determined with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group. Details of the remuneration of the Directors and senior management for 2013 are set out in Note 25 to the consolidated financial statements.

Throughout the period commencing from the Listing Date through to 31 December 2013, the Company has three independent non-executive Directors, which number exceeds the minimum requirement of the Listing Rules that the number of independent non-executive directors must represent at least one-third of the Board.

The Company has received a written confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules, and considers them to be independent.

Directors have access to the services of the joint company secretaries to ensure that the Board procedures are followed. The joint company secretaries of the Company are Ms. Huang Haiyan and Ms. Lai Siu Kuen. Ms. Lai Siu Kuen is a manager of the Listing Services Department of KCS Hong Kong Limited, and her primary corporate contact person at the Company is Ms. Huang Haiyan. In compliance with Rule 3.29 of the Listing Rules, each of Ms. Huang Haiyan and Ms. Lai Siu Kuen has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2013.

Each of the Directors attended various trainings in 2013, including the training on duties and responsibilities of directors of a listed company in Hong Kong, in the process of the listing of the Company on the Stock Exchange. The Company will arrange suitable training for all Directors in order to develop and refresh their knowledge and skills as part of their continuous professional development.

No Board meetings, nor general meetings, were held from the Listing Date through to 31 December 2013.

BOARD COMMITTEES

The Company has three principal Board committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee. Each of the Board committees operates under its terms of reference. The terms of reference of the Board committees are available on the website of the Company and that of the Stock Exchange.

Audit Committee

The Company established an Audit Committee with written terms of reference in compliance with the Code as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three members, namely Mr. Cheung Ngai Lam, Mr. Choi Hon Keung Simon and Mr. Gao Shaofei, our independent non-executive Directors. Mr. Cheung Ngai Lam is the chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group, oversee the audit process and perform other duties and responsibilities as assigned by our Board.

During the period from the Listing Date to 31 December 2013, the Audit Committee held one meeting and considered the report on audit plan for the year of 2013 by PricewaterhouseCoopers, the external auditor of the Company.

The table below sets out the details of meeting attendance of each member of the Audit Committee.

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
Mr. Cheung Ngai Lam	1	1	0
Mr. Choi Hon Keung Simon	1	1	0
Mr. Gao Shaofei	1	1	0

Nomination Committee

The Company established a Nomination Committee with written terms of reference in compliance with the Code as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of two independent non-executive Directors, being Mr. Choi Hon Keung Simon and Mr. Gao Shaofei and one executive Director, being Mr. Zhang Wei. Mr. Zhang Wei is the chairman of the Nomination Committee.

As the Company's Shares were only listed on the Main Board of the Stock Exchange from 12 November 2013, no meeting was held by the Nomination Committee from that date to 31 December 2013.

The Nomination Committee is responsible for reviewing and assessing the composition of the Board and the independence of the independent non-executive Directors and making recommendations to the Board on appointment and removal of Directors. In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board. Diversity of the Board will be considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, and length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Remuneration Committee

The Company established a Remuneration Committee with written terms of reference in compliance with the Code as set out in Appendix 14 to the Listing Rules. The Remuneration Committee has three members, comprising three independent non-executive Directors, namely Mr. Cheung Ngai Lam, Mr. Choi Hon Keung Simon and Mr. Gao Shaofei. Mr. Cheung Ngai Lam is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations on employee benefit arrangement.

The Remuneration Committee has adopted the model described in code provision B.1.2(c)(i) of the Code in its terms of reference.

As the Company's Shares were only listed on the main board of the Stock Exchange from 12 November 2013, no meeting was held by the Remuneration Committee from that date to 31 December 2013.

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 period commencing from the Listing Date to 31 December 2013.

EXTERNAL AUDITOR

PricewaterhouseCoopers is appointed as the external auditor of the Company.

For the year ended 31 December 2013, the fees paid/payable to PricewaterhouseCoopers for the audit of the financial statements of the Group are RMB11.7 million, of which RMB9.6 million represents audit fees paid in relation to the audit for the initial public offering and listing of the Company.

Fees paid/payable to PricewaterhouseCoopers for non-audit services provided to the Group in the year was RMB1.0 million. The non-audit services conducted include consultancy on tax issues and professional service on internal control of the Company.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of the financial statements which give a true and fair view of the state of affairs of the Group and of the results and cash flow during the reporting period. A statement from the auditor about its reporting responsibilities on the financial statements is set out on pages 54 to 55 of this report. In preparing the financial statements for the year ended 31 December 2013, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The Board has further reviewed the effectiveness of the internal control system of the Group to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards. The review covered all material controls, including financial, operational and compliance controls and risk management functions. In particular, the Board considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

Corporate Governance Report

SHAREHOLDERS

The Company is incorporated in the Cayman Islands. Pursuant to the articles of association of the Company, general meetings shall also be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one member of the Company which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Enquiries about the Company may be put to the Board by contacting the Company or directly by raising the questions at an annual general meeting or extraordinary general meeting. The contact details of the Company are set out in the Company's website (www.boyaa.com.hk). Shareholders can also direct their enquiries about their shareholdings to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, whose address is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

During the period from the Listing Date to the date of this report, there has not been any change in the Company's memorandum and articles of association. The Company's memorandum and articles of association are available on the website of the Company (www.boyaa.com.hk) and that of the Stock Exchange.

Independent Auditor's Report

pwc 羅兵咸永道

To the Board of Directors of Boyaa Interactive International Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Boyaa Interactive International Limited (the "Company") and its subsidiaries (together, the "Group") set out on page 56 to 142, which comprise the consolidated and company balance sheet as at 31 December 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 February 2014

Consolidated Balance Sheet

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**10,804**	7,426
Intangible assets	7	**1,032**	871
Investments in associates	10	**7,977**	8,946
Available-for-sale financial assets	11	**—**	—
Deferred income tax assets	12	**4,383**	2,844
Financial assets at fair value through profit or loss	15	**—**	7,237
Prepayments and other receivables	14	**9,285**	2,649
		33,481	29,973
Current assets			
Trade receivables	13	**59,376**	38,032
Prepayments and other receivables	14	**19,690**	15,030
Financial assets at fair value through profit or loss	15	**107,000**	117,085
Short-term investments	16	**223,000**	—
Cash and cash equivalents	17	**965,566**	274,682
		1,374,632	444,829
Total assets		**1,408,113**	474,802

Consolidated Balance Sheet

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
EQUITY AND LIABILITIES			
Equity			
Share capital	18	**239**	123
Share premium	18	**738,070**	—
Shares held for RSU Scheme	18	**(33)**	—
Reserves	19	**53,512**	31,038
Retained earnings		**422,831**	271,263
Total equity		**1,214,619**	302,424
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	12	**591**	903
Series A Preferred Shares	23	**—**	42,980
		591	43,883
Current liabilities			
Trade and other payables	21	**97,651**	62,971
Deferred revenue	22	**39,202**	23,969
Current income tax liabilities		**56,050**	41,555
		192,903	128,495
Total liabilities		**193,494**	172,378
Total equity and liabilities		**1,408,113**	474,802
Net current assets		**1,181,729**	316,334
Total assets less current liabilities		**1,215,210**	346,307

The notes on pages 64 to 142 are integral parts of these consolidated financial statements.

The financial statements on pages 56 to 142 were approved for issue by the Board of Directors on 27 February 2014 and were signed on its behalf.

Zhang Wei
Director

Gao Junfeng
Director

Balance Sheet

	Note	As at 31 December	
		2013	2012
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	9	**56,489**	9,117
Current assets			
Prepayments and other receivables		**548**	348
Cash and cash equivalents	17	**733,785**	38,488
		734,333	38,836
Total assets		**790,822**	47,953
EQUITY AND LIABILITIES			
Equity			
Share capital	18	**239**	123
Share premium	18	**738,070**	—
Shares held for RSU Scheme	18	**(33)**	—
Reserves	19	**35,257**	7,831
Accumulated losses		**(21,041)**	(18,961)
Total equity		**752,492**	(11,007)

Balance Sheet

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
Liabilities			
Non-current liabilities			
Series A Preferred Shares	23	**—**	42,980
Current liabilities			
Amounts due to subsidiaries	9	**37,630**	15,881
Other payables		**700**	99
		38,330	15,980
Total liabilities		**38,330**	58,960
Total equity and liabilities		**790,822**	47,953
Net current assets		**696,003**	22,856
Total assets less current liabilities		**752,492**	31,973

The notes on pages 64 to 142 are integral parts of these consolidated financial statements.

The financial statements on pages 56 to 142 were approved for issue by the Board of Directors on 27 February 2014 and were signed on its behalf.

Zhang Wei
Director

Gao Junfeng
Director

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2013 RMB'000	2012 RMB'000
Revenue	5	**681,262**	517,745
Cost of revenue	24	**(265,053)**	(203,916)
Gross profit		**416,209**	313,829
Selling and marketing expenses	24	**(147,685)**	(81,714)
Administrative expenses	24	**(111,415)**	(46,918)
Other gains – net	26	**19,082**	11,347
Operating profit		**176,191**	196,544
Finance income	27	**2,018**	510
Finance costs	27	**(13,656)**	(8,232)
Finance costs – net	27	**(11,638)**	(7,722)
Share of profit/(loss) of associates	10	**177**	(1,341)
Profit before income tax		**164,730**	187,481
Income tax expense	28	**(29,223)**	(44,690)
Profit for the year		**135,507**	142,791
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
– Currency translation differences		**(8,870)**	11
Total comprehensive income for the year		**126,637**	142,802
Profit attributable to:			
Equity holders of the Company		**135,507**	142,791
Total comprehensive income attributable to:			
Equity holders of the Company		**126,637**	142,802
Earnings per share (expressed in RMB cents per share)			
– Basic	29	**43.54**	66.24
– Diluted	29	**25.47**	30.85
Dividends	30	**65,640**	—

The notes on pages 64 to 142 are integral parts of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Note	Share capital RMB'000	Share premium RMB'000	Shares held for RSU Scheme RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total Equity RMB'000
Balance at 1 January 2012		123	—	—	10,792	142,978	153,893
Comprehensive income							
Profit for the year		—	—	—	—	142,791	142,791
Other comprehensive income							
– currency translation differences		—	—	—	11	—	11
Total comprehensive income for the year		—	—	—	11	142,791	142,802
Total contributions by and distributions to equity holders of the Company recognized directly in equity							
Appropriation to statutory reserves	19	—	—	—	14,506	(14,506)	—
Employee share option scheme							
– value of employee services	19	—	—	—	5,729	—	5,729
Total contributions by and distributions to owners of the Company		—	—	—	20,235	(14,506)	5,729
Balance at 31 December 2012		123	—	—	31,038	271,263	302,424

Consolidated Statement of Changes in Equity

	Note	Share capital RMB'000	Share premium RMB'000	Shares held for RSU Scheme 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 year		**—**	**—**	**—**	**—**	**135,507**	**135,507**
Other comprehensive loss							
– currency translation differences		**—**	**—**	**—**	**(8,870)**	**—**	**(8,870)**
Total comprehensive income for the year		**—**	**—**	**—**	**(8,870)**	**135,507**	**126,637**
Total contributions by and distributions to equity holders of the Company recognized directly in equity							
Issuance of new shares	18	**54**	**742,184**	**—**	**—**	**—**	**742,238**
Issuance of shares held for RSU Scheme	18	**22**	**—**	**—**	**—**	**—**	**22**
Share issuance costs	18	**—**	**(62,617)**	**—**	**—**	**—**	**(62,617)**
Deemed contribution from shareholders for the shares held for RSU Scheme	20	**—**	**—**	**(33)**	**33**	**—**	**—**
Conversion of Series A Preferred Shares	18	**40**	**58,503**	**—**	**—**	**—**	**58,543**
Transfer	18	**—**	**—**	**—**	**(16,061)**	**16,061**	**—**
Employee share option scheme							
– value of employee services	19	**—**	**—**	**—**	**47,372**	**—**	**47,372**
Total contributions by and distributions to owners of the Company		**116**	**738,070**	**(33)**	**31,344**	**16,061**	**785,558**
Balance at 31 December 2013		**239**	**738,070**	**(33)**	**53,512**	**422,831**	**1,214,619**

The notes on pages 64 to 142 are integral parts of these consolidated financial statements.

Consolidated Statement Of Cash Flows

	Note	Year ended 31 December 2013 RMB'000	2012 RMB'000
Cash flows from operating activities			
Cash generated from operations	32	**227,138**	228,357
Income tax paid		**(16,579)**	(26,968)
Net cash generated from operating activities		**210,559**	201,389
Cash flows from investing activities			
Purchase of property, plant and equipment		**(7,014)**	(4,443)
Purchase of intangible assets		**(393)**	(908)
Purchase of financial assets at fair value through profit or loss		**(420,000)**	(568,051)
Purchase of short-term investments		**(223,000)**	—
Proceeds from disposals of financial assets at fair value through profit or loss		**446,618**	527,578
Investments in associates		**—**	(1,000)
Proceeds from partial disposal of investment in an associate	10	**2,000**	—
Return on short-term investments received		**3,286**	—
Interest received		**2,018**	510
Net cash used in investing activities		**(196,485)**	(46,314)
Cash flows from financing activities			
Proceeds from issuance of new shares	18	**742,238**	—
Payment of share issuance costs	18	**(62,617)**	—
Proceeds from issuance of shares held for RSU Scheme	20	**22**	—
Capital contribution from the Founder		**—**	8,000
Net cash generated from financing activities		**679,643**	8,000
Net increase in cash and cash equivalents		**693,717**	163,075
Cash and cash equivalents at beginning of year		**274,682**	111,610
Exchange losses on cash and cash equivalents		**(2,833)**	(3)
Cash and cash equivalents at end of the year		**965,566**	274,682

The notes on pages 64 to 142 are integral parts of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

Boyaa Interactive Limited (the "Company") was incorporated in the British Virgin Islands ("BVI") on 14 June 2010 as an exempted company with limited liability under the Business Companies Act, 2004 of the BVI. With a board resolution passed on 28 May 2013, the Company re-domiciled to the Cayman Islands. The registration procedures with the relevant authority were completed on 7 June 2013. Accordingly, the Company became an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. Upon completion of the redomicile of the Company to the Cayman Islands, the Company changed its name to Boyaa Interactive International Limited on 28 June 2013. The current address of the Company's 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 operations of the Group were initially conducted through Shenzhen Dong Fang Bo Ya Technology Co., Ltd. ("Boyaa Shenzhen"), a limited liability company established in the PRC by certain shareholders of the Company on 13 February 2004. Boyaa Shenzhen is controlled by Mr. Zhang Wei (the "Founder").

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

Boyaa PRC, Boyaa Shenzhen and its then equity holders entered into a series of contractual arrangements (the "Contractual Arrangements"), which enable Boyaa PRC and the Group to:

– exercise effective financial and operational control over Boyaa Shenzhen;

– exercise equity holders' voting rights of Boyaa Shenzhen;

– receive substantially all of the economic interest returns generated by Boyaa Shenzhen in consideration for the business support, technical and consulting services provided by Boyaa PRC;

– obtain an irrevocable and exclusive right to purchase all or part of equity interests in Boyaa Shenzhen from the respective equity holders at a minimum purchase price permitted under PRC laws and regulations, and all or part of the assets of Boyaa Shenzhen at the net book value of such assets or such minimum purchase price permitted under PRC laws and regulations. Boyaa PRC may exercise such options at any time until it has acquired all equity interests and/or all assets of Boyaa Shenzhen; and

– obtain a pledge over the entire equity interest of Boyaa Shenzhen from their respective equity holders as collateral security for all of Boyaa Shenzhen's payments due to Boyaa RPC and to secure performance of Boyaa Shenzhen's obligations under the Contractual Arrangements.

1. GENERAL INFORMATION *(Continued)*

The Group does not have any equity interest in Boyaa Shenzhen. However, as a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with Boyaa Shenzhen and has the ability to affect those returns through its power over Boyaa Shenzhen and is considered to control Boyaa Shenzhen. Consequently, the Company regards Boyaa Shenzhen as a consolidating structured entity for accounting purpose (Note 2.2.1).

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors (the "Board") on 27 February 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 *Basis of preparation*

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The consolidated financial statements have been prepared 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 are carried at fair value.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise their judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 *Changes in accounting policy and disclosures*

(a) New and revised standards and amendments to existing standards that are mandatory for the first time for the financial year beginning 1 January 2013 and are relevant to the Group

- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. This amendment did not have a material impact on the Group's consolidated financial statements.

- IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This new standard did not have a material impact on the Group's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 *Basis of preparation* (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(a) New and revised standards and amendments to existing standards that are mandatory for the first time for the financial year beginning 1 January 2013 and are relevant to the Group ***(Continued)***

- IAS 27 (revised 2011) 'Separate financial statements' includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. This revised standard did not have a material impact on the Group's consolidated financial statements.

- IFRS 11 'Joint arrangements' is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. This new standard had no impact on the Group's consolidated financial statements as the Group currently has no joint arrangements.

- IAS 28 (revised 2011) 'Associates and joint ventures' includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. This revised standard did not have a material impact on the Group's consolidated financial statements.

- IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. This new standard did not have a material impact on the Group's consolidated financial statements.

- Amendments to IFRSs 10, 11 and 12 on transition guidance. These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied. These amendments did not have a material impact on the Group's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 *Basis of preparation* *(Continued)*

2.1.1 Changes in accounting policy and disclosures (Continued)

(a) New and revised standards and amendments to existing standards that are mandatory for the first time for the financial year beginning 1 January 2013 and are relevant to the Group *(Continued)*

- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. This new standard did not have a material impact on the Group's consolidated financial statements.

- Amendment to IFRS 7, 'Financial instruments: Disclosures' on asset and liability offsetting'. The amendment requires new disclosure requirements which focus on quantitative information about recognized financial instruments that are offset in the statement of financial position, as well as those recognized financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. This amendment did not have a material impact on the Group's consolidated financial statements.

- Annual improvements 2011, address six issues in the 2009-2011 reporting cycle. It includes changes to: IFRS 1, 'First time adoption', IAS 1, 'Financial statement presentation', IAS 16, 'Property plant and equipment', IAS 32, 'Financial instruments: Presentation', IAS 34, 'Interim financial reporting'. These improvements did not have a material impact on the Group's consolidated financial statements.

- Annual improvement 2012, amendment to IFRS 13, 'Fair value measurement'. This amendment is a clarification that there is no change in measurement requirements for short-term receivables and payable when the effect of not discounting is immaterial. This amendment did not have a material impact on the Group's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 *Basis of preparation (Continued)*

2.1.1 *Changes in accounting policy and disclosures (Continued)*

(b) New and revised standards and amendments to existing standards that have been issued and are relevant to the Group, but are not effective for the financial year beginning 1 January 2013 and have not been early adopted

- Amendment to IAS 32 "Financial instruments: Presentation" on asset and liability offsetting, these amendments are made to the application guidance in IAS 32, "Financial instruments: Presentation", and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. This amendment is effective for annual periods beginning on or after 1 January 2014 and the Group is yet to assess the impact of this amendment on the Group's consolidated financial statements.

- Amendments to IFRS 10, IFRS 12 and IAS 27, 'Consolidation for investment entities', these amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made IFRS 12 to introduce disclosures that an investment entity needs to make. These amendments are effective from 1 January 2014 with early adoption permitted in order to allow investment entities to apply the amendments at the same time they first apply the rest of IFRS 10. The Group is yet to assess the impact of these amendments on the Group's consolidated financial statements.

- Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The above amendment will be effective for annual periods beginning on or after 1 January 2014 and the Group is yet to assess the impact of this amendment on the Group's consolidated financial statements.

- 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', IAS38, 'Intangible assets' and IAS24, '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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 *Basis of preparation* *(Continued)*

2.1.1 Changes in accounting policy and disclosures (Continued)

(b) New and revised standards and amendments to existing standards that have been issued and are relevant to the Group, but are not effective for the financial year beginning 1 January 2013 and have not been early adopted *(Continued)*

- 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.

- IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The effective date of the above new standard is left open pending the finalisation of the impairment and classification and measurement requirements. The Group is yet to assess the impact of this new standard on the Group's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 *Subsidiaries (Continued)*

2.2.1 Consolidation (Continued)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 *Associates*

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 *Associates (Continued)*

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of profit of investments accounted for using equity method' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognized in the income statement.

2.4 *Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.5 *Foreign currency translation*

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is United States dollars ("USD"). The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered Renminbi ("RMB") as their functional currency. As the game development and operation of the Group have been within the PRC, the Group determined to present the consolidated financial statements in RMB, unless otherwise stated.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "other gains – net".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Foreign currency translation *(Continued)*

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statements of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Estimated useful lives or remaining lease terms, whichever is shorter
Motor vehicles	4 – 5 years
Furniture and office equipment	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other gains – net", in the consolidated statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Intangible assets

(a) Computer software

Computer software is initially recognized and measured at cost less amortization. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software, and are amortized over their estimated useful lives of five years.

(b) Research and development expenditures

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalized as intangible assets when recognition criteria are fulfilled. These criteria includes: (1) it is technically feasible to complete the game product so that it will be available for use; (2) management intends to complete the game product and use or sell it; (3) there is an ability to use or sell the game product; (4) it can be demonstrated how the game product will generate probable future economic benefits; (5) adequate technical, financial and other resources to complete the development and to use or sell the game product are available; and (6) the expenditure attributable to the game product during its development can be reliably measured. Other development expenditures that do not meet those criteria are recognized as expenses as incurred. During the year ended 31 December 2013, there were no development costs meeting these criteria and capitalized as intangible assets (2012: nil).

Development costs previously recognized as expenses are not recognized as assets in subsequent periods. Capitalized development costs are amortized from the point at which the assets are ready for use on a straight-line basis over their useful lives.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by the directors of the Company. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade receivables", "other receivables", "short-term investments" and "cash and cash equivalents" in the consolidated balance sheet.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 *Financial assets (Continued)*

2.9.2 *Recognition and measurement*

Regular way purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other income when the Group's right to receive payments is established.

When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the consolidated statement of comprehensive income as "other gains – net".

2.10 *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Impairment of financial assets

(a) Assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that an available-for-sale financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss. Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the considerations paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

The accounting policies applicable for the Series A Preference Shares issued by the Company are described in Note 2.18(b) below.

2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Current and deferred income tax

The income tax expense for the period comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 *Current and deferred income tax* ***(Continued)***

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 *Employee benefits*

(a) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the balance sheet date.

Employee entitlements to sick and maternity leave are not recognized until the time of leave.

(b) Pension obligations

The Group companies incorporated in the PRC contribute based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan organized by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

2.18 *Share-based payments*

(a) Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the options and restricted shares units ("RSUs") is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options and RSUs granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining as an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to serve).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Share-based payments (Continued)

(a) Equity-settled share-based payment transactions (Continued)

Non-market performance and service conditions are included in assumptions about the number of options and RSUs that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement date and grant date.

Where there is modification of terms and conditions which increases the fair value of the equity instruments granted (for example, by reducing the exercise price of share options), the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period.

At the end of each reporting period, the Group revises its estimates of the number of options and RSUs that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options and RSUs are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(b) Share-based payments treatments applied to the issuance of the Series A Preferred Shares

The difference between the identifiable consideration received by the Company from the issuance of the Series A Preferred Shares and the fair value of the Series A Preferred Shares at the time of issuance was recognized in profit or loss immediately as the value of the services received from the holders.

The shares issued were accounted for as a compound financial instrument which had a liability component (i.e. the preferred share shareholder's right to demand payment in cash) and an equity component (i.e. the preferred share shareholder's right to demand settlement in the Company's shares).

The Company first measured the fair value of the liability component, and the residual was recognized 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 its initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Share-based payments (Continued)

(c) Share-based payment transactions among group entities

The grant by the Company of options and RSUs over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in the parent entity accounts.

2.19 Revenue recognition

The Group's revenue is primarily derived from the sales of in-game virtual tokens ("Game Tokens") and other virtual items in its game development operations ("Game Development") through cooperation with various third-party game distribution platforms and payment vendors. These game distribution platforms include major social networking websites (such as Facebook), online application stores (such as Apple Inc.'s App Store and Google Play installed in mobile telecommunications devices), web-based and mobile game portals and pre-paid game card distributors in certain countries and regions (collectively referred to as "Platforms"). Revenue reported in the consolidated financial statements is measured at the fair value of the consideration received or receivable.

In cooperation with Platforms, the Group is responsible for hosting the games, providing on-going updates of new contents, technical support for the operations of the games, as well as preventing, detecting and resolving in-game cheating and hacking activities. Platforms are responsible for distribution, marketing, platform maintenance, payer authentication and payment collections related to the games.

The Group's games are free to play and players can purchase Game Tokens or other virtual items for better in-game experience. Players purchase the Group's Game Tokens or other virtual items ("Paying Players") through Platforms' own charging systems or their accounts maintained with third party payment vendors, or charging from the prepaid game cards they purchased. Platforms and third party payment vendors collect the payment from the Paying Players and remit the cash net of commission charges which are pre-determined according to the relevant terms of the agreements entered into between the Group and Platforms or third party payment vendors.

Upon the sales of Game Tokens or other virtual items, the Group typically has an implied obligation to provide the services which enable the Game Tokens or other virtual items to be displayed or used in the games. As a result, the proceeds received from sales of Game Tokens or other virtual items are initially recorded as deferred revenue, while the proceeds received from sales of prepaid game cards are initially recorded as advance received from sales of prepaid game cards in trade and other payables. This advance is then transferred to deferred revenue when the game cards are activated by the players, i.e. the first time the players use the prepaid game cards to credit their game accounts. The attributable portion of the deferred revenue relating to values of the Game Tokens consumed and other virtual items purchased are immediately or ratably recognized as revenue only when the services are rendered to the respective Paying Players.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Revenue recognition ***(Continued)***

For the purposes of determining when services have been provided to the respective Paying Players, the Group has determined the following:

– Consumable virtual items represent items that are extinguished after consumption in the form of fixed charges levied on each round of games played. The Paying Players will not continue to benefit from the virtual items thereafter. Revenue is recognized (as a release from deferred revenue) when the items are consumed and the related services are rendered.

– Durable virtual items represent items that are accessible and beneficial to Paying Players over an extended period of time. Revenue is recognized ratably over the average life of durable virtual items for the applicable game, which the Group makes best estimates to be average playing period of Paying Players ("Player Relationship Period").

The Group estimates the Player Relationship Period on a game-by-game and platform-by-platform basis and re-assesses such periods semi-annually. If there is insufficient data to determine the Player Relationship Period, such as in the case of a newly launched game, it estimates the Player Relationship Period based on other similar types of games developed by the Group or by third-party developers until the new game establishes its own patterns and history. The Group considers the games profile, target audience, and its appeal to players of different demographics groups in estimating the Player Relationship Period.

If the Group does not have the ability to differentiate revenue attributable to durable virtual items from consumable virtual items for a specific game, the Group recognizes revenue from both durable and consumable virtual items for that game ratably over the Player Relationship Period.

The Group has evaluated the roles and responsibilities of the Group and Platforms or third party payment vendors in the delivery of game experience to the Paying Players and concluded the Group takes the primary responsibilities in rendering services. The Group is determined to be the primary obligor and accordingly, the Group records revenue on a gross basis, and commission charges by Platforms or third party payment vendors are recorded as cost of revenue.

2.20 Interest income

Interest income mainly represents interest income from bank deposits and is recognized using effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 *Government grants*

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.22 *Operating leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.23 *Dividend distribution*

Dividend distribution to the Company's ordinary and preferred shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize the potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the Board.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and it is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to 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 recognized 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 Boyaa PRC and Boyaa Shenzhen (being the most significant subsidiaries within the Group) 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 year ended 31 December 2013 would have been approximately RMB1,647,000 higher/lower (2012: RMB1,170,000), mainly as a result of net foreign exchange gains/losses on translation of net monetary assets denominated in USD.

(ii) Interest rate risk

Other than interest-bearing bank deposits, the Group has no other significant interest-bearing assets. The directors of the Company do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

(iii) Price risk

The Group is exposed to price risk because of investments held by the Group, which are classified as fair value through profit or loss. The Group is not exposed to commodity price risk.

The sensitivity analysis is determined based on the exposure to price risk of financial assets at fair value through profit or loss at the end of balance sheet date. If the fair values of the respective instruments held by the Group had been 5% higher/lower, the post-tax profit for the year ended 31 December 2013 would have been approximately RMB4,681,000 higher/lower (2012: RMB5,358,000).

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and deposits, short-term investments, trade and other receivables, as well as financial assets at fair value through profit or loss.

The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets. To manage this risk arising from cash and deposits, short-term investments and financial assets at fair value through profit or loss, the Group only transacts with state-owned financial institutions and reputable commercial banks which are all high-credit-quality financial institutions in the PRC and Hong Kong. There has been no recent history of default in relation to these financial institutions.

Trade receivables at the end of each reporting period were due from the Platforms and third-party payment vendors in cooperation with the Group. If the strategic relationship with the Platforms and third-party payment vendors is terminated or scaled-back; or if the Platforms and third-party payment vendors alter the co-operative arrangements; or if they experience financial difficulties in paying the Group, the Group's Game Development receivables might be adversely affected in terms of recoverability. To manage this risk, the Group maintains frequent communications with the Platforms and third-party payment vendors to ensure effective credit control. In view of the history of cooperation with the Platforms and third-party payment vendors and the sound collection history of receivables due from them, the directors of the Company believe that the credit risk inherent in the Group's outstanding trade receivable balances due from the Platforms and third-party payment vendors is low.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 *Financial risk factors* *(Continued)*

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyses the Group and the Company's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2013				
Trade and other payables (excluding advance from sales of prepaid cards, salary and staff welfare payables and other taxes payable)	**25,195**	**—**	**—**	**25,195**
At 31 December 2012				
Series A Preferred Shares (including interest)	—	—	45,256	45,256
Trade and other payables (excluding advance from sales of prepaid cards, salary and staff welfare payables and other taxes payable)	16,590	—	—	16,590
Total	16,590	—	45,256	61,846

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Company

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2013				
Amounts due to subsidiaries and other payables	38,330	—	—	38,330
At 31 December 2012				
Series A Preferred Shares (including interest)	—	—	45,256	45,256
Amounts due to subsidiaries and other payables	15,980	—	—	15,980
Total	15,980	—	45,256	61,236

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

The Group monitors capital (including share capital and capital reserves) by regularly reviewing the capital structure. As a part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares. In the opinion of the directors of the Company, the Group's capital risk is low.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 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).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2013 and 2012:

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2013				
Assets				
Financial assets at fair value through profit or loss	**—**	**—**	**107,000**	**107,000**
At 31 December 2012				
Assets				
Financial assets at fair value through profit or loss	—	—	124,322	124,322
Liabilities				
Series A Preferred Shares	—	—	42,980	42,980

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 *Fair value estimation (Continued)*

(a) *Financial instruments in level 1*

The fair value of financial instruments traded in active markets is determined based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) *Financial instruments in level 2*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Dealer quotes for similar instruments; and
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation ***(Continued)***

(c) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 31 December 2013.

	Series A Preferred Shares RMB'000	Financial assets at fair value through profit or loss RMB'000	Total RMB'000
Opening balance	42,980	124,322	167,302
Additions	—	420,000	420,000
Disposals	—	(446,618)	(446,618)
Gains recognized in profit or loss	—	9,296	9,296
Fair value changes	16,922	—	16,922
Exchange gains	(1,359)	—	(1,359)
Conversion into ordinary shares	(58,543)	—	(58,543)
Closing balance	—	107,000	107,000
Total gains for the year recognized in profit or loss under "other gains – net"	—	9,296	9,296

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation ***(Continued)***

(c) Financial instruments in level 3 (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2012.

	Series A Preferred Shares RMB'000	Financial assets at fair value through profit or loss and available-for-sale financial assets RMB'000	Total RMB'000
Opening balance	34,869	61,089	95,958
Additions	—	568,051	568,051
Disposals	—	(509,288)	(509,288)
Gains recognized in profit or loss	—	9,070	9,070
Fair value changes	8,229	—	8,229
Exchange gains	(118)	—	(118)
Impairment provision	—	(4,600)	(4,600)
Closing balance	42,980	124,322	167,302
Total gains for the year recognized in profit or loss under "other gains – net"	—	9,070	9,070

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimates of the Player Relationship Period in the Group's Game Development

As described in Note 2.19, the Group recognizes revenue from durable virtual items ratably over the Player Relationship Period. The determination of Player Relationship Period in each game is based on the Group's best estimate that takes into account all known and relevant information at the time of assessment. Such estimates are subject to re-evaluation on a semi-annual basis. Any adjustments arising from changes in the Player Relationship Period as a result of new information will be accounted for prospectively as a change in accounting estimate.

(b) Recognition of share-based compensation expenses

The fair values of share options granted are measured on the respective grant dates based on the fair value of the underlying shares. In addition, the Group is required to estimate the expected percentage of grantees that will remain in employment with the Group or, where applicable, if the performance conditions for vesting will be met at the end of the vesting period. The Group only recognizes an expense for those share options and RSUs expected to vest over the vesting period during which the grantees become unconditionally entitled to these share-based awards. Changes in these estimates and assumptions could have a material effect on the determination of the fair value of the share options and RSUs and the amount of such share-based awards expected to become vested, which may in turn significantly impact the determination of the share-based compensation expenses.

The fair value of share options and RSUs at the time of grant is to be expensed over the vesting period of these share-based awards based on an accelerated graded attribution approach. Under the accelerated graded attribution approach, each vesting installment of a graded vesting award is treated as a separate share-based award, which means that each vesting installment will be separately measured and attributed to expense, resulting in accelerated recognition of share-based compensation expense.

Based on the fair value of the share-based awards, the expected turnover rate of grantees and the probability that the performance conditions for vesting are met, the corresponding share-based compensation expense recognized by the Group in respect of their services rendered for the year ended 31 December 2013 was approximately RMB47,372,000 (2012: RMB5,729,000).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

4.1 *Critical accounting estimates and assumptions (Continued)*

(c) *Fair value of the Series A Preferred Shares*

The directors have used the discounted cash flow method to determine the underlying share value of the Company and adopted equity allocation method to determine the fair value of the Series A Preferred Shares as a whole at the issuance date and the fair value of the liability component of the Series A Preferred Shares under liquidation preferences at the issuance date, the balance sheet date and the conversion date. The fair value of the liability component of the Series A Preferred Shares under redemption feature at the issuance date and the end of each reporting period has been determined using the discounted cash flow method. Key assumptions used to determine the above fair values are disclosed in Note 23.

The estimated fair value of the liability component of the Series A Preferred Shares as at conversion date 12 November 2013 would have been approximately RMB415,000 lower or higher (31 December 2012: RMB630,000), should the discount rate used in discount cash flow analysis higher/lower by 100 basis points from management's estimates.

(d) *Impairment of investments in associates and available-for-sale equity investment*

The Group determines at each reporting date whether there is any objective evidence that the investments in associates or available-for-sale equity investment are impaired. Considering the continuing loss-making position of certain associates and the poor business performance of the available-for-sale equity investment, the directors of the Company consider impairment indicators existed for these investments. Based on the Group's assessment on the recoverable amounts of these investments, an impairment loss of approximately RMB1,815,000 and RMB4,600,000, respectively, was recognized to write down the carrying amount of these investments in associates and the available-for-sale equity investment at 31 December 2012.

(e) *Provision for impairment of trade receivables*

Impairment of trade receivables is made based on an assessment of the recoverability of trade receivables. The identification of doubtful debts requires management's judgment and estimates. Provision is made when there is objective evidence that the Group will not be able to collect the debts. Where the actual outcome or further expectation is different from the original estimate, such differences will impact the carrying value of the receivables, and the amount of doubtful debt expenses or write-back of provision for trade receivables in the period in which such estimate has been changed. Based on the Group's assessment on the collectability of trade receivables, impairment provision of approximately RMB892,000 was made as at 31 December 2013 (2012: RMB892,000).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

4.2 Critical judgments in applying the Group's accounting policies

(a) Current and deferred income taxes

The Group is subject to income taxes in several jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) Restrictions on ordinary shares held by the Founder

As described in details in Note 29(a), the Founder, Sequoia Capital and the Company entered into a share restriction agreement on 7 January 2011 that the Founder agreed to have certain of his shares held in the Company be subject to certain restrictions. Such restrictions would be uplifted according to an agreed vesting schedule with a condition that the Founder had to remain as an employee of the Group. The directors of the Company consider that the restrictions and vesting of these shares did not give rise to any additional value and benefits to the Founder and therefore the arrangement had not been accounted for as share-based payments in accordance with IFRS 2 "Share-based payments" ("IFRS 2").

(c) Application of IFRS 2 for accounting for the issuance of the Series A Preferred Shares

As described in details in Note 23 below, Sequoia Capital undertook to offer certain 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. These shares issued have been accounted for as share-based payments in accordance with IFRS 2.

Given there were no vesting conditions associated with the issuance of Series A Preferred Shares, the difference between the cash consideration received by the Company and the then assessed fair value of the Series A Preferred Shares, amounting to approximately RMB4,909,000, was recognized as an expense upon issuance of the Series A Preferred Shares.

5. REVENUE AND SEGMENT INFORMATION

	2013 RMB'000	2012 RMB'000
Development and operations of online games		
– Web-based games	**406,197**	430,331
– Mobile games	**275,065**	87,414
	681,262	517,745

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

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

	2013 RMB'000	2012 RMB'000
Simplified Chinese	**216,979**	154,036
Other languages	**464,283**	363,709
	681,262	517,745

The Group has a large number of game players, no revenue from any individual game player exceeded 10% or more of the Group's revenue for the years ended 31 December 2013 and 2012.

The Group's non-current assets other than deferred income tax assets were located in the PRC at 31 December 2013 and 2012.

6. PROPERTY, PLANT AND EQUIPMENT

	Furniture and equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2012				
Cost	2,981	1,426	2,133	6,540
Accumulated depreciation	(967)	(425)	(163)	(1,555)
Net book amount	2,014	1,001	1,970	4,985
Year ended 31 December 2012				
Opening net book amount	2,014	1,001	1,970	4,985
Additions	2,248	526	1,669	4,443
Depreciation	(813)	(257)	(891)	(1,961)
Disposals	(41)	—	—	(41)
Closing net book amount	3,408	1,270	2,748	7,426
At 31 December 2012				
Cost	5,121	1,952	3,802	10,875
Accumulated depreciation	(1,713)	(682)	(1,054)	(3,449)
Net book amount	3,408	1,270	2,748	7,426
Year ended 31 December 2013				
Opening net book amount	3,408	1,270	2,748	7,426
Additions	3,454	658	2,902	7,014
Disposals	(12)	—	—	(12)
Depreciation	(1,715)	(321)	(1,588)	(3,624)
Closing net book amount	5,135	1,607	4,062	10,804
At 31 December 2013				
Cost	8,555	2,610	6,704	17,869
Accumulated depreciation	(3,420)	(1,003)	(2,642)	(7,065)
Net book amount	5,135	1,607	4,062	10,804

6. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation charges were expensed in the following categories in the consolidated statement of comprehensive income:

	2013	2012
	RMB'000	RMB'000
Cost of revenue	**610**	510
Administration expenses	**2,513**	1,200
Selling and marketing costs	**501**	251
	3,624	1,961

7. INTANGIBLE ASSETS

	Computer software RMB'000
At 1 January 2012	
Cost	23
Accumulated amortization	(2)
Net book amount	21
Year ended 31 December 2012	
Opening net book amount	21
Additions	908
Amortization	(58)
Closing net book amount	871
At 31 December 2012	
Cost	931
Accumulated amortization	(60)
Net book amount	871
Year ended 31 December 2013	
Opening net book amount	871
Additions	393
Amortization	(232)
Closing net book amount	1,032
At 31 December 2013	
Cost	1,324
Accumulated amortization	(292)
Net book amount	1,032

Amortization of intangible assets was charged to administrative expenses for the years ended 31 December 2013 and 2012.

8. FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables RMB'000	Assets at fair value through profit or loss RMB'000	Total RMB'000
Assets as per balance sheet			
Group			
At 31 December 2013			
Trade and other receivables	**76,418**	**—**	**76,418**
Financial assets at fair value through profit or loss	**—**	**107,000**	**107,000**
Short-term investments	**223,000**	**—**	**223,000**
Cash and cash equivalents	**965,566**	**—**	**965,566**
	1,264,984	**107,000**	**1,371,984**
At 31 December 2012			
Trade and other receivables	47,011	—	47,011
Financial assets at fair value through profit or loss	—	124,322	124,322
Cash and cash equivalents	274,682	—	274,682
	321,693	124,322	446,015

	Loans and receivables RMB'000	Assets at fair value through profit or loss RMB'000	Total RMB'000
Company			
At 31 December 2013			
Other receivables	**548**	**—**	**548**
Cash and cash equivalents	**733,785**	**—**	**733,785**
	734,333	**—**	**734,333**
At 31 December 2012			
Other receivables	348	—	348
Cash and cash equivalents	38,488	—	38,488
	38,836	—	38,836

8. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	Liabilities at amortized cost RMB'000	Liabilities at fair value RMB'000	Total RMB'000
Liabilities per balance sheet			
Group			
At 31 December 2013			
Trade and other payables (excluding advance from sales of prepaid cards, salary and staff welfare payables and other taxes payable)	**25,195**	**—**	**25,195**
At 31 December 2012			
Trade and other payables (excluding advance from sales of prepaid cards, salary and staff welfare payables and other taxes payable)	16,590	—	16,590
Series A Preferred Shares	—	42,980	42,980
	16,590	42,980	59,570
Company			
At 31 December 2013			
Amounts due to subsidiaries and other payables	**38,330**	**—**	**38,330**
At 31 December 2012			
Amounts due to subsidiaries and other payables	15,980	—	15,980
Series A Preferred Shares	—	42,980	42,980
	15,980	42,980	58,960

9. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE TO SUBSIDIARIES – COMPANY

(a) *Investments in subsidiaries*

	2013 RMB'000	2012 RMB'000
Investments in subsidiaries:		
– Investment in a subsidiary (Note (i))	8	8
– Deemed investments arising from share-based compensation (Note (ii))	56,481	9,109
	56,489	9,117

The following is a list of the principal subsidiaries (including structured entities) at 31 December 2013:

Company name and kind of legal entity	Place and date of incorporation/ establishment	Issued and paid-in capital/ registered capital	Equity interest held by the Company and non-controlling interests	Principal activities and place of operation
Boyaa Holdings Limited, Limited liability company	BVI, 1 August 2013	USD 1	100% (direct), Nil	Investment holding, BVI
Boyaa Interactive (Hong Kong) Limited, Limited liability company	Hong Kong, 8 July 2010	Hong Kong dollar ("HKD") 10,000	100% (indirect), Nil	Provision of marketing and collection services to Boyaa Shenzhen, Hong Kong
Boyaa PRC, Limited liability company	The PRC, 29 November 2010	USD5,000,000	100% (indirect), Nil	Operation of online games and provision of advisory services, the PRC
Boyaa Shenzhen, Limited liability company	The PRC, 13 February 2004	RMB10,000,000	100% (indirect), Nil	Development of online games, the PRC
Boyaa Interactive (Thailand) Limited ("Boyaa Thailand"), Limited liability company	Thailand, 25 June 2012	THB4,000,000	97.96% (indirect), 2.04%*	Provision of advisory services relating to online game applications, Thailand

9. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE TO SUBSIDIARIES – COMPANY *(Continued)*

(a) Investments in subsidiaries (Continued)

* The directors of the Company consider that the non-controlling interests of Boyaa Thailand during the years ended 31 December 2013 and 2012 were insignificant to the Group and thus are not separately presented in the consolidated financial statements. In addition, no separate financial information of this non-wholly owned subsidiary is required to be presented.

(i) The Company's investment cost in a subsidiary is HKD10,000.

(ii) The amount represents share-based compensation expenses arising from the grant of share options and RSUs of the Company to employees (Note 20) in exchange for their services provided to certain subsidiaries of the Group, which were deemed to be investments made by the Company to these subsidiaries.

(b) Amounts due to subsidiaries

The amounts due to subsidiaries as at 31 December 2013 and 2012 represented current account balances maintained by the Company with certain subsidiaries. All balances are unsecured, interest-free and repayable on demand.

10. INVESTMENTS IN ASSOCIATES

	2013 **RMB'000**	2012 RMB'000
At 1 January	**8,946**	10,161
Additions	**—**	1,000
Disposal	**(1,146)**	—
Share of profit/(loss)	**177**	(1,341)
Dilution gain	**—**	941
Impairment loss	**—**	(1,815)
At 31 December	**7,977**	8,946

10. INVESTMENTS IN ASSOCIATES *(Continued)*

As at 31 December 2013 and 2012, the Group's share of the results of its investments in associates, all of which are unlisted, and the aggregated assets (including goodwill) and liabilities, are as follows:

Name	Principal activities/ Country of incorporation	Assets	Liabilities	Revenues	Profit /(Loss)	interest held
		RMB'000	RMB'000	RMB'000	RMB'000	%
At 31 December 2013						
Shenzhen Fanhou Technoloy Co., Ltd. ("深圳市飯後科技有限公司") ("Fanhou Technoloy")	Game development/The PRC	**4,388**	**33**	**2,782**	**(1,153)**	**24%**
RaySns Technology Co., Ltd. ("雷尚(北京)科技有限公司") ("RaySns Technology")	Game development/The PRC	**4,034**	**412**	**3,172**	**1,330**	**16%**
Shanghai Teqi Internet Technology Co., Ltd. ("上海特奇網絡科技有限公司") ("Teqi Internet")	Game development/The PRC	**89**	**32**	**358**	**—**	**28%**
		8,511	**477**	**6,312**	**177**	
At 31 December 2012						
Fanhou Technoloy	Game development/The PRC	5,654	146	1,332	(1,762)	24%
RaySns Technology	Game development/The PRC	3,555	117	2,704	1,075	24%
Teqi Internet	Game development/The PRC	688	57	63	(264)	28%
Shenzhen Duoluo Technology Co., Ltd. (深圳多羅科技有限公司) ("Duoluo Technology")	Game development/The PRC	610	—	—	(390)	40%
		10,507	320	4,099	(1,341)	

In November 2012, a third-party investor invested RMB6,000,000 and obtained 20% equity interest in RaySns Technology. As a result, the Group's equity interest in RaySns Technology was diluted from 30% to 24%, which resulted in a dilution gain of approximately RMB941,000 recognized for the year ended 31 December 2012. The dilution gain represented the difference between the attributable carrying value of the investment deemed to be disposed of immediately prior to the third-party investor made the investment and the Group's share of the investment made by the third-party investor.

10. INVESTMENTS IN ASSOCIATES *(Continued)*

In February 2013, 8% equity interest held by the Group in RaySns Technology was repurchased by RaySns Technology at a consideration of RMB2,000,000, which resulted in a gain of approximately RMB854,000. As a result, the Group's equity interest in RaySns Technology was reduced from 24% to 16%. Since the Group still retains the contractual right to appoint a director to the board of directors of RaySns Technology, the directors of the Company consider that the Group has significant influence exercised on RaySns Technology, and it is continued to be accounted for as an associate of the Group accordingly.

As a result of unfavourable operating performances, Duoluo Technology and Teqi Internet reported continuous losses. Duoluo Technology had hence commenced its liquidation process as at 31 December 2012. The directors of the Company considered that the carrying amounts of these investments were not recoverable and full impairment was made against these investments in 2012. Duoluo Technology completed its liquidation in 2013.

The English names of certain associates referred herein represent management's best efforts in translating the Chinese names of these companies as no English names have been registered.

The directors consider that there were no material associates which warrant disclosure of separate financial information.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2013 **RMB'000**	2012 RMB'000
At 1 January	**—**	4,600
Impairment provision	**—**	(4,600)
At 31 December, all non-current and unlisted	**—**	—

In December 2011, the Group acquired 13% equity interest in Blingstorm Entertainment Ltd. (晶合思動(北京)科技有限公司, "Blingstorm"), which is mainly engaged in provision of mobile games in the PRC, at a consideration of RMB4,600,000.

Blingstorm reported significant loss in 2012 and 2013 due to poor performance. The directors of the Company consider that the carrying amount of the investment was not recoverable and full impairment was made against the investment in 2012 and 2013.

12. DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2013 **RMB'000**	2012 RMB'000
Deferred tax assets:		
– to be recovered within 12 months	**4,383**	2,844
Deferred tax liabilities:		
– to be recovered after more than 12 months	**(591)**	(493)
– to be recovered within 12 months	**—**	(410)
	(591)	(903)
Deferred tax assets – net	**3,792**	1,941

The gross movement on the deferred income tax account is as follows:

	2013 **RMB'000**	2012 RMB'000
At 1 January	**1,941**	1,822
Recognized in profit or loss (Note 28)	**1,851**	119
At 31 December	**3,792**	1,941

12. DEFERRED INCOME TAX *(Continued)*

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

The movement in deferred tax assets is as follows:

	Deferred revenue and prepaid commission charges	Fair value changes of financial assets at fair value through profit or loss	Provision for impairment of trade receivables	Tax losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012	996	90	608	632	2,326
Credited/(charged) to profit or loss	1,133	(90)	(496)	(29)	518
At 31 December 2012/1 January 2013	**2,129**	**—**	**112**	**603**	**2,844**
Credited/(charged) to profit or loss	**2,120**	**—**	**22**	**(603)**	**1,539**
At 31 December 2013	**4,249**	**—**	**134**	**—**	**4,383**

12. DEFERRED INCOME TAX *(Continued)*

The movement in deferred tax liabilities is as follows:

	Fair value changes of financial assets at fair value through profit or loss	Dilution gains (Note (i))	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2012	11	493	504
Charged to profit or loss	399	—	399
At 31 December 2012/1 January 2013	**410**	**493**	**903**
(Credited)/Charged to profit or loss	**(410)**	**98**	**(312)**
At 31 December 2013	**—**	**591**	**591**

(i) In December 2011, a third-party investor invested RMB19,199,000 and obtained 20% equity interest in Fanhou Technology. As a result, the Group's interest in Fanhou Technology was diluted from 30% to 24% which resulted in a dilution gain of approximately RMB3,942,000 recognized for the year ended 31 December 2011.

(ii) As at 31 December 2013, 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 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.

13. TRADE RECEIVABLES

	2013 **RMB'000**	2012 RMB'000
Trade receivables	**60,268**	38,924
Less: impairment provision (Note (c))	**(892)**	(892)
	59,376	38,032

(a) Trade receivables were arising from the development and operation of online game business. The credit terms of trade receivables granted to the Platforms and third party payment vendors are usually 30 to 60 days. Ageing analysis based on recognition date of the gross trade receivables at the respective balance sheet dates is as follows:

	2013 **RMB'000**	2012 RMB'000
0-60 days	**46,668**	34,138
60-90 days	**7,788**	2,279
90-180 days	**4,440**	1,615
Over 180 days	**1,372**	892
	60,268	38,924

(b) As at 31 December 2013, trade receivables of past due but not impaired were approximately RMB4,831,000 (2012: RMB10,265,000). These related to a number of independent Platforms and third party payment vendors which the Group has not encountered any credit defaults in the past and they are assessed to be financially trustworthy. As a result, the directors of the Company consider that these overdue amounts can be recovered. The ageing analysis of these trade receivables was as follows:

	2013 **RMB'000**	2012 RMB'000
Outstanding after due dates:		
0-60 days	**3,366**	8,761
60-90 days	**1,111**	1,501
Over 90 days	**354**	3
	4,831	10,265

13. TRADE RECEIVABLES *(Continued)*

(c) As at 31 December 2013, trade receivables of RMB892,000 were impaired (2012: RMB892,000). The ageing of these receivables was over 180 days as at 31 December 2013 and 2012. Movements on the Group's provision for impairment of trade receivables are as follows:

	2013 **RMB'000**	2012 RMB'000
At 1 January	**892**	4,860
Reversal of provision for impairment	**—**	(3,968)
At 31 December	**892**	892

The provision and reversal of provision for impaired receivables have been included in "administrative expenses" in the consolidated statement of comprehensive income.

(d) The carrying amount of the Group's trade receivables are denominated in the following currencies:

	2013 **RMB'000**	2012 RMB'000
RMB	**18,661**	7,495
HKD	**2,668**	1,265
USD	**28,471**	20,861
Thai Baht	**3,042**	3,392
New Taiwan Dollar	**3,604**	4,128
Other currencies	**2,930**	891
	59,376	38,032

As at 31 December 2013 and 2012, the fair value of trade receivables approximated their carrying amounts.

14. PREPAYMENTS AND OTHER RECEIVABLES

	2013 RMB'000	2012 RMB'000
Included in non-current assets		
Loans to employees (i)	**9,285**	2,649
Included in current assets		
Prepaid commission charges	**10,875**	6,934
Loans to employees (i)	**3,817**	4,504
Prepayment for advertising costs	**1,058**	1,766
Amount due from a third party payment vendor (ii)	**919**	852
Accrued investment return (iii)	**1,551**	—
Others	**1,470**	974
	19,690	15,030
	28,975	17,679

(i) Loans to employees mainly represented advances to employees for various expenses to be incurred in the ordinary course of business and housing loans to certain employees. These loans are unsecured, interest-free and repayable on demand except that RMB9,285,000 are required to be repaid in 3 to 10 years as at 31 December 2013 (2012: RMB2,649,000).

(ii) This represented the balance of the Group's account maintained with a third party payment agent, which was interest-free and can be withdrawn at any time at the Group's discretion.

(iii) It represented the accrued return on the short-term investments (Note 16).

As at 31 December 2013 and 2012, the carrying amounts of other receivables approximated their fair values.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013	2012
	RMB'000	RMB'000
Included in non-current assets		
– Quoted investments	**—**	5,170
– Non-quoted investments	**—**	2,067
	—	7,237
Included in current assets		
– Quoted investments	**—**	32,228
– Non-quoted investments	**107,000**	84,857
	107,000	117,085

The above investments mainly represent investments in certain wealth management products issued by several state-owned financial institutions and commercial banks in the PRC and Hong Kong. These wealth management products are principal protected and with non-guaranteed return. They have an initial term ranging from six months to three years, and were classified as fair value through profit or loss upon initial recognition. Changes in fair values (realized and unrealized) of these financial assets had been recognized in "other gains – net" in the consolidated statement of comprehensive income (Note 26).

The fair values of publicly traded investments were based on quoted market prices. The fair values of non-publicly traded investments were based on the quotations or statements provided by the counterparties. The directors of the Company believe that the estimated fair values based on the quotations or statements provided by the counterparties were reasonable, and that they were the most appropriate values at the end of each reporting period.

16. SHORT-TERM INVESTMENTS

	2013 RMB'000	2012 RMB'000
Short-term investments	**223,000**	—

Short-term investments represent investments in certain wealth management products issued by certain state-owned financial institution and commercial bank in the PRC. These wealth management products are principal protected and with guaranteed return, they are denominated in RMB and have a term ranging from 6 months to 1 year. The effective interest rate for these investments for the year ended 31 December 2013 was 6%.

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Cash at bank and in hand	**265,566**	274,682	**33,785**	38,488
Short-term bank deposits	**700,000**	—	**700,000**	—
	965,566	274,682	**733,785**	38,488

The short-term bank deposits are denominated in RMB and have a term ranging from 1 month to 3 months. The effective interest rate of these deposits for the year ended 31 December 2013 was 3.31%.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
RMB	**896,062**	160,231	**733,247**	5,215
HKD	**25,819**	35,968	**465**	11,072
USD	**42,273**	76,790	**73**	22,201
Others	**1,412**	1,693	**—**	—
	965,566	274,682	**733,785**	38,488

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

18. SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR RSU SCHEME

The total authorized share capital of the Company comprises 1,000,000,000 ordinary shares (2012: 870,422,540 ordinary shares and 129,577,460 Series A Preferred Shares) with par value of USD0.00005 per share (2012: USD0.00005 per share).

As at 31 December 2013, the total number of issued ordinary shares of the Company was 737,559,000 shares (2012: 360,000,000 shares) which included 106,737,190 shares (2012: nil) held under the RSU Scheme (Note 20(e)). 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	Shares held for RSU Scheme RMB'000
At 1 January 2012		180,000	18	123	—	—
Effect of share split	(a)	180,000	—	—	—	—
At 31 December 2012/ 1 January 2013		360,000	18	123	—	—
Issuance of new shares	(b)	177,014	9	54	742,184	—
Issuance of shares held for RSU Scheme	20(e)	70,968	4	22	—	—
Shares transferred to RSU Scheme		—	—	—	—	(33)
Share issuance costs	(c)	—	—	—	(62,617)	—
Conversion of Series A Preferred Shares	(d)	129,577	6	40	58,503	—
At 31 December 2013		737,559	37	239	738,070	(33)

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

(a) On 4 April 2011, 23 November 2011 and 2 March 2012, the Board of the Company approved three share splits of the Company's share capital at a ratio of 1 to 2, 1 to 5 and 1 to 2, respectively. As a result of the above share splits, the issued ordinary share capital at 31 December 2012 became USD18,000 which was divided into 360,000,000 ordinary shares of par value of USD0.00005 each.

(b) On 12 November 2013, upon its Listing on the Main Board of the Stock Exchange of Hong Kong Limited, the Company issued 177,014,000 new ordinary shares at par value of USD0.00005 per share for cash consideration of HKD5.35 each, and raised gross proceeds of approximately HKD947,025,000 (equivalent to RMB742,238,000). The respective paid up capital amount was approximately RMB54,000 and share premium arising from the issuance was approximately RMB742,184,000.

(c) Share issuance costs mainly include share undewriting commissions, lawyers' fees, reporting accountant's fee and other related costs associated with the Listing. Incremental costs that are directly attributable to the issue of the new shares amounting RMB62,617,000 was treated as a deduction against the share premium arising from the issuance.

(d) On 12 November 2013, upon its Listing 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. As a result, the liability component of the Series A Preferred Shares was derecognized and transferred to share capital and share premium. The equity component of the Series A Preferred Shares was transferred to retained earnings.

19. RESERVES

	Capital reserve	Currency translation differences	Statutory surplus reserve fund (Note (i))	Equity component of the Series A Preferred Shares (Note 23)	Share-based compensation reserve (Note 20)	Other reserves (Note (ii))	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group							
At 1 January 2012	2,000	756	6,494	16,061	3,380	(17,899)	10,792
Appropriation to statutory reserves	—	—	14,506	—	—	—	14,506
Employee share option scheme – value of employee services	—	—	—	—	5,729	—	5,729
Currency translation differences	—	11	—	—	—	—	11
At 31 December 2012	2,000	767	21,000	16,061	9,109	(17,899)	31,038
At 1 January 2013	2,000	767	21,000	16,061	9,109	(17,899)	31,038
Transfer to retained earnings (Note 18(d))	—	—	—	(16,061)	—	—	(16,061)
Employee share option scheme – value of employee services	—	—	—	—	47,372	—	47,372
Deemed contribution from shareholders for the shares held for RSU Scheme (Note 20(e))	—	—	—	—	—	33	33
Currency translation differences	—	(8,870)	—	—	—	—	(8,870)
At 31 December 2013	2,000	(8,103)	21,000	—	56,481	(17,866)	53,512

19. RESERVES *(Continued)*

	Currency translation differences RMB'000	Equity component of the Series A Preferred Shares (Note 23) RMB'000	Share-based compensation reserve (Note 20) RMB'000	Other reserves (Note (ii)) RMB'000	Total RMB'000
Company					
At 1 January 2012	557	16,061	3,380	(17,899)	2,099
Employee share option scheme – value of employee services	—	—	5,729	—	5,729
Currency translation differences	3	—	—	—	3
At 31 December 2012	560	16,061	9,109	(17,899)	7,831
At 1 January 2013	560	16,061	9,109	(17,899)	7,831
Transfer to retained earnings (Note 18(d))	—	(16,061)	—	—	(16,061)
Employee share option scheme – value of employee services	—	—	47,372	—	47,372
Deemed contribution from shareholders for the shares held for RSU Scheme (Note 20(e))	—	—	—	33	33
Currency translation differences	(3,918)	—	—	—	(3,918)
At 31 December 2013	(3,358)	—	56,481	(17,866)	35,257

19. RESERVES *(Continued)*

(i) In accordance with the relevant laws and regulations in the PRC and the Articles of Association of Boyaa Shenzhen, it is required to appropriate 10% of the annual statutory net profits after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the share capital, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of share capital.

In addition, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions in the Articles of Association of Boyaa PRC, appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by Boyaa PRC to its reserve funds. The percentage of net profit to be appropriated to the reserve fund is not less than 10% of the net profit. When the balance of the reserve fund reaches 50% of the registered capital, such transfer needs not be made.

(ii) Other reserves at 31 December 2012 represented the difference between the consideration paid to repurchase certain of the Company's ordinary shares in 2011 from a then shareholder and the carrying value of the repurchased share capital (the "Difference"). The above repurchase was accounted for as a transaction between the Company and its then shareholder and therefore, the Difference was debited to "other reserves".

20. SHARE-BASED PAYMENTS

(a) Share options

On 7 January 2011, the Board of the Company approved the establishment of a share option scheme (the "Pre-IPO Share Option Scheme") with the objective to recognize and reward the contribution of eligible directors and employees to the growth and development of the Group.

The exercise price in respect of any option shall be fixed by reference to the fair value of the ordinary shares on the date upon which the option is granted, and subject to any alteration in the capital structure of the Company whilst any option remains exercisable, arising from capitalization of profits or reserves, consolidation, subdivision or reduction of the share capital of the Company. The contractual life of all options under Pre-IPO Share Option Scheme is eight years from the grant date.

(i) Grant of share options

On 1 February 2011, 2 March 2012, 1 July 2012 and 1 November 2012, the Group granted 50,415,000 ("Tranche I"), 775,000 ("Tranche II"), 1,180,000 ("Tranche III") and 6,760,563 ("Tranche IV") share options to its employees and directors, respectively. The numbers of the above share options have been adjusted to reflect the effect of the share splits as described in Note 18(a).

The vesting period of the share options granted is 4 years and the vesting schedules is 25% after 12 months from the grant date, 12.5% after 18 months from the grant date, 12.5% after 24 months from the grant date, and 2.083% from each month of 25 to 48 months from the grant date.

The options may be exercised provided that the grantees continue to be employed by the Group and the occurrence of the Listing.

The Group has no legal or constructive obligations to repurchase or settle the options in cash.

(ii) Replacement of certain share options with RSUs

On 4 March 2013, the Group modified the then existing share option scheme such that 25,195,000, 362,500, 590,000 and 3,380,282 of share options granted under Tranche I, Tranche II, Tranche III and Tranche IV of the scheme, respectively, were replaced by the same number of RSUs under the RSU Scheme (see Note (b) below). The major changes are that there is no consideration payable by the grantees for the RSUs, while there were assigned exercise prices for the options exchanged. Such changes represent a modification of the instruments granted for share based payments and resulted in an aggregate incremental fair value of approximately RMB9,700,000.

Notes to the Consolidated Financial Statements

20. SHARE-BASED PAYMENTS *(Continued)*

(a) Share options (Continued)

(iii) Outstanding share options

Movements in the number of share options outstanding:

	Number of share options 2013	2012
At 1 January	**59,130,563**	50,415,000
Granted	**—**	8,715,563
Lapsed	**(75,000)**	—
Transferred to the RSU Scheme	**(29,527,782)**	—
At 31 December	**29,527,781**	59,130,563

None of the above awarded share options were exercised during the years ended 31 December 2013 and 2012.

Details of the exercise prices and the respective numbers of share options which remained outstanding as at 31 December 2013 and 2012 are as follows:

Expiry Date	price	Number of share options 2013	2012
Tranche I	USD0.05	**25,195,000**	50,415,000
Tranche II	USD0.10	**362,500**	775,000
Tranche III	USD0.15	**590,000**	1,180,000
Tranche IV	USD0.15	**3,380,281**	6,760,563
		29,527,781	59,130,563

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.

20. SHARE-BASED PAYMENTS *(Continued)*

(b) RSUs

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

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

Apart from the RSUs granted for replacement of certain then existing share options as described in Note (a) above, on 4 March 2013, the Group granted 50,516,783 additional RSUs to its employees and directors. The vesting period of the RSUs granted is 4 years and the vesting schedule is 25% after 12 months from the grant date, 12.5% after 18 months from the grant date, 12.5% after 24 months from the grant date, and 2.083% from each month of 25 to 48 months from the grant date. The expiry date of the above newly granted RSUs is 3 March 2021.

Movements in the number of RSUs outstanding:

	Number of RSUs	
	2013	2012
At 1 January	**—**	—
Transferred from the Pre IPO Share Option Scheme	**29,527,782**	—
Granted	**50,516,783**	—
Lapsed	**(390,000)**	—
At 31 December	**79,654,565**	—

None of the above awarded RSUs were exercised during the years ended 31 December 2013 and 2012.

20. SHARE-BASED PAYMENTS *(Continued)*

(c) *Fair value of share options and RSUs*

The directors of the Company appointed an independent valuer, Avista Valuation Advisory Limited, to estimate the fair values of the above share options and RSUs as at the respective grant dates and modification date. The fair values of the share options were determined using the Binominal model. The fair values of the share options granted on 1 February 2011, 2 March 2012, 1 July 2012 and 1 November 2012 were approximately RMB11,239,000, RMB445,000, RMB769,000 and RMB6,436,000, respectively. The fair value of the RSUs was determined using the income approach/discounted cash flow method and the aggregate fair value of the RSUs granted on 4 March 2013 was assessed to be approximately RMB85,000,000.

The key assumptions used in the valuation of share options are set out in the table below:

	Grant on 1 February 2011	**Grant on 2 March 2012**	**Grant on 1 July 2012**	**Grant on 1 November 2012**
Dividend yield	0%	0%	0%	0%
Volatility	53.8%-55.1%	47.6%-53.9%	46.1%-53.2%	46.2%-52.1%
Risk-free rate	1.50%-3.06%	0.42%-1.66%	0.39%-1.35%	0.34%-1.45%
Discount for lack of control	15.0%	15.0%	15.0%	15.0%

The key assumptions used in the valuation of the RSUs on the grant date are set out in the table below:

Discount rate (%)	26.2%
Discount for lack of control (%)	15.0%

(d) *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 31 December 2013, the Expected Retention Rate was assessed to be 85% (2012: 100%).

20. SHARE-BASED PAYMENTS *(Continued)*

(e) 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 shall act as the administrator of the RSU Scheme and the RSU Nominee shall hold the shares underlying the RSU Scheme. On 23 October 2013, Boyaa Global 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 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.

21. TRADE AND OTHER PAYABLES

	2013	2012
	RMB'000	RMB'000
Trade payables	**635**	484
Other taxes payable	**43,671**	31,780
Salary and staff welfare payables	**16,453**	11,526
Accrued expenses	**19,368**	14,557
Advance received from sales of prepaid game cards	**12,332**	3,075
Others	**5,192**	1,549
	97,651	62,971

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:

	2013	2012
	RMB'000	RMB'000
0-180 days	**536**	467
Over 180 days	**99**	17
	635	484

22. 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 31 December 2013 and 2012.

23. SERIES A PREFERRED SHARES

On 30 September 2010, the Company entered into a share purchase agreement with Sequoia Capital and pursuant to which, the Company issued 6,478,873 shares (equal to 129,577,460 shares after the three share splits as described in Note 18(a) above) of Series A Preferred Shares at a price of USD0.9261 per share with total amount of USD6,000,084 (equivalent to approximately RMB39,805,000). 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.

The key terms of the Series A Preferred Shares are summarized as follows:

(a) Conversion feature

Each holder of Series A Preferred Shares should have the right, at such holder's sole discretion, to convert all or any portion of the Series A Preferred Shares into such number of fully paid ordinary shares per preferred share as is determined by dividing the original purchase price by the conversion price which equals to the original purchase price except that in the event the outstanding ordinary shares shall be subdivided (by share dividend, share split, or otherwise), into a greater number of ordinary shares, the conversion prices for each preferred share then in effect shall, concurrently with the effectiveness of such subdivision, be proportionately decreased. In the event the outstanding ordinary shares shall be combined or consolidated, by reclassification or otherwise, into a lesser number of ordinary shares, the conversion price for each preferred share then in effect shall, concurrently with the effectiveness of such combination or consolidation, be proportionately increased.

All Series A Preferred Shares would automatically be converted into ordinary shares upon: (a) closing of a qualified initial public offering, as defined; or (b) the approval by holders of at least 80% of then outstanding Series A Preferred Shares.

23. SERIES A PREFERRED SHARES *(Continued)*

(b) Redemption feature

At any time: (a) on or after the fourth anniversary of the closing date of the issuance of the Series A Preferred Shares; or (b) the occurrence of redemption events, as defined, The Company should redeem all of the outstanding Series A Preferred Shares, at a redemption price for each Series A Preferred Shares equal to the greater of the original purchase price plus (a) 5% annual non-compound interest based on original purchase price; or (b) all accumulated and unpaid dividends ratably payable to holders of Series A Preferred Shares.

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. The difference between the cash consideration received by the Company and the then assessed fair value of the Series A Preferred Shares, amounting to approximately RMB4,909,000, was recognized as an expense of the Company immediately upon the issuance of the Series A Preferred Shares in 2011 due to the fact that there were no vesting conditions imposed on these shares to Sequoia Capital.

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 recognized 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.

23. SERIES A PREFERRED SHARES *(Continued)*

The movement of the liability component of the Series A Preferred Shares is set out below:

	RMB'000
Liability component as at 1 January 2012	34,869
Fair value change	8,229
Exchange gains	(118)
Liability component as at 31 December 2012	42,980
Liability component as at 1 January 2013	42,980
Fair value change	16,922
Exchange gains	(1,359)
Conversion into ordinary shares (Note 18(d))	(58,543)
Liability component as at 31 December 2013	—

The directors used the discounted cash flow method to determine the underlying share value of the Company and adopted equity allocation method to determine the fair value of the Series A Preferred Shares as a whole and the fair value of the liability component of the Series A Preferred Shares under liquidation preferences as of the date of issuance and at the end of each reporting period if applicable. The fair value of the liability component of the Series A Preferred Shares under redemption feature as of the date of issuance and at the end of each reporting period was determined using the discounted cash flow method.

23. SERIES A PREFERRED SHARES *(Continued)*

Key valuation assumptions used to determine the fair value of the Series A Preferred Shares and the fair value of the liability component of the Series A Preferred Shares (up to the date of conversion into ordinary shares) are as follows:

	12 November 2013 (converion date)	31 December 2012
Discount rate used to determine the fair value of the liability component under the redemption feature ("Discount rate 1")	**10.7%**	13.0%
Discount rate used to determine the underlying share value of the Company ("Discount rate 2")	**20.1%**	28.3%
Risk-free interest rate	**0.18%**	0.36%
Volatility	**44.1%**	46.7%

Discount rate 1 was estimated based on the bond yield derived from comparable corporate bonds. Discount rate 2 was estimated by weighted average cost of capital as of each appraisal date. The directors estimated the risk-free interest rate based on the yield of US Treasury Strips with a maturity life equal to period from the valuation date to expected exit date. Volatility was estimated at the dates of appraisal based on average of historical volatilities of the comparable companies in the same industry. Probability weight for the liability component under each of the redemption feature and liquidation preferences was based on the directors' best estimates. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of Series A Preferred Shares on each appraisal date.

24. EXPENSES BY NATURE

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

	2013 RMB'000	2012 RMB'000
Commission charges by Platforms and third party payment vendors	**189,450**	159,615
Advertising expenses	**122,339**	68,330
Employee benefit expenses (excluding share-based compensation expenses) (Note 25)	**83,709**	54,252
Share-based compensation expenses	**47,372**	5,729
Business tax, value-added tax and related surcharges (Note (a))	**21,381**	21,624
Servers rental expenses	**12,900**	8,961
Reversal of impairment charges on trade receivables	**—**	(3,968)
Auditor's remuneration	**2,101**	133
Listing-related expenses	**18,875**	3,000
Other professional service fees	**3,406**	3,021
Depreciation of property, plant and equipment (Note 6)	**3,624**	1,961
Office rental expenses	**5,151**	2,498
Travelling and entertainment expenses	**4,700**	1,791
Other expenses	**9,145**	5,601
	524,153	332,548

(a) Business tax, value-added 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
	5% prior to 15 May 2013	Revenue from provision of on-line game related advisory services
Value-added tax ("VAT")	3% since 15 May 2013 and 6% since 1 September 2013	Revenue from provision of on-line game related advisory services
City construction tax	7%	Actual BT and VAT payment
Educational surcharges	3%	Actual BT and VAT payment

24. EXPENSES BY NATURE *(Continued)*

(b) Research and development expenses during the years ended 31 December 2013 and 2012 were analyzed as below:

	2013 RMB'000	2012 RMB'000
Employee benefit expenses	**30,163**	20,435
Depreciation of property, plant and equipment	**522**	245
Rental expenses	**1,322**	474
	32,007	21,154

No development expenses were capitalized for the years ended 31 December 2013 and 2012.

25. EMPLOYEE BENEFIT EXPENSES

(a) Employee benefit expenses

	2013 RMB'000	2012 RMB'000
Wages, salaries and bonuses	**69,017**	46,366
Pension costs – defined contribution plans	**13,405**	7,031
Share-based compensation expenses	**47,372**	5,729
Others	**1,287**	855
	131,081	59,981

Employees of the Group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds which are calculated on fixed percentage of 14% of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees.

25. EMPLOYEE BENEFIT EXPENSES *(Continued)*

(b) Directors' emoluments

The remuneration of each director for the year ended 31 December 2013 is set out as below:

Name of director		Fees RMB'000	Salaries, bonus, allowance and benefits RMB'000	Employer's contribution to pension scheme RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Mr. Zhang Wei	(i)	—	1,410	11	—	1,421
Mr. Dai Zhikang	(ii)	—	—	—	—	—
Mr. Gao Junfeng	(iii)	—	1,446	11	8,935	10,392
Mr. Zhou Kui	(iv)	—	—	—	—	—
Mr. Gao Shaofei	(v)	30	—	—	—	30
Mr. Cheung Ngai Lam	(vi)	45	—	—	—	45
Mr. Choi Hon Keung Simon	(vii)	37	—	—	—	37

The remuneration of each director for the year ended 31 December 2012 is set out as below:

Name of director	Fees RMB'000	Salaries, bonus, allowance and benefits RMB'000	Employer's contribution to pension scheme RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Mr. Zhang Wei	—	392	6	—	398
Mr. Dai Zhikang	—	—	—	—	—
Mr. Gao Junfeng	—	236	2	564	802
Mr. Zhou Kui	—	—	—	—	—
Mr. Gao Shaofei	—	—	—	—	—
Mr. Cheung Ngai Lam	—	—	—	—	—
Mr. Choi Hon Keung Simon	—	—	—	—	—

25. EMPLOYEE BENEFIT EXPENSES *(Continued)*

(b) Directors' emoluments (Continued)

(i) Mr. Zhang Wei was appointed on 14 June 2010. He is also the chief executive officer ("CEO") of the Group.

(ii) Mr. Dai Zhikang was appointed on 19 August 2013.

(iii) Mr. Gao Junfeng was appointed on 23 October 2013 with effect upon the Listing.

(iv) Mr. Zhou Kui was appointed on 7 January 2013.

(v) Mr. Gao Shaofei was appointed on 25 October 2013.

(vi) Mr. Cheung Ngai Lam was appointed on 25 October 2013.

(vii) Mr. Choi Hon Keung Simon was appointed on 25 October 2013.

(c) Senior management's emoluments

Senior management includes directors, CEO and other senior executives. The aggregate compensation paid/payable to senior management for employee services excluding the directors and the CEO whose details have been reflected in Note (b) above is as follows:

	2013 **RMB'000**	2012 RMB'000
Salaries, bonuses, allowances and benefits in kind	**1,724**	2,167
Contributions to pension plans	**45**	37
Share-based compensation expenses	**3,642**	3,759
	5,411	5,963

The emoluments of the senior management fell within the following bands:

	2013	2012
Emoluments bands		
Nil to HKD1,000,000	**—**	1
HKD1,000,001 to HKD1,500,000	**2**	1
HKD1,500,001 to HKD2,000,000	**—**	2
HKD2,000,001 to HKD2,500,000	**2**	—

Notes to the Consolidated Financial Statements

25. EMPLOYEE BENEFIT EXPENSES *(Continued)*

(d) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group in 2013 include 2 directors whose emoluments are reflected in the analysis presented above (2012: 1). The aggregate amounts of emoluments for the remaining 3 individuals in 2013 (2012: 4) are set out below:

	2013	2012
	RMB'000	RMB'000
Wages, salaries and bonuses	**1,314**	1,847
Pension cost – defined contribution plans	**34**	12
Share-based compensation expenses	**3,187**	3,759
Other employee benefits	**16**	16
	4,551	5,634

The emoluments payable to these individuals for the years ended 31 December 2013 and 2012 fell within the following bands:

	2013	2012
Emoluments bands		
Nil to HKD1,000,000	**—**	4
HKD1,000,001 to HKD1,500,000	**1**	—
HKD1,500,001 to HKD2,000,000	**—**	—
HKD2,000,001 to HKD2,500,000	**2**	—

For the years ended 31 December 2013 and 2012, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

26. OTHER GAINS – NET

	2013 RMB'000	2012 RMB'000
Realized/unrealized fair value gains on financial assets at fair value through profit or loss	**9,296**	10,362
Government subsidies (a)	**5,339**	8,073
Return on short-term investments	**4,837**	—
Gain arising from partial disposal of an associate (Note 10)	**854**	—
Foreign exchange losses, net	**(303)**	(702)
Loss on disposals of property, plant and equipment	**(9)**	(41)
Impairment charges on investments in associates and available-for-sale financial assets	**—**	(6,415)
Dilution gains arising from deemed disposal of investment in certain associates (Note 10)	**—**	941
Others	**(932)**	(871)
	19,082	11,347

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

27. FINANCE COSTS – NET

	2013 RMB'000	2012 RMB'000
Finance income		
Interest income	**2,018**	510
Finance costs		
Fair value change of liability component of Series A Preferred Shares	**(16,922)**	(8,229)
Foreign exchange income/(losses), net	**3,266**	(3)
	(13,656)	(8,232)
Finance costs – net	**(11,638)**	(7,722)

28. INCOME TAX EXPENSE

The income tax expense of the Group for the years ended 31 December 2013 and 2012 is analyzed as follows:

	2013 RMB'000	2012 RMB'000
Current tax	**31,074**	44,809
Deferred tax (Note 12)	**(1,851)**	(119)
	29,223	44,690

(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.

28. INCOME TAX EXPENSE *(Continued)*

(b) Hong Kong profits tax

Hong Kong profits tax has been provided for as there was business operation that is subject to Hong Kong profits tax. It has been provided for at the rate of 16.5% on the estimated assessable profits for the years ended 31 December 2013 and 2012.

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

The income tax provision of the Group in respect of operations in the PRC has been calculated at the tax rate of 25% on the estimated assessable profits for the years ended 31 December 2013 and 2012, based on the existing legislation, interpretations and practices in respect thereof.

Boyaa Shenzhen qualified as a "High and New Technology Enterprise" ("HNTE") 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 12.5% for the year ended 31 December 2013 (2012: 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 year ended 31 December 2013 (2012: 25%).

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engage in research and development activities are entitled to claim 150% of the research and development expenses so incurred in a year as tax deductible expenses in determining its tax assessable profits for that year ("Super Deduction"). Boyaa Shenzhen has claimed such Super Deduction in ascertaining its tax assessable profits for the years ended 31 December 2013 and 2012.

Notes to the Consolidated Financial Statements

28. 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%.

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:

	2013 **RMB'000**	2012 RMB'000
Profit before income tax	**164,730**	187,481
Add: Share of (profit)/loss of associates	**(177)**	1,341
	164,553	188,822
Tax calculated at a tax rate of 25% (2012: 25%)	**41,138**	47,206
Tax effects of:		
– Effect of tax holiday on assessable profits of subsidiaries	**(13,705)**	(4,045)
– Effect of different tax rates available to different subsidiaries of the Group	**(8,459)**	70
– Re-measurement of deferred tax as a result of change in tax rate	**(390)**	—
– Expenses not deductible for tax purposes	**11,699**	2,098
– Effect of Super Deduction	**(1,060)**	(639)
Income tax expense	**29,223**	44,690

29. 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 year, excluding ordinary shares held for the RSU Scheme which are treated as treasury shares.

	2013 **RMB'000**	2012 RMB'000
Profit attributable to equity holders of the Company	**135,507**	142,791
Weighted average number of ordinary shares in issue (thousand shares) (Note (i))	**311,226**	215,560
Basic earnings per share (expressed in RMB cents per share)	**43.54**	66.24

(i) On 30 September 2010, the Company and Sequoia Capital entered into a share purchase agreement ("SPA") under which the Company issued 6,478,873 Series A Preferred Shares (Note 23) at a price of USD0.9261 per share with a total consideration of USD6,000,084 (equivalent to approximately RMB39,805,000) to Sequoia Capital on 7 January 2011.

Also as a closing condition to the SPA and 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 on escrow with the Company as Restricted Shares, the weighted average number of ordinary shares in issue for the year ended 31 December 2013 for purpose of computing the basic earnings per share would be 397,714,000 (2012: 360,000,000), and the basic earnings per share would be RMB34.07 cents per share for the year ended 31 December 2013 (2012: RMB39.66 cents per share).

29. 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 year ended 31 December 2012, 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 occurrence of the Listing as described in Note 20 above. 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 year ended 31 December 2013, the Company had four categories of dilutive potential ordinary shares, share options, RSUs, the Restricted Shares and Series A Preferred Shares. For the 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. Restricted Shares were assumed to have been fully vested from the beginning of the reporting period to the date of Listing and released from restrictions with no impact on earnings. The Series A Preferred Shares are assumed to have been converted into ordinary shares from the beginning of the reporting period to the conversion date, and the net profit is adjusted to eliminate the fair value change in the liability component.

29. EARNINGS PER SHARE *(Continued)*

(b) Diluted (Continued)

	2013 RMB'000	2012 RMB'000
Profit attributable to equity holders of the Company	**135,507**	142,791
Fair value change in the liability component of the Series A Preferred Shares	**16,922**	8,229
Profit used to determine diluted earnings per share	**152,429**	151,020
Weighted average number of ordinary shares in issue (thousand shares)	**311,226**	215,560
Adjustment for the Restricted Shares (thousand shares)	**83,913**	144,440
Adjustment for conversion of Series A Preferred Shares (thousand shares)	**111,827**	129,577
Adjustment for RSUs (thousand shares)	**64,065**	—
Adjustment for share options (thousand shares)	**27,420**	—
Weighted average number of ordinary shares for calculating diluted earnings per share (thousand shares)	**598,451**	489,577
Diluted earnings per share (expressed in RMB cents per share)	**25.47**	30.85

30. DIVIDENDS

A final dividend in respect of the year ended 31 December 2013 of RMB0.089 per share (equivalent to HKD0.112 per share) (2012: nil), amounting to a total dividend of approximately RMB65,640,000, was proposed pursuant to a resolution passed by the Board on 27 February 2014 and subject to the approval of the shareholders at the annual general meeting to be held on 8 May 2014. The consolidated financial statements do not reflect this dividend payable.

31. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with the financial statements of the Company to the extent of RMB2,080,000 (2012: RMB6,479,000).

32. CASH GENERATED FROM OPERATIONS

	2013 RMB'000	2012 RMB'000
Profit before income tax	**164,730**	187,481
Adjustments for:		
– Reversal of impairment charges on trade receivables (Note 13)	**—**	(3,968)
– Impairment charges on investments in associates and available-for-sale financial assets (Note 26)	**—**	6,415
– Depreciation of property, plant and equipment (Note 6)	**3,624**	1,961
– Amortization of intangible assets (Note 7)	**232**	58
– Loss on disposals of property, plant and equipment (Note 26)	**9**	41
– Share-based payments (Note 25)	**47,372**	5,729
– Realized and unrealized fair value gains on financial assets at fair value through profit or loss (Note 26)	**(9,296)**	(10,362)
– Return on short-term investments (Note 26)	**(4,837)**	—
– Gains arising from disposal of an associate (Note 10)	**(854)**	—
– Fair value change of the liability component of Series A Preferred Shares (Note 27)	**16,922**	8,229
– Share of (profit)/loss of associates	**(177)**	1,341
– Dilution gain (Note 10)	**—**	(941)
– Interest income (Note 27)	**(2,018)**	(510)
– Foreign exchange losses, net	**2,833**	3
	218,540	195,477
Changes in working capital:		
– Trade receivables	**(21,344)**	(5,766)
– Prepayments and other receivables	**(9,745)**	(7,482)
– Trade and other payables	**24,454**	34,179
– Deferred revenue	**15,233**	11,949
Cash generated from operations	**227,138**	228,357

32. CASH GENERATED FROM OPERATIONS *(Continued)*

In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

	2013	2012
	RMB'000	RMB'000
Net book amount (Note 6)	**12**	41
Loss on disposals (Note 26)	**(9)**	(41)
Other receivables	**(3)**	—
Proceeds from disposals	**—**	—

Non-cash transactions

The principal non-cash transaction for the year ended 31 December 2013 was the conversion of Series A Preferred Shares to ordinary shares (Note 18(d)).

33. SIGNIFICANT RELATED PARTY TRANSACTIONS

Save as disclosed in other notes, the following significant transactions were carried out between the Group and its related parties for the years ended 31 December 2013 and 2012. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Discontinued related party transactions

(i) Commission charges by companies controlled by a close family member of a director

	2013	2012
	RMB'000	RMB'000
Beijing Qihu Technology Company Limited ("Beijing Qihu")	**—**	209
Beijing Star World Technology Co., Ltd. ("Beijing Star World")	**—**	776
	—	985

The ultimate controlling party of Beijing Qihu and Beijing Star World was the spouse of Ms. Hu Huan who has ceased to be a director of Boyaa Shenzhen since December 2012.

34. OPERATING LEASE COMMITMENTS

The Group leases servers and office buildings under non-cancellable operating lease agreements. The lease terms are between 2 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:

	2013	2012
	RMB'000	RMB'000
Not later than 1 year	**7,392**	3,487
Later than 1 year and not later than 5 years	**10,385**	969
	17,777	4,456

35. CONTINGENCIES

The Group had no material contingent liabilities outstanding as at 31 December 2013.

36. SUBSEQUENT EVENTS

There were no material subsequent events during the period from 31 December 2013 to the approval date of these consolidated financial statements by the Board on 27 February 2014.