The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

September 19, 2013

The Directors
Forgame Holdings Limited

Morgan Stanley Asia Limited and J.P. Morgan Securities (Far East) Limited

Dear Sirs,

We report on the financial information of Forgame Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the consolidated balance sheets as of December 31, 2010, 2011 and 2012 and June 30, 2013, the balance sheets of the Company as of December 31, 2011 and 2012 and June 30, 2013, the consolidated statements of comprehensive (loss)/income, the consolidated statements of changes in (deficit)/equity and the consolidated statements of cash flows for each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated September 19, 2013 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on July 26, 2011 as an exempted company with limited liability under the Companies Law (2011 Revision) of the Cayman Islands. Pursuant to a group reorganization as described in Note 1(b) of Section II headed "History and reorganization of the Group" below, which was completed on June 15, 2012, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganization").

As of the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1(b) of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

No audited financial statements have been prepared by the Company as it is not required to issue audited financial statements under the statutory requirement in the Cayman Islands. The audited financial statements of the other companies now comprising the Group as of the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 1(b) of Section II.

The directors of the Company have prepared the consolidated financial statements of the Company for the Relevant Periods, in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "Underlying Financial Statements"). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with IFRSs. PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所(特殊普通合夥)) has audited the Underlying Financial Statements in accordance with

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International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board ("IAASB") pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as of December 31, 2011 and 2012 and June 30, 2013 and of the state of affairs of the Group as of December 31, 2010, 2011 and 2012 and June 30, 2013 and of the Group's results and cash flows for the Relevant Periods then ended.

Review of Stub Period Comparative Financial Information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Prospectus which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2012 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below.

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

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I. FINANCIAL INFORMATION

The following is the financial information of the Group prepared by the directors of the Company as of December 31, 2010, 2011 and 2012 and June 30, 2013, and for each of the years ended December 31, 2010, 2011 and 2012 and each of the six months ended June 30, 2012 and 2013 (the "Financial Information").

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS)/ INCOME

		Year Ended December 31,			Six Months Ended June 30,	
	Section II Note	2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000 (unaudited)	2013 RMB'000
Revenue	5	95,078	384,009	776,649	347,122	573,748
Cost of revenue	6	(54,701)	(68,830)	(79,088)	(30,973)	(64,117)
Gross profit		40,377	315,179	697,561	316,149	509,631
Selling and marketing expenses	6	(26,636)	(59,464)	(178,726)	(78,778)	(158,945)
Administrative expenses	6	(7,178)	(125,697)	(36,462)	(12,953)	(46,854)
Research and development expenses	6	(46,997)	(89,845)	(200,624)	(74,284)	(141,252)
Other income	7	24	463	2,788	1,943	1,766
Other losses	8	—	(123)	(946)	(405)	(744)
Operating (loss)/profit		(40,410)	40,513	283,591	151,672	163,602
Finance income	10	—	—	—	—	1,906
Finance costs	10	—	—	(3,645)	(3,645)	—
Finance (costs)/income, net	10	—	—	(3,645)	(3,645)	1,906
Fair value loss of convertible redeemable preferred shares	30	—	—	(18,769)	—	(369,446)
(Loss)/profit before income tax		(40,410)	40,513	261,177	148,027	(203,938)
Income tax credit/(expense)	11	26	(22,664)	(43,560)	(25,791)	(39,409)
(Loss)/profit for the year/period		(40,384)	17,849	217,617	122,236	(243,347)
Item that will not be reclassified subsequently to profit or loss						
Currency translation differences		—	—	2,654	—	10,432
Total comprehensive (loss)/income for the year/period		(40,384)	17,849	220,271	122,236	(232,915)
Attributable to:						
— Equity holders of the Company		(40,384)	17,849	220,271	122,236	(232,915)
— Non-controlling interests		—	—	—	—	—
		(40,384)	17,849	220,271	122,236	(232,915)
(Loss)/earnings per share (expressed in RMB per share)	12					
— Basic		(0.40)	0.18	4.02	1.32	(14.78)
— Diluted		(0.40)	0.18	2.30	1.22	(14.78)
Dividends	13	—	—	90,500	90,500	—

CONSOLIDATED BALANCE SHEETS

	Section II Note	As of December 31, 2010 RMB'000	2011 RMB'000	2012 RMB'000	As of June 30, 2013 RMB'000
ASSETS					
Non-current assets					
Property and equipment	14	17,430	38,536	46,700	55,310
Intangible assets	16	2,354	2,672	31,349	30,812
Investment in an unlisted security	18	—	—	—	18,536
Prepayments and other receivables	20	467	1,523	2,352	9,507
Deferred income tax assets	31	13,843	19,480	24,463	18,760
		34,094	62,211	104,864	132,925
Current assets					
Trade receivables	19	20,496	46,066	84,293	90,904
Prepayments and other receivables	20	40,075	60,547	20,233	45,899
Short-term investment	21	—	—	—	110,854
Cash and cash equivalents	22	13,455	85,993	312,639	287,415
		74,026	192,606	417,165	535,072
Total assets		108,120	254,817	522,029	667,997
EQUITY					
Share capital	23	—	64	49	49
Reserves	24	25,888	125,930	(228,351)	(190,430)
(Accumulated losses)/retained earnings		(45,420)	(30,524)	91,639	(151,708)
Total (deficit)/equity		(19,532)	95,470	(136,663)	(342,089)
LIABILITIES					
Non-current liabilities					
Deferred revenue	27	5,266	9,145	7,987	8,511
Convertible redeemable preferred shares	30	—	—	451,153	809,767
Deferred income tax liabilities	31	297	217	150	116
		5,563	9,362	459,290	818,394
Current liabilities					
Trade payables	28	13,803	11,603	10,168	20,167
Other payables and accruals	29	10,439	19,381	41,622	57,849
Income tax liabilities		12,253	16,373	20,467	15,590
Deferred revenue	27	85,594	102,628	127,145	98,086
		122,089	149,985	199,402	191,692
Total liabilities		127,652	159,347	658,692	1,010,086
Total equity and liabilities		108,120	254,817	522,029	667,997
Net current (liabilities)/assets		(48,063)	42,621	217,763	343,380
Total assets less current liabilities		(13,969)	104,832	322,627	476,305

BALANCE SHEETS — COMPANY

	Section II Note	As of December 31, 2011 RMB'000	As of December 31, 2012 RMB'000	As of June 30, 2013 RMB'000
ASSETS				
Non-current assets				
Investments in subsidiaries	15	102,977	102,977	117,746
Amounts due from subsidiaries	15	—	31,427	49,430
		102,977	134,404	167,176
Current assets				
Prepayments and other receivables	20	—	—	12,056
Amounts due from Controlling Shareholders	34(d)	64	64	—
Cash and cash equivalents	22	—	28,706	952
		64	28,770	13,008
Total assets		103,041	163,174	180,184
EQUITY				
Share capital	23	64	49	49
Reserves	24	102,977	(266,532)	(231,883)
Accumulated losses	26	—	(23,677)	(406,227)
Total equity/(deficit)		103,041	(290,160)	(638,061)
LIABILITIES				
Non-current liabilities				
Convertible redeemable preferred shares	30	—	451,153	809,767
Current liabilities				
Other payables and accruals	29	—	2,181	8,478
Total liabilities		—	453,334	818,245
Total equity and liabilities		103,041	163,174	180,184
Net current assets		64	26,589	4,530
Total assets less current liabilities		103,041	160,993	171,706

CONSOLIDATED STATEMENTS OF CHANGES IN (DEFICIT)/EQUITY

		Attributable to Owners of the Company			
	Section II Note	Share Capital RMB'000	Reserves RMB'000	(Accumulated Losses)/Retained Earnings RMB'000	Total Equity/(Deficit) RMB'000
Balance at January 1, 2010		—	25,888	(5,036)	20,852
Comprehensive loss					
Loss for the year		—	—	(40,384)	(40,384)
Balance at December 31, 2010		—	25,888	(45,420)	(19,532)
Balance at January 1, 2011		—	25,888	(45,420)	(19,532)
Comprehensive income					
Profit for the year		—	—	17,849	17,849
Total comprehensive income		—	—	17,849	17,849
Total contributions by and distributions to owners of the Company recognized directly in equity					
Issue of new ordinary shares	23	64	—	—	64
Shares awarded to two founders	25	—	97,089	—	97,089
Total contributions by and distributions to owners of the Company for the year		64	97,089	—	97,153
Profit appropriations to statutory reserves	24	—	2,953	(2,953)	—
Balance at December 31, 2011		64	125,930	(30,524)	95,470
Balance at January 1, 2012		64	125,930	(30,524)	95,470
Comprehensive income					
Profit for the year		—	—	217,617	217,617
Other comprehensive income:					
— Currency translation differences	24	—	2,654	—	2,654
Total comprehensive income		—	2,654	217,617	220,271
Total contributions by and distributions to owners of the Company recognized directly in equity					
Repurchase of ordinary shares from two Pre-Series A Investors	23	(15)	(371,889)	—	(371,904)
Capital contribution from the Founders	24	—	10,000	—	10,000
Dividends	13	—	—	(90,500)	(90,500)
Total contributions by and distributions to owners of the Company for the year		(15)	(361,889)	(90,500)	(452,404)
Profit appropriations to statutory reserves	24	—	4,954	(4,954)	—
Balance at December 31, 2012		49	(228,351)	91,639	(136,663)

	Section II Note	Attributable to Owners of the Company			
		Share Capital RMB'000	Reserves RMB'000	(Accumulated Losses)/Retained Earnings RMB'000	Total Equity/(Deficit) RMB'000
Unaudited:					
Balance at January 1, 2012		64	125,930	(30,524)	95,470
Comprehensive income					
Profit for the period		—	—	122,236	122,236
Total comprehensive income		—	—	122,236	122,236
Total contributions by and distributions to owners of the Company recognized directly in equity					
Repurchase of ordinary shares from two Pre-Series A investors	23	(15)	(371,889)	—	(371,904)
Capital contribution from the Founders	24	—	10,000	—	10,000
Dividends	13	—	—	(90,500)	(90,500)
Total contributions by and distributions to owners of the Company for the year		(15)	(361,889)	(90,500)	(452,404)
Balance at June 30, 2012		49	(235,959)	1,212	(234,698)

	Section II Note	Attributable to Owners of the Company			
		Share Capital RMB'000	Reserves RMB'000	(Accumulated Losses)/Retained Earnings RMB'000	Total Equity/(Deficit) RMB'000
Balance at January 1, 2013		49	(228,351)	91,639	(136,663)
Comprehensive income/(loss)					
Loss for the period		—	—	(243,347)	(243,347)
Other comprehensive income:					
— Currency translation differences	24	—	10,432	—	10,432
Total comprehensive income/(loss)		—	10,432	(243,347)	(232,915)
Total contributions by and distributions to owners of the Company recognized directly in equity					
Pre-IPO Share Option Scheme:					
— Value of employee services	24	—	27,489	—	27,489
Total contributions by and distributions to owners of the Company for the period		—	27,489	—	27,489
Balance at June 30, 2013		49	(190,430)	(151,708)	(342,089)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Section II Note	Year Ended December 31, 2010 RMB'000	2011 RMB'000	2012 RMB'000	Six Months Ended June 30, 2012 RMB'000 (unaudited)	2013 RMB'000
Cash flows from operating activities						
Cash generated from operations	32	27,301	124,911	344,145	209,660	169,516
Income tax paid		(510)	(24,261)	(44,516)	(26,224)	(38,617)
Net cash generated from operating activities		26,791	100,650	299,629	183,436	130,899
Cash flows from investing activities						
Purchase of property and equipment		(16,908)	(27,750)	(19,662)	(6,811)	(22,029)
Proceeds from disposals of property and equipment	32	—	336	520	41	52
Purchase of intangible assets		—	(698)	(32,830)	(1,050)	(4,712)
Payment for acquisition of investment in an unlisted security	18	—	—	—	—	(18,725)
Payment for short-term investment	21	—	—	—	—	(220,000)
Proceeds from uplift of matured short-term investment	21	—	—	—	—	110,000
Interest received from short-term investment		—	—	—	—	1,052
Net cash used in investing activities		(16,908)	(28,112)	(51,972)	(7,820)	(154,362)
Cash flows from financing activities						
Payments for repurchase of ordinary shares from two Pre-Series A Investors	23	—	—	(371,904)	—	—
Capital contributions from the Founders	24	—	—	10,000	10,000	—
Cash received for issued ordinary shares	23(a)	—	—	—	—	64
Dividends paid	13	—	—	(90,500)	(90,500)	—
Payment for deferred IPO costs		—	—	—	—	(1,614)
Proceeds from issuance of convertible redeemable preferred shares	30	—	—	435,153	435,153	—
Payments of issuance costs of convertible redeemable preferred shares	10	—	—	(3,645)	(3,645)	—
Net cash (used in)/generated from financing activities		—	—	(20,896)	351,008	(1,550)
Net increase/(decrease) in cash and cash equivalents		9,883	72,538	226,761	526,624	(25,013)
Cash and cash equivalents at beginning of year/period		3,572	13,455	85,993	85,993	312,639
Exchange losses on cash and cash equivalents		—	—	(115)	—	(211)
Cash and cash equivalents at end of year/period		13,455	85,993	312,639	612,617	287,415

II. NOTES TO THE FINANCIAL INFORMATION

1 General Information, Reorganization and Basis of Presentation

(a) General Information

Forgame Holdings Limited (the "Company"), previously known as Foga Holdings Limited, was incorporated in the Cayman Islands on July 26, 2011 as an exempted company with limited liability under the Companies Law (2011 Revision) of the Cayman Islands in preparation for a listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing"). The address of the Company's registered office is P.O. Box 613, 4th Floor Harbour Centre, George Town, Grand Cayman KY1-1107, Cayman Islands.

The Company is an investment holding company and its subsidiaries (collectively the "Group") are principally engaged in developing, licensing and operating webgames and mobile games (the "Listing Business") in the People's Republic of China (the "PRC").

Mr. Wang Dongfeng, Mr. Huang Weibing, Mr. Liao Dong, Mr. Yang Tao and Mr. Zhuang Jieguang (collectively as the "Founders" or "Controlling Shareholders") collectively own 66.03% equity interests in the Company through their respective wholly-owned companies namely Foga Group Ltd., Foga Networks Development Ltd., Foga Holdings Ltd., Foga Internet Development Ltd. and Foga Development Co. Ltd. (collectively as "Founder Companies").

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

(b) History and Reorganization of the Group

Prior to the incorporation of the Company and completion of the group reorganization (as explained below), the Listing Business was carried out through several domestic operating companies, incorporated in the PRC, namely Guangzhou Weidong Internet Technology Co., Ltd. (廣州維動網絡科技有限公司, "Weidong"), Guangzhou Feiyin Information Technology Co., Ltd. (廣州菲音信息科技有限公司, "Feiyin") and Guangzhou Jieyou Software Co., Ltd. (廣州捷遊軟件有限公司, "Jieyou"). Feiyin and Weidong were incorporated on April 12, 2004 and January 22, 2007 and were acquired by the Founders in September 2009 at consideration of RMB10,000,000 and RMB10,000,000, respectively, while Jieyou was incorporated by the Founders on June 7, 2012. Weidong, Feiyin and Jieyou are collectively defined as the "PRC Operational Entities" thereafter.

In preparation for the Listing, the Group underwent a reorganization (the "Reorganization"), pursuant to which the beneficial interests in the companies engaged in the Listing Business were transferred to the Company. The Reorganization involved the following:

(i) On July 25, 2011, the Founder Companies were established in the British Virgin Islands (the "BVI") by the respective Founders.

(ii) On July 26, 2011, the Company was incorporated in the Cayman Islands with an authorized share capital of US$50,000, consisting of 50,000 ordinary shares of US$1.00 each. 10,000 ordinary shares with par value of US$1.00 each were allocated and issued to the Founder Companies.

(iii) On August 9, 2011, Foga Tech Limited ("Foga Tech") was incorporated in Hong Kong as a wholly-owned subsidiary of the Company.

(iv) On March 22, 2012, Hongkong Ledong Tech Limited was incorporated in Hong Kong as a wholly-owned subsidiary of Foga Tech.

(v) On June 13, 2012, Guangzhou Feidong Software Technology Co., Ltd. (廣州菲動軟件科技有限公司, "Feidong") was established as a wholly foreign-owned enterprise in the PRC with Foga Tech being

its sole equity-holder. It was established to carry out the business of software development and to provide related information technical services.

(vi) Pursuant to a series of contractual agreements signed in June and July 2012 (the "Contractual Arrangements") among Feidong, the PRC Operational Entities and their respective equity holders, Feidong acquired effective control over the financial and operational policies of the PRC Operational Entities and became entitled to economic benefits generated by these entities. Accordingly, the PRC Operational Entities became the subsidiaries of Feidong. Further details of the Contractual Arrangements are set out in Note 2.2.1(a) below. Upon completion of the Reorganization, the Company became the holding company of the Group.

Upon completion of the Reorganization and as of the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Company Name	Country and Date of Incorporation/ Establishment	Issued and Fully Paid Share Capital/ Registered Capital	Equity Interest Held	Principal Activities and Place of Operation	Note
Directly held by the Company					
Foga Tech Limited	Hong Kong/ August 9, 2011	HK$1	100%	Investment holding, Hong Kong	(1)
Indirectly held by the Company					
Hongkong Ledong Tech Limited	Hong Kong/ March 22, 2012	HK$10,000	100%	Development and operation of webgames, Hong Kong	(2)
Guangzhou Feidong Software Technology Co., Ltd. (廣州菲動軟件科技有限公司)	PRC/ June 13, 2012	US$5,000,000	100%	Software development and provision of information technology services, the PRC	(3)
Guangzhou Feiyin Information Technology Co., Ltd. (廣州菲音信息科技有限公司)	PRC/ April 12, 2004	RMB10,000,000	100%	Development of webgames and mobile games, the PRC	(4)
Guangzhou Weidong Internet Technology Co., Ltd. (廣州維動網絡科技有限公司)	PRC/ January 22, 2007	RMB10,000,000	100%	Development and operation of webgames, the PRC	(5)
Guangzhou Jieyou Software Co., Ltd. (廣州捷遊軟件有限公司)	PRC/ June 7, 2012	RMB10,000,000	100%	Development and operation of webgames, the PRC	(3)

The English names of certain companies referred herein represent management's best effort at translating the Chinese names of these companies as no English name has been registered.

All companies comprising the Group have adopted December 31 as their financial year end date.

The Group's major subsidiaries are based in the PRC and majority of their transactions are denominated in Renminbi ("RMB"). The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. As of December 31, 2010, 2011 and 2012 and June 30, 2013, other than the restriction from exchange control regulations, there is no significant restriction on the Group's ability to access or use the assets and settle the liabilities of the Group.

Notes:

(1) The statutory financial statements from date of incorporation to December 31, 2012 were audited by FUNG, YU & CO. CPA LIMITED.

(2) No statutory audited financial statements have been prepared for this company as it was newly incorporated in 2012.

(3) The statutory financial statements were audited by 廣州市華穗會計師事務所有限公司 (Guangzhou Huasui Certified Public Accountants Co., Ltd.) for the period ended December 31, 2012.

(4) The statutory financial statements were audited by 廣州市華穗會計師事務所有限公司 for the years ended December 31, 2010, 2011 and 2012.

(5) The statutory financial statements were audited by 廣東城豐信會計師事務所有限公司 (Guangdong Chengfengxin Certified Public Accountants Co., Ltd.) for the year ended December 31, 2010 and 廣州市華穗會計師事務所有限公司 for the years ended December 31, 2011 and 2012.

(c) Basis of Presentation

Immediately prior to and after the Reorganization, the Listing Business was carried out by the PRC Operational Entities which were under the control of the Controlling Shareholders. Pursuant to the Reorganization, both the PRC Operational Entities and the Listing Business are put under the effective control of Feidong, and ultimately the Company, through the Contractual Arrangements.

The Company has not been involved in any other business prior to the Reorganization and its operations do not meet the definition of a business. The Reorganization is merely a reorganization of the Listing Business and does not result in any changes in business substance, nor in any management or Controlling Shareholders of the Listing Business, before and after the Reorganization. Accordingly, the Financial Information of the companies now comprising the Group is presented using the carrying value of the Listing Business for all periods presented.

Intercompany transactions, balances and unrealized gains/losses on transactions between group companies are eliminated on consolidation.

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied throughout the Relevant Periods, unless otherwise stated.

2.1 Basis of Preparation

The Financial Information of the Group has been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its 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 Financial Information are disclosed in Note 4 below.

All new standards, amendments to standards and interpretations, which are mandatory for the financial year beginning January 1, 2013, are consistently applied to the Group for the Relevant Periods.

(a) Changes in Accounting Policy and Disclosures

The following new standards, amendments to standards and interpretation have been issued but are not effective for the financial year beginning January 1, 2013 that are relevant to the operations of the Group but have not been early adopted.

- 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 profit or loss, unless this creates an accounting mismatch.
- Amendments to IAS 32 "Financial instruments: presentation" on asset and liability offsetting, these amendments are 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.
- Amendments to IAS 36 "Impairment of assets" on recoverable amount disclosures for non-financial assets, these amendments require additional disclosure of fair value information should the recoverable amount of impaired assets be based on fair value less costs of disposal. In addition, it removes the requirements of disclosing recoverable amounts in annual impairment test of goodwill and intangible assets with indefinite useful lives if not impaired.
- IFRIC 21, "Levies," addresses the accounting for a liability to pay a levy imposed by governments in accordance with legislation if that liability is within the scope of IAS 37. It also addresses the accounting for a liability to pay a levy whose timing and amount is certain.

The Group will adopt amendments to IAS 32, amendments to IAS 36 and IFRIC 21 on January 1, 2014 and IFRS 9 on January 1, 2015. The Group is in the process of making an assessment of the impact of the above standards, amendments to standards and interpretation on the financial statements of the Group in their initial applications.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) 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 fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(a) Subsidiaries Arising from Reorganization

The wholly-owned subsidiary, Feidong, has entered into Contractual Arrangements with the PRC Operational Entities and their respective equity holders, which enable Feidong and the Group to:

- exercise effective financial and operational control over the PRC Operational Entities;
- exercise equity holders' voting rights of the PRC Operational Entities;
- receive substantially all of the economic interest returns generated by the PRC Operational Entities in consideration for the business support, technical and consulting services provided by Feidong, at Feidong's discretion;
- obtain an irrevocable and exclusive right with an initial period of 10 years to purchase the entire equity interest in the PRC Operational Entities from the respective equity holders. The right automatically renews upon expiry until Feidong specifies a renewal term;
- obtain a pledge over the entire equity interest of the PRC Operational Entities from their respective equity holders as collateral security for all of the PRC Operational Entities' payments due to Feidong and to secure performance of PRC Operational Entities' obligations under the Contractual Arrangements.

The Group does not have any equity interest in PRC Operational Entities. However, as a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with the PRC Operational Entities and has the ability to affect those returns through its power over the PRC Operational Entities and is considered to control the PRC Operational Entities. Consequently, the Company regards the PRC Operational Entities as the indirect subsidiaries under IFRSs. The Group has included the financial position and results of the PRC Operational Entities in the consolidated financial statements during the Relevant Periods. Please refer to Note 1(c) for details of the related presentation basis.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the PRC Operational Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the PRC Operational Entities. The Group believes that the Contractual Arrangements among Feidong, the PRC Operational Entities and their respective equity holders are in compliance with relevant PRC laws and regulations and are legally enforceable.

(b) Subsidiaries Other than from Reorganization

Except for the Reorganization of which the accounting treatment is described in Note 1(c) above, 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.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

(c) Changes in Ownership Interests in Subsidiaries without Change of Control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value 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 also 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 dividends 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 Financial Information of the investee's net assets including goodwill.

2.3 Segment Reporting

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

2.4 Foreign Currency Translation

(a) Functional and Presentation Currency

Items included in the Financial Information 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 the United States dollar ("US$"). The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the major operations of the Group during the Relevant Periods are within the PRC, the Group determined to present its Financial Information 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 the

profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

(c) Group Companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary 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 statement 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.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

2.5 Property and Equipment

Property 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 and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

— Furniture and office equipment	5 years
— Server and other equipment	3-5 years
— Motor vehicles	5 years
— Leasehold improvement	Shorter of remaining term of the lease and the estimated useful lives of the assets

The depreciation method, residual values and useful lives of the assets 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 2.7).

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

2.6 Intangible Assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the amount of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(b) Computer Software

Acquired computer software is capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (3 to 5 years), and recorded in amortization within operating expenses in the consolidated statements of comprehensive income.

(c) Game Intellectual Properties and Licenses

Game intellectual properties and licenses are initially recorded at cost or estimated fair value of intangible assets acquired through business combinations. These intangible assets are amortized on a straight-line basis over their estimate useful lives (ranged from 3 to 10 years.)

(d) 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 include: (1) it is technically feasible to complete the game product so that it will be available for use or sale; (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 Relevant Periods, there were no development costs meeting these criteria and capitalized as intangible assets.

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.

2.7 Impairment of Non-financial Assets

Assets that have an indefinite useful life, for example, goodwill, 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 of disposal 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 an impairment are reviewed for possible reversal of the impairment at each of the reporting dates.

2.8 Financial Assets

(a) Classification

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. 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.

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" and "cash and cash equivalents" in the balance sheet (Notes 2.11 and 2.12).

(b) 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. 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.

2.9 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.

2.10 Impairment of Financial Assets

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 the 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 the profit or loss.

2.11 Trade Receivables and Other Receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade receivables 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 receivables and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.12 Cash and Cash Equivalents

In the consolidated statements of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other financial institutions and short-term highly liquid investments with original maturity of three months or less.

2.13 Share Capital and Premium

Ordinary shares are classified as equity. Convertible redeemable preferred shares are classified as liabilities (Note 2.15).

Incremental costs directly attributable to the issue of new 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 share), the considerations paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs) is included in equity attributable to the Company's equity holders.

2.14 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade 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 payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.15 Convertible Redeemable Preferred Shares

Convertible redeemable preferred shares (Note 30) are redeemable upon occurrence of certain future events and at the option of the holders. This instrument can be converted into ordinary shares of the Company at any time at the option of the holders or automatically converted into ordinary shares upon occurrence of an initial public offering of the Company or agreed by majority of the holders as detailed in Note 30.

The Group designated the convertible redeemable preferred shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in the consolidated statements of comprehensive income.

Subsequent to initial recognition, the convertible redeemable preferred shares are carried at fair value with changes in fair value recognized in the profit or loss.

The convertible redeemable preferred shares are classified as non-current liabilities unless the Group has an obligation to settle the liability within 12 months after the end of the reporting period.

2.16 Current and Deferred Income Tax

The income tax expense for the period comprises current and deferred income tax. Income tax is recognized in the profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the income 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 and its subsidiaries 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 Financial Information. However, deferred income 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 is provided on temporary differences arising on investments in subsidiaries, 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.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income 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

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organized by the relevant governmental authorities. The Group's liability in respect of these plans is limited to the contributions payable in each period. 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 Payments Transactions

Certain Controlling Shareholders transferred some of their interests in the Listing Business to two Pre-Series A Investors ("Pre-Series A Investors") in 2009 and two founders, Mr. Zhuang Jieguang and Mr. Yang Tao, in 2011 in return for their services to the Group (Note 25). These shares were fully vested in 2009 and 2011, respectively. The Group also operates an equity-settled share-based compensation plan, the Pre-IPO Share Option Scheme, under which the Group receives services from employees or other service providers as consideration for equity instruments (options) of the Company. The fair value of the services received in exchange for the grant of the equity instruments (options) is recognized as expense.

In terms of share options and shares awarded to employees, the total amount to be expensed is determined by reference to the fair value of the equity instruments (options) granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

In terms of share options and shares awarded to counterparties other than employees, the total amount to be expensed is determined by reference to the fair value of the service unless such fair value could not be estimated reliably. In such case, the expense will be measured indirectly by reference to the fair value of the equity instruments granted at the date when such counterparties render services.

Non-market performance and service conditions are included in assumptions about the number of options and shares that are expected to vest. The total expense is recognized over the vesting 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 period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options and shares 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 the profit or loss, with a corresponding adjustment to equity.

When the options 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 Transactions among Group Entities

The grant by the Company of shares to the Pre-Series A Investors and two founders and options over its equity instruments to the employees or other service providers of the subsidiaries is treated as a capital contribution. The fair value of consulting and 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 undertakings, with a corresponding credit to equity in the separate financial statements of the Company.

2.19 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.20 Revenue Recognition

The Group engaged in provision of webgames and mobile games development service ("Game Development") and webgames publishing services ("Game Publishing"). The Group's revenue is principally derived from the sales of virtual items in games from both Game Development and Game Publishing. Revenues reported in the Financial Information are net of sales tax and related surcharges.

(a) ***Game Development Revenue***

The Group provides Game Development service through its own web-based platforms (91wan.com, 2918.com, 9vs.com, 915.com and 336.com, collectively "91wan"), third party web-based platforms, such as Tencent, Qihoo and YY, and certain mobile-based platforms (collectively "Platforms" thereafter). The Group is responsible for hosting the games, providing on-going updates of new contents, sales of in-game virtual items, technical support for the operations of the games, as well as preventing, detecting and resolving in-game cheating and hacking activities, etc. Platforms are responsible for distribution, marketing, payer authentication and payment collections related to the games.

The Group's games are free-to-play and players can pay for virtual items for better in-game experience. Players purchase the Group's game credits ("Paying Players") through Platform's own charging system and use the game credits to exchange in-game virtual items. Paying Players usually exchange their game credits for the virtual items shortly after purchases. The monetary value of the virtual items sold is shared between the Group and Platforms, which is pre-determined in individual revenue sharing arrangements ("Revenue Sharing Arrangements"). Revenue shared by the Group generally ranged from 20% to 40% for each game. Platforms collect the payments made by Paying Players and remit the cash to the Group according to the Revenue Sharing Arrangements.

Upon the sales of virtual items, the Group typically has an implied obligation to provide the service which enables the virtual items to be displayed and used in the respective games. As a result, the proceeds from the sales of virtual items are initially recorded in deferred revenue and are recognized as revenue subsequently only when the services have been rendered. For the purposes of determining when services have been rendered to the respective Paying Players, the Group has determined the following:

- Consumable virtual items represent items that will be extinguished shortly after consumption by a specific game player action. 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.
- 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 playing period of Paying Player ("Player Relationship Period"), which represents the best estimate of the average life of durable virtual items for the applicable game.

The Group determines the Player Relationship Period on a game-by-game and platform-by-platform basis by tracking the player data, such as log-in data and purchase record. If there is insufficient player 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 of the Group or third-party developers, taking into account the games profile, target audience and its appeal to Paying Players of different demographic groups, until the new game establishes its own history, which is normally up to 12 months after launch. The Group re-assesses such periods semi-annually.

If the Group does not have the ability to differentiate revenue attributable to durable virtual items from consumable virtual items of a specific game, the Group recognizes revenue derived from both durable and consumable virtual items of that game ratably by taking reference to the Player Relationship Period of the respective games, or other similar types of games.

For revenues relating to games developed by the Group which are published on third party Platforms, the Group has evaluated the roles and responsibilities in the delivery of game experience to the Paying Players and concluded the Group takes the primary responsibilities in the rendering service. The Group is determined to be the primary obligor. However, the Group operates across a large number of Platforms, some of which offer various marketing discounts from time to time to Paying Players. The actual prices paid by individual paying players may be lower than the standard prices of virtual items purchased with the balance being subsidized by the Platforms and such marketing discounts are neither available to be

tracked reliably nor borne by the Group. As such, the Group is not able to make a reasonable estimate of the gross revenue (i.e., the actual prices paid by the Paying Players). Accordingly, the Group reports a net revenue to the extent of the amounts received and receivable from third party Platforms under Revenue Sharing Arrangement when the services are rendered.

For revenue derived from mobile games, the Group follows the policies of webgames since the operations of the two types of games are similar during the Relevant Periods.

The Group also derives revenue from licensing and technical support service on a game-by-game basis. Licensing revenue is primarily from oversea platforms and recognized on a straight-line basis over the licensing period. Technical support revenue is recognized when technical support services are rendered.

(b) Game Publishing Revenue

The Group provides Game Publishing service through cooperation with game developers to Paying Players. The Group publishes its self-developed and third party developers' games on its own web-based platforms. Similar to the Group's games published in other Platforms (details described in section (a) above), the games published on 91wan are free-to-play and players can pay for virtual items for better in-game experience.

The Group's Game Publishing revenue mainly derives from Revenue Sharing Arrangements (details described in section (a) above) from game developers. The games published on 91wan are hosted, maintained and updated by the game developers, and the Group mainly provides access to 91wan and limited after-sale basic technical support to the Paying Players. The Group has evaluated and determined it is not the primary obligor in the services rendered to the Paying Players as a Platform. Accordingly, the Group records its revenue, net of the portion of sharing of revenues with the game developers.

The Group believes that its implied obligation to the game developers corresponds to the game developers' implied obligation to provide the service which enables the virtual items to be displayed and used in the games. Given that games are hosted, managed and administered by the game developers, the Group does not have access to the data on the consumption details and the types of virtual items purchased by the Paying Players. However, the Group maintains individual Paying Player's purchase history of game credits which are used for exchange for virtual items. As such, the Group has adopted a policy to recognize revenues for both consumable and durable items exchanged by game credits over the Player Relationship Period on a game-by-game basis.

The Group determines Player Relationship Period on a game-by-game basis by tracking the player data, such as log-in data and purchase record. When the Group publishes a new game, it estimates the Player Relationship Period based on other similar types of games of the Group or third party developers, taking into account the games profile, target audience and its appeal to Paying Players of different demographic groups, until the new game establishes its own history, which is normally up to 12 months after launch. The Group re-assesses such periods semi-annually.

The Group allows Paying Players on 91wan to make payments through cooperation with various third-party online payment platforms such as Alipay, 99bill and Yeepay and certain major pre-paid card service providers in China such as Shenzhoufu. These online payment platforms charge the Group payment handling costs ("Payment handling cost") with pre-agreed charge rates over the total payments received and the Group recorded the charge in "cost of revenue."

2.21 Interest Income

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

2.22 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 the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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

2.23 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 the profit or loss on a straight-line basis over the period of the lease.

2.24 Dividend Distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's Financial Information in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 Financial Risk Management

3.1 Financial Risk Factors

The Group's activities exposed 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 program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group approved by the Board of Directors.

(a) Market Risk

(i) Foreign Exchange Risk

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US$. All of the transactions of the Company and its overseas subsidiaries are denominated and settled in their common functional currency, US$. Therefore, foreign exchange risk primarily arose from recognized assets and liabilities in the Group's PRC subsidiaries when receiving or to receive foreign currencies from oversea cooperated counterparties. The Group does not hedge against any fluctuation in foreign currency.

As of December 31, 2010, 2011 and 2012 and June 30, 2013, the Group did not have significant exchange risk from the operations.

(ii) Interest Rate Risk

The Group's and the Company's interest rate risk primarily arose from Series A convertible redeemable preferred shares ("Series A Preferred Shares") (Note 30), the valuation of which is affected by market interest rate. Please refer to Note 4.1(c) for related sensitivity analysis.

During the Relevant Periods, other than those mentioned above, management of the Group is of the opinion that other interest rate risk (such as interest rate risk on bank deposits) was not material to the Group and the Company.

(iii) Price Risk

The Group is exposed to price risk in respect of Series A Preferred Shares carried at fair value with changes in fair value recognized in the profit or loss. Fair value of Series A Preferred Shares is affected by changes in the Group's market value. The Group is not exposed to commodity price risk.

For the year ended December 31, 2012 and the six months ended June 30, 2013, if the Group's equity value had increased/decreased by 10% with all other variables held constant, profit before income tax for the year/period would have been approximately RMB36,080,000 lower/RMB36,638,000 higher and RMB73,371,000 lower/RMB73,557,000 higher, respectively.

(b) Credit Risk

The carrying amounts of cash and cash equivalents placed with banks and financial institutions, short-term investment, trade receivables, other receivables included in the Financial Information represent the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem.

To manage risk of bank deposits, deposits are mainly placed with state-owned financial institutions in the PRC and reputable international financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions.

The Group had made short-term investment in certain financial product with relatively higher interest rates with certain financial institutions. As of June 30, 2013, the Group had an outstanding investment in a financial product which was bought from a reputable state-owned financial institution in the PRC. Management has exercised due care when making investment decision with focus only on low risk financial products. There has been no recent history of default in relation to this financial institution.

For trade receivables, a significant portion of trade receivables at the end of each of the Relevant Periods was due from those Platforms in cooperation with the Group. If the strategic relationship with the Platforms is terminated or scaled-back; or if the Platforms 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 to ensure the effective credit control. In view of the history of cooperation with the Platforms and the sound collection history of receivables due from them, management believes that the credit risk inherent in the Group's outstanding trade receivable balances due from Platforms is low.

For other receivables, management make periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

The Company has no significant exposure of credit risk in the Financial Information.

(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 that will be settled on a net basis into relevant maturity grouping based on the remaining period at the balance sheet to

the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group	Less than 3 Months
	RMB'000
At December 31, 2010	
Trade payables	13,803
Other payables and accruals (excluding advance, accrued payroll and other tax liabilities)	2,618
At December 31, 2011	
Trade payables	11,603
Other payables and accruals (excluding advance, accrued payroll and other tax liabilities)	5,878
At December 31, 2012	
Trade payables	10,168
Other payables and accruals (excluding advance, accrued payroll and other tax liabilities)	11,813
At June 30, 2013	
Trade payables	20,167
Other payables and accruals (excluding advance, accrued payroll and other tax liabilities)	28,708

Company	Less than 3 Months
	RMB'000
At December 31, 2012	
Other payables and accruals (excluding advance, accrued payroll and other tax liabilities)	1,858
At June 30, 2013	
Other payables and accruals (excluding advance, accrued payroll and other tax liabilities)	8,134

As of December 31, 2010 and 2011, the Group and the Company had no derivative financial liability.

As of December 31, 2012 and June 30, 2013, Series A Preferred Shares were classified as non-current liability because the Group believes it has no obligation to settle the liability arising from the attached redemption right within 12 months after the end of each reporting period. The maximum exposure of this redemption is the contractual redemption price which is equal to the 150% of the issue price, plus any accrued but unpaid dividends on such shares (Note 30). The Group recognizes the hybrid Series A Preferred Shares at fair value through profit or loss, accordingly, Series A Preferred Shares are managed on a net-fair value basis rather than by maturity date.

3.2 Capital 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, capital reserves and Series A Preferred Shares on an as-if converted basis) 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.

3.3 Fair Value Estimation

Financial instruments are 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 assets and liabilities that are measured at fair value as of December 31, 2012.

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring Fair Value Measurements:				
Liabilities:				
Financial liabilities at fair value through profit or loss				
— Convertible redeemable preferred shares	—	—	451,153	451,153

The following table presents the Group's assets and liabilities that are measured at fair value as of June 30, 2013.

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring Fair Value Measurements:				
Assets:				
Financial assets at fair value through profit or loss				
— Short-term investment	—	110,854	—	110,854
— Investment in an unlisted security	—	—	18,536	18,536
	—	110,854	18,536	129,390
Liabilities:				
Financial liabilities at fair value through profit or loss				
— Convertible redeemable preferred shares	—	—	809,767	809,767

The Group did not have any assets and liabilities that are measured at fair value as of December 31, 2010 and 2011.

The fair value of financial instruments traded in active markets is determined based on quoted market prices at each of the reporting dates. 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.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) 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:

— Quoted market prices or dealer quotes for similar instruments

— Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate

— A combination of observable inputs and unobservable inputs, including discount rate, risk-free interest rate, expected volatility and market multiples.

There were no significant transfers between level 1 and level 2 fair value hierarchy classifications during the Relevant Periods.

There were no changes in valuation techniques during the Relevant Periods.

The changes in level 3 instruments for the year ended December 31, 2012 and the six months ended June 30, 2013 are presented in Notes 18 and 30.

The Group determines the fair value of the Group's financial instrument carried at fair value in levels 2 and 3 at each of the reporting dates.

Except for the short-term investment, investment in an unlisted security and Series A Preferred Shares, the carrying amounts of financial assets including cash and cash equivalents, trade receivables and other receivables; and financial liabilities including trade payables and other payables and accruals, approximate their respective fair value due to their short maturity at each of the reporting dates.

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 discussed below.

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

As described in Note 2.20, the Group recognizes revenue from durable virtual items in Game Development and both durable and consumable items in Game Publishing ratably over the Player Relationship Period. The determination of Player Relationship Period in each game is made 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 as a change in accounting estimate.

(b) Income Tax

Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional tax will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(c) Fair Value of Series A Preferred Shares

The Series A Preferred Shares issued by the Company are not traded in an active market and the respective fair value is determined by using valuation techniques. The directors have used the discounted cash flow method to determine the underlying equity value of the Company and adopted equity allocation method to determine the fair value of the Series A Preferred Shares. Key assumptions, such as discount rate, risk-free interest rate and volatility are disclosed in Note 30.

The estimated carrying amount of Series A Preferred Shares as of June 30, 2013 would have been RMB43,331,000 lower or RMB52,853,000 higher should the discount rate used in discount cash flow analysis higher/lower by 100 basis points from management's estimates.

(d) Fair Value of Share-based Award to Two Founders

As mentioned in Note 2.18, the Group has awarded shares to Pre-Series A Investors and two founders. The directors have used the discounted cash flow method to determine the total fair value of these shares awarded. Significant judgments on key assumptions, such as discount rate and projections of future performance are required to be made by the directors (Note 25).

The share-based compensation expense related to shares awarded to two founders for the year ended December 31, 2011 would have been RMB4,951,000 lower or RMB5,484,000 higher should the discount rate used in discount cash flow analysis higher/lower by 100 basis points from management's estimates.

(e) Recognition of Share-based Compensation Expenses

As mentioned in Note 25, the Group has granted share options to its directors and employees. The directors have used the Binomial option-pricing model to determine the total fair value of the options granted, which is to be expensed over the vesting period. Significant estimate on assumptions, such as the underlying equity value, risk-free interest rate, expected volatility and dividend yield, is required to be made by the directors in applying the Binomial option-pricing model.

4.2 Critical Judgments in Applying the Group's Accounting Policies

(a) Revenue Recognition

Net Revenue Presentation

For revenues relating to games developed by the Group which are published on third party Platforms, as described in Note 2.20, the Group is unable to make a reasonable estimate of the gross revenue because the third party Platforms have discretion determining the actual price of the virtual items purchased by the

Paying Players and in offering discounts. Accordingly, such revenue is recognized based on the net amount received from the third party Platforms.

Revenue Deferral of Certain Self-developed Games

As mentioned in Notes 2.20(a) and 27, in the case the Group does not possess relevant data and information to differentiate revenues attributable to durable and consumable virtual items of a specific game, revenue is deferred and recognized ratably over the expected Player Relationship Period (defined in Note 2.20) of the specific game or making reference to other similar types of games.

(b) Repurchase of Ordinary Shares from the Pre-Series A Investors

On June 15, 2012, the Company repurchased 2,400,000 ordinary shares from the Pre-Series A Investors (Note 23). The repurchase was accounted for as a transaction between the Company and shareholders, the difference between the repurchase amount and the initial value of the related share capital was debited to other reserves.

(c) Restrictions on Ordinary Shares Held by the Founders

As described in details in Note 23(c), the Founders, the Series A Preferred Share holders and the Company entered into a share restriction agreement on June 15, 2012 that the Founders agreed to have their shares held in the Company be subject to certain restrictions. Such restrictions will be uplifted according to an agreed vesting schedule with a condition that the Founders have to remain as employees of the Group. The directors of the Company consider that the restrictions and vesting of these shares do not give rise to any additional value and benefits to the Founders and therefore the arrangement has not been accounted for as share-based payments.

5 Segment Information

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company that make strategic decisions. As a result of this evaluation, the Group determined that it has operating segments as follows:

- Game Development
- Game Publishing

The CODM assesses the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and marketing expenses, administrative expenses and research and development expenses are not included in the measure of the segments' performance which is used by CODM as a basis for the purpose of resource allocation and assessment of segment performance. Other income, other losses, finance income/(cost), fair value loss of convertible redeemable preferred shares, income tax credit/(expense) are also not allocated to individual operating segments.

The revenues from external customers reported to CODM are measured as segment revenue, which is the net shared revenue derived from the customers in each segment. Cost of revenue primarily comprises bandwidth and server custody fees, salary and compensation expense, fees paid to outsourcing parties, depreciation and amortisation and others.

Other information, together with the segment information, provided to the CODM, is measured in a manner consistent with that applied in this Financial Information. There were no separate segment assets

and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources to or evaluate the performance of the operating segments.

The segment information provided to the Group's CODM for the reportable segments for the Relevant Periods is as follows:

	Year Ended December 31, 2010		
	Game Development RMB'000	Game Publishing RMB'000	Total RMB'000
Segment revenue	49,701	45,377	95,078
Segment cost	(45,335)	(9,366)	(54,701)
Gross profit	4,366	36,011	40,377
Depreciation and amortization included in segment cost	1,106	600	1,706

	Year Ended December 31, 2011		
	Game Development RMB'000	Game Publishing RMB'000	Total RMB'000
Segment revenue	252,016	131,993	384,009
Segment cost	(44,714)	(24,116)	(68,830)
Gross profit	207,302	107,877	315,179
Depreciation and amortization included in segment cost	3,258	1,868	5,126

	Year Ended December 31, 2012		
	Game Development RMB'000	Game Publishing RMB'000	Total RMB'000
Segment revenue	540,749	235,900	776,649
Segment cost	(40,556)	(38,532)	(79,088)
Gross profit	500,193	197,368	697,561
Depreciation and amortization included in segment cost	9,143	3,538	12,681

	Six Months Ended June 30, 2012 (unaudited)		
	Game Development RMB'000	Game Publishing RMB'000	Total RMB'000
Segment revenue	231,564	115,558	347,122
Segment cost	(14,189)	(16,784)	(30,973)
Gross profit	217,375	98,774	316,149
Depreciation and amortization included in segment cost	2,535	1,624	4,159

	Six Months Ended June 30, 2013		
	Game Development RMB'000	Game Publishing RMB'000	Total RMB'000
Segment revenue	379,482	194,266	573,748
Segment cost	(42,906)	(21,211)	(64,117)
Gross profit	336,576	173,055	509,631
Depreciation and amortization included in segment cost	8,206	1,602	9,808

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC. The segment revenue provided to the Group's CODM for the PRC (excluding Hong Kong) and other regions for the Relevant Periods is as follows:

	Year Ended December 31, 2010		
	PRC (Excluding Hong Kong) RMB'000	Other Regions RMB'000	Total RMB'000
Segment revenue	91,992	3,086	95,078

	Year Ended December 31, 2011		
	PRC (Excluding Hong Kong) RMB'000	Other Regions RMB'000	Total RMB'000
Segment revenue	360,417	23,592	384,009

	Year Ended December 31, 2012		
	PRC (Excluding Hong Kong) RMB'000	Other Regions RMB'000	Total RMB'000
Segment revenue	700,252	76,397	776,649

	Six Months Ended June 30, 2012 (unaudited)		
	PRC (Excluding Hong Kong) RMB'000	Other Regions RMB'000	Total RMB'000
Segment revenue	311,890	35,232	347,122

	Six Months Ended June 30, 2013		
	PRC (Excluding Hong Kong) RMB'000	Other Regions RMB'000	Total RMB'000
Segment revenue	534,147	39,601	573,748

The reconciliation of gross profit to (loss)/profit before income tax of individual period during the Relevant Periods is shown in the consolidated statements of comprehensive (loss)/income.

There is no concentration risk as no single external customer was more than 10% of the Group's total revenue for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 and 2013.

Turnover consists of revenues generated by the Group, which accounted for RMB95,078,000, RMB384,009,000, RMB776,649,000, RMB347,122,000 (unaudited) and RMB573,748,000 for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 and 2013, respectively.

As of December 31, 2010, 2011 and 2012 and June 30, 2013, majority of the non-current assets of the Group were located in the PRC.

6 Expenses by Nature

	Year Ended December 31,			Six Months Ended June 30,	
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000 (unaudited)	2013 RMB'000
Employee benefit expenses (Notes 9 and a)	23,610	68,197	200,032	74,906	161,351
Shares awarded to Mr. Zhuang Jieguang (Note 25)	—	96,702	—	—	—
Promotion and advertising expenses	25,664	57,014	172,193	75,871	152,572
Bandwidth and server custody fees	5,986	17,275	34,360	14,541	22,617
Game development outsourcing costs	30,875	37,203	21,558	8,980	4,865
Fees paid to outsourcing parties (Note b)	40,439	30,604	6,365	1,348	16,832
Operating lease rentals in respect of office buildings	1,717	7,198	12,288	4,708	13,630
Depreciation of property and equipment (Note 14)	1,483	6,280	10,578	4,786	7,524
Travelling and entertainment expenses	872	3,550	8,601	2,317	3,287
Utilities and office expenses	1,731	3,932	6,258	2,245	2,706
Auditors' remuneration	14	3,812	6,089	19	2,313
Payment handling costs	1,702	2,595	5,153	2,279	2,450
Amortization of intangible assets (Note 16)	321	380	4,153	203	4,737
Professional fees	54	4,087	1,754	1,278	12,552
Other tax expenses	253	552	1,254	553	982
Others	791	4,455	4,264	2,954	2,750
Total cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses	135,512	343,836	494,900	196,988	411,168

Notes:

(a) In 2011, the employee benefit expenses included the share-based compensation charge of RMB387,000 for the shares awarded to Mr. Yang Tao (Note 25).

(b) The Group engaged certain game developers to develop games and the Group agreed to share the related game revenue with them after the games are launched commercially. These fees were included in the "cost of revenue."

7 Other Income

	Year Ended December 31,			Six Months Ended June 30,	
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000 (unaudited)	2013 RMB'000
Interest income	24	282	1,144	443	1,755
Government grants	—	181	1,644	1,500	11
	24	463	2,788	1,943	1,766

8 Other Losses

	Year Ended December 31,			Six Months Ended June 30,	
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000 (unaudited)	2013 RMB'000
Exchange loss, net	—	95	546	226	551
Loss on disposal of property and equipment, net	—	28	400	179	193
	—	123	946	405	744

9 Employee Benefit Expenses (Including Directors' Emoluments)

	Year Ended December 31,			Six Months Ended June 30,	
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000 (unaudited)	2013 RMB'000
Wages, salaries and bonuses	20,112	54,122	159,822	62,072	111,418
Pension costs — defined contribution plans	349	1,932	5,830	1,932	3,999
Other social security costs, housing benefits and other employee benefits	3,149	11,756	34,380	10,902	18,445
Shares awarded to Mr. Yang Tao (Note 25)	—	387	—	—	—
Share-based compensation expenses under Pre-IPO Share Option Scheme	—	—	—	—	27,489
	23,610	68,197	200,032	74,906	161,351

(a) *Pension Costs — Defined Contribution Plans*

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 (2010, 2011, 2012 and six months ended June 30, 2012 and 2013: 12%) 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.

(b) *Directors' and Chief Executives' Emoluments*

The remuneration of each director and chief executive for the year ended December 31, 2011 is set out below:

Name	Fees	Salaries	Discretionary Bonus	Pension Costs - Defined Contribution Plans	Other Social Security Costs, Housing Benefits and Other Employee Benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors						
Wang Dongfeng[(i)]	—	114	—	4	7	125
Chief executive						
Huang Weibing[(ii)]	—	114	—	6	10	130
Liao Dong[(ii)]	—	120	—	7	7	134

The remuneration of each director and chief executive for the year ended December 31, 2012 is set out below:

Name	Fees	Salaries	Discretionary Bonus	Pension Costs - Defined Contribution Plans	Other Social Security Costs, Housing Benefits and Other Employee Benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors						
Wang Dongfeng[(i)]	—	228	—	12	21	261
Huang Weibing[(ii)]	—	394	—	14	24	432
Liao Dong[(ii)]	—	228	—	12	21	261
Zhuang Jieguang[(ii)]	—	181	—	3	8	192
Non-executive Directors						
Sippel Edward Francis[(iii)]	—	—	—	—	—	—
Tan Hainan[(iii)]	—	—	—	—	—	—
Tung Hans[(iii)]	—	—	—	—	—	—
Independent Non-executive Directors						
Iosilevich Alexander Gennady[(iv)]	42	—	—	—	—	42
Levin Eric Joshua[(iv)]	50	—	—	—	—	50

The remuneration of each director and chief executive for the six months ended June 30, 2012 (unaudited) is set out below:

Name	Fees	Salaries	Discretionary Bonus	Pension Costs - Defined Contribution Plans	Other Social Security Costs, Housing Benefits and Other Employee Benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors						
Wang Dongfeng[(i)]	—	114	—	6	10	130
Huang Weibing[(ii)]	—	190	—	7	11	208
Liao Dong[(ii)]	—	114	—	6	11	131
Non-executive Directors						
Sippel Edward Francis[(iii)]	—	—	—	—	—	—
Tan Hainan[(iii)]	—	—	—	—	—	—
Tung Hans[(iii)]	—	—	—	—	—	—

The remuneration of each director and chief executive for the six months ended June 30, 2013 is set out below:

Name	Fees	Salaries	Discretionary Bonus	Pension Costs - Defined Contribution Plans	Other Social Security Costs, Share Options, Housing Benefits and Other Employee Benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors						
Wang Dongfeng[(i)]	—	114	—	6	10	130
Huang Weibing[(ii)]	—	204	—	7	14	225
Liao Dong[(ii)]	—	114	—	6	11	131
Zhuang Jieguang[(ii)]	—	204	—	3	7	214
Non-executive Directors						
Sippel Edward Francis[(iii)]	—	—	—	—	—	—
Tan Hainan[(iii)]	—	—	—	—	—	—
Tung Hans[(iii)]	—	—	—	—	—	—
Independent Non-executive Directors						
Iosilevich Alexander Gennady[(iv)]	125	—	—	—	490	615
Levin Eric Joshua[(iv)]	150	—	—	—	739	889

Notes:

(i) Mr. Wang Dongfeng was appointed as executive director and the chief executive officer ("CEO") of the Company on July 26, 2011.

(ii) Mr. Huang Weibing and Mr. Liao Dong were appointed as co-presidents of the Company in July 2011, while Mr. Zhuang Jieguang was appointed as co-president of the Company on June 15, 2012. All of them were appointed as executive directors on June 15, 2012.

(iii) On June 15, 2012, Mr. Sippel Edward Francis, Mr. Tan Hainan and Mr. Tung Hans were appointed as non-executive directors of the Company. They had not received and were not entitled to receive any emoluments during the Relevant Periods. Mr. Sippel Edward Francis resigned as an non-executive director of the Company with effect from April 18, 2013.

(iv) On November 1, 2012, Mr. Iosilevich Alexander Gennady and Mr. Levin Eric Joshua were appointed as independent non-executive directors of the Company. Mr. Iosilevich Alexander Gennady resigned as an independent non-executive director of the Company with effect from July 31, 2013.

(v) The Founders are also employees of other Group companies and the Group paid employee benefits to them before their respective appointments of directorship during the Relevant Periods.

(vi) During the Relevant Periods, no directors waived or agreed to waive any emoluments.

(c) *Five Highest Paid Individuals*

The five individuals whose emoluments were the highest in the Group include no directors/chief executives for each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 and 2013. The emoluments paid and payable to the five highest paid individuals for each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 and 2013 are as follows:

	Year Ended December 31,			Six Months Ended June 30,	
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000 (unaudited)	2013 RMB'000
Wages, salaries and bonuses	1,408	1,341	16,619	9,522	2,909
Pension costs — defined contribution plans	9	33	39	19	14
Other social security costs, housing benefits and other employee benefits	8	142	1,321	38	41
Shares awarded to Mr. Yang Tao (Note 25)	—	387	—	—	—
Share-based compensation expenses under Pre-IPO Share Option Scheme	—	—	—	—	19,235
	1,425	1,903	17,979	9,579	22,199

The emoluments of these individuals fell within the following bands:

	Year Ended December 31,			Six Months Ended June 30,	
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000 (unaudited)	2013 RMB'000
Emolument bands					
Nil — HK$1,000,000	5	5	—	—	—
HK$1,000,001 — HK$1,500,000	—	—	—	1	1
HK$1,500,001 — HK$2,000,000	—	—	—	2	1
HK$2,500,001 — HK$3,000,000	—	—	1	1	—
HK$3,500,001 — HK$4,000,000	—	—	2	1	1
HK$5,000,001 — HK$5,500,000	—	—	1	—	—
HK$7,000,001 — HK$7,500,000	—	—	1	—	—
HK$9,500,001 — HK$10,000,000	—	—	—	—	1
HK$10,500,001 — HK$11,000,000	—	—	—	—	1
	5	5	5	5	5

(d) During the Relevant Periods, neither directors nor the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

10 Finance (Costs)/Income, Net

	Year Ended December 31,	Six Months Ended June 30,	
	2012 RMB'000	2012 RMB'000 (unaudited)	2013 RMB'000
Finance costs:			
— Issuance costs of Series A Preferred Shares (Note 30)	(3,645)	(3,645)	—
Finance income:			
— Interest income on short-term investment (Note 21)	—	—	1,906
Finance (costs)/income, net	(3,645)	(3,645)	1,906

11 Income Tax (Credit)/Expense

The income tax (credit)/expense of the Group for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 and 2013 are analyzed as follows:

	Year Ended December 31,			Six Months Ended June 30,	
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000 (unaudited)	2013 RMB'000
Current income tax:					
— PRC corporate income tax	12,633	28,381	48,610	27,066	33,740
Deferred income tax (Note 31)					
Origination and reversal of temporary differences	(12,659)	(5,717)	(5,050)	(1,275)	3,670
— Impact of change in the income tax rate for Feidong	—	—	—	—	1,999
Income tax (credit)/expense	(26)	22,664	43,560	25,791	39,409

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to (losses)/profits of the consolidated entities as follows:

	Year Ended December 31,			Six Months Ended June 30,	
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000 (unaudited)	2013 RMB'000
(Loss)/profit before income tax	(40,410)	40,513	261,177	148,027	(203,938)
Tax calculated at statutory income tax rates applicable to (losses)/profits of the consolidated entities in their respective jurisdictions (Note i)	(10,103)	10,128	65,434	37,979	44,965
Tax effects of:					
Preferential income tax rates applicable to subsidiaries	4,009	(4,274)	(24,335)	(15,678)	(14,915)
Tax losses for which no deferred income tax asset was recognized	—	—	269	—	63
Super deduction for research and development expenses	(480)	(1,308)	(4,840)	(666)	(3,254)
Expenses not deducted for income tax purposes:					
— Share-based compensation	—	14,563	—	—	2,945
— Others	6,548	3,555	7,032	4,156	7,606
Re-measurement of deferred income tax — change in enacted income tax rate of Feidong	—	—	—	—	1,999
Income tax (credit)/expense	(26)	22,664	43,560	25,791	39,409

Note:

(i) The Company is exempt from Cayman Islands income tax. As such, the operating results reported by the Company on a stand alone basis, including the fair value loss of Series A Preferred Shares, is not subject to any income tax.

(a) Cayman Islands Income Tax

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

(b) Hong Kong Profits Tax

Hong Kong profits tax rate is 16.5% for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 and 2013. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the Relevant Periods.

(c) PRC Enterprise Income Tax ("EIT")

Except for Weidong, Feiyin and Feidong, the income tax provision of the Group in respect of its operations in Mainland China was calculated at the tax rate of 25% on the assessable profits for each of the Relevant Periods, based on the existing legislation, interpretations and practices in respect thereof.

Weidong and Feiyin were qualified as "High and New Technology Enterprises" ("HNTEs") under the EIT Law in 2010. Therefore, they were entitled to a preferential income tax rate of 15% on their estimated assessable profits for the years ended December 31, 2010, 2011 and 2012. As of June 30, 2013, these subsidiaries were in the process of renewing such entitlements by applying to the relevant government authorities. The Group expected these two subsidiaries will continue to be qualified as HNTEs and enjoy the preferential tax rate.

Before 2013, the applicable income tax rate of Feidong was 25%. In June 2013, Feidong was accredited as a "software enterprise" under the relevant PRC laws, regulations and rules. Therefore, under the EIT

Law, Feidong is exempted from EIT in 2013 and will enjoy a reduced income tax rate of 12.5% from 2014 to 2016, provided that it continues to be qualified as software enterprise during such period.

According to relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction"). The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits during the Relevant Periods.

(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 January 1, 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%.

During the Relevant Periods, the Group does not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was accrued as of the end of each reporting period.

12 (Loss)/Earnings per Share

For the purpose of computing basic and diluted (loss)/earnings per share, ordinary shares were assumed to have issued and allocated on January 1, 2010 as if the Company has been established by then. In addition, the number of ordinary shares outstanding during each year of the Relevant Periods have also been adjusted retroactively for the proportional change in the number of ordinary shares outstanding as a result of the First and Second Share Splits described in Note 23 in the computation of both basic and diluted (loss)/earnings per share for the Relevant Periods.

(a) Basic

Basic (loss)/earnings per share for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 and 2013 are calculated by dividing the (loss)/profit of the Group attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during each respective year/period.

	Year Ended December 31,			Six Months Ended June 30,	
	2010	2011	2012	2012 (unaudited)	2013
(Loss)/profit attributable to equity holders of the Company (RMB'000)	(40,384)	17,849	217,617	122,236	(243,347)
Weighted average number of ordinary shares in issue (Note i)	100,000,000	100,000,000	54,066,667	92,933,333	16,466,667
Basic (loss)/earnings per share (in RMB/share)	(0.40)	0.18	4.02	1.32	(14.78)

Note:

(i) As detailed in Note 23(c), in connection with the issuance of Series A Preferred Shares on June 15, 2012, the Founders' ordinary shares were put on escrow with the Company as Restricted Shares (as defined in Note 23(c)). As these Restricted Shares are contingently returnable, they are not treated as outstanding and are excluded from the calculation of basic earnings per share for the year ended December 31, 2012 and the six months ended June 30, 2012 and 2013 until the date the shares are

no longer subject to recall. Should these shares had not been put on escrow with the Company as Restricted Shares, the respective weighted average number of ordinary shares in issue for the year ended December 31, 2012, the six months ended June 30, 2012 and 2013 for purpose of computing the basic earnings/(loss) per share would be 87,000,000, 98,000,000 and 76,000,000, and the unaudited basic earnings/(loss) per share would be RMB2.50/share, RMB1.25/share and RMB(3.20)/share, respectively.

(b) Diluted

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Diluted (loss)/earnings per share for the years ended December 31, 2010 and 2011 are the same as basic (loss)/earnings per share of respectively years/period. For the year ended December 31, 2012 and the six months ended June 30, 2012, the Company has two categories of dilutive potential ordinary shares, the Restricted Shares and Series A Preferred Shares. Restricted Shares are assumed to have been fully vested and released from restrictions with no impact on earnings. The Series A Preferred Shares are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the fair value loss of convertible redeemable preferred shares less related income tax effect.

For the six months ended June 30, 2013, the Company has three categories of dilutive potential ordinary shares, the Restricted Shares, Series A Preferred Shares and share options granted to employees under Pre-IPO Share Option Scheme. As the Group incurred loss for the six months ended June 30, 2013, the Restricted Shares and Series A Preferred Shares are anti-dilutive and not included in the computation of diluted losses per share. Share options are not included in the computation of diluted losses per share as the options could not be exercised until the Company completes its initial public offering ("IPO"). As of June 30, 2013, such contingent event had not taken place.

	Year Ended December 31,			Six Months Ended June 30,	
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000 (unaudited)	2013 RMB'000
(Loss)/profit attributable to equity holders of the Company (RMB'000)	(40,384)	17,849	217,617	122,236	(243,347)
Fair value loss of convertible redeemable preferred shares (Note 30) (RMB'000)	—	—	18,769	—	—
(Loss)/profit used to determine diluted (loss)/earnings per share (RMB'000)	(40,384)	17,849	236,386	122,236	(243,347)
Weighted average number of ordinary shares in issue	100,000,000	100,000,000	54,066,667	92,933,333	16,466,667
Adjustments for Restricted Shares	—	—	32,933,333	5,066,667	—
Adjustments for conversion of convertible redeemable preferred shares	—	—	15,740,530	2,421,620	—
Weighted average number of ordinary shares for calculating diluted (loss)/earnings per share	100,000,000	100,000,000	102,740,530	100,421,620	16,466,667
Diluted (loss)/earnings per share (in RMB/share)	(0.40)	0.18	2.30	1.22	(14.78)

13 Dividends

	Year Ended December 31,			Six Months Ended June 30,	
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000 (unaudited)	2013 RMB'000
Dividends declared by Weidong and Feiyin	—	—	90,500	90,500	—

No dividends has been paid or declared by the Company since its incorporation.

Pursuant to the resolutions of the shareholders' meetings of Weidong and Feiyin held on May 21, 2012 and May 23, 2012, dividends of RMB78,000,000 and RMB12,500,000 were declared and paid to the then equity owners, respectively.

The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

14 Property and Equipment

	Furniture and Office Equipment RMB'000	Server and Other Equipment RMB'000	Motor Vehicles RMB'000	Leasehold Improvement RMB'000	Total RMB'000
At January 1, 2010					
Cost	249	2,196	—	—	2,445
Accumulated depreciation	(77)	(363)	—	—	(440)
Net book amount	172	1,833	—	—	2,005
Year ended December 31, 2010					
Opening net book amount	172	1,833	—	—	2,005
Additions	1,393	15,515	—	—	16,908
Depreciation charge	(98)	(1,385)	—	—	(1,483)
Closing net book amount	1,467	15,963	—	—	17,430
At December 31, 2010					
Cost	1,642	17,711	—	—	19,353
Accumulated depreciation	(175)	(1,748)	—	—	(1,923)
Net book amount	1,467	15,963	—	—	17,430
Year ended December 31, 2011					
Opening net book amount	1,467	15,963	—	—	17,430
Additions	3,359	21,910	261	2,220	27,750
Disposals	(322)	(42)	—	—	(364)
Depreciation charge	(637)	(5,234)	—	(409)	(6,280)
Closing net book amount	3,867	32,597	261	1,811	38,536
At December 31, 2011					
Cost	4,600	39,574	261	2,220	46,655
Accumulated depreciation	(733)	(6,977)	—	(409)	(8,119)
Net book amount	3,867	32,597	261	1,811	38,536

	Furniture and Office Equipment RMB'000	Server and Other Equipment RMB'000	Motor Vehicles RMB'000	Leasehold Improvement RMB'000	Total RMB'000
Year ended December 31, 2012					
Opening net book amount	3,867	32,597	261	1,811	38,536
Additions	5,262	12,805	1,577	18	19,662
Disposals	(280)	(640)	—	—	(920)
Depreciation charge	(1,067)	(8,499)	(154)	(858)	(10,578)
Closing net book amount	7,782	36,263	1,684	971	46,700
At December 31, 2012					
Cost	9,424	51,617	1,838	2,238	65,117
Accumulated depreciation	(1,642)	(15,354)	(154)	(1,267)	(18,417)
Net book amount	7,782	36,263	1,684	971	46,700
Six months ended June 30, 2012 (Unaudited)					
Opening net book amount	3,867	32,597	261	1,811	38,536
Additions	1,038	5,755	—	18	6,811
Disposals	(107)	(113)	—	—	(220)
Depreciation charge	(438)	(3,894)	(25)	(429)	(4,786)
Closing net book amount	4,360	34,345	236	1,400	40,341
At June 30, 2012 (Unaudited)					
Cost	5,488	45,148	261	2,238	53,135
Accumulated depreciation	(1,128)	(10,803)	(25)	(838)	(12,794)
Net book amount	4,360	34,345	236	1,400	40,341
Six months ended June 30, 2013					
Opening net book amount	7,782	36,263	1,684	971	46,700
Additions	2,523	5,580	509	7,767	16,379
Disposals	(146)	(99)	—	—	(245)
Depreciation charge	(904)	(5,225)	(182)	(1,213)	(7,524)
Closing net book amount	9,255	36,519	2,011	7,525	55,310
At June 30, 2013					
Cost	11,717	56,991	2,347	10,005	81,060
Accumulated depreciation	(2,462)	(20,472)	(336)	(2,480)	(25,750)
Net book amount	9,255	36,519	2,011	7,525	55,310

Depreciation charges were included in the following categories in the profit or loss:

	Year Ended December 31,			Six Months Ended June 30,	
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000 (unaudited)	2013 RMB'000
Cost of revenue	1,385	4,758	8,708	3,967	5,313
Administrative expenses	13	562	872	354	710
Research and development expenses	72	947	946	444	1,464
Selling and marketing expenses	13	13	52	21	37
	1,483	6,280	10,578	4,786	7,524

15 Interests in Subsidiaries — Company

	As of December 31,		As of June 30,
	2011 RMB'000	2012 RMB'000	2013 RMB'000
Investments in subsidiaries:			
— Investment in a subsidiary (Note a)	—	—	—
— Deemed investments arising from share-based compensation (Note b)	102,977	102,977	117,746
Amount due from a subsidiary (Note c)	—	31,427	49,430
	102,977	134,404	167,176

Details of the subsidiaries of the Group are set out in Note 1(b) of Section II.

(a) The Company's investment in a subsidiary is HK$1 (equivalent to approximately RMB1).

(b) The amount represents share-based compensation expenses arising from the grant of awarded shares of the Company to Pre-Series A Investors in 2009, two founders in 2011 and share options granted to eligible employees of certain subsidiaries on January 1, 2013 (Note 25) in exchange for their services provided to certain subsidiaries now comprising the Group, which were deemed to be investments made by the Company into these subsidiaries.

(c) The balance is unsecured, interest-free and its repayment is neither planned nor likely to occur in the foreseeable future.

16 Intangible Assets

	Goodwill RMB'000 (Note a)	Computer Software RMB'000	Game Intellectual Properties and Licenses RMB'000	Total RMB'000
At January 1, 2010				
Cost	1,586	—	1,169	2,755
Accumulated amortization	—	—	(80)	(80)
Net book amount	1,586	—	1,089	2,675
Year ended December 31, 2010				
Opening net book amount	1,586	—	1,089	2,675
Amortization charge	—	—	(321)	(321)
Closing net book amount	1,586	—	768	2,354
At December 31, 2010				
Cost	1,586	—	1,169	2,755
Accumulated amortization	—	—	(401)	(401)
Net book amount	1,586	—	768	2,354
Year ended December 31, 2011				
Opening net book amount	1,586	—	768	2,354
Additions	—	98	600	698
Amortization charge	—	(12)	(368)	(380)
Closing net book amount	1,586	86	1,000	2,672
At December 31, 2011				
Cost	1,586	98	1,769	3,453
Accumulated amortization	—	(12)	(769)	(781)
Net book amount	1,586	86	1,000	2,672

	Goodwill RMB'000 (Note a)	Computer Software RMB'000	Game Intellectual Properties and Licenses RMB'000	Total RMB'000
Year ended December 31, 2012				
Opening net book amount	1,586	86	1,000	2,672
Additions (Note b)	—	1,590	31,240	32,830
Amortization charge	—	(189)	(3,964)	(4,153)
Closing net book amount	1,586	1,487	28,276	31,349
At December 31, 2012				
Cost	1,586	1,688	33,009	36,283
Accumulated amortization	—	(201)	(4,733)	(4,934)
Net book amount	1,586	1,487	28,276	31,349

	Goodwill RMB'000 (Note a)	Computer Software RMB'000	Game Intellectual Properties and Licenses RMB'000	Total RMB'000
Six months ended June 30, 2012 (Unaudited)				
Opening net book amount	1,586	86	1,000	2,672
Additions	—	50	1,000	1,050
Amortization charge	—	(11)	(192)	(203)
Closing net book amount	1,586	125	1,808	3,519
At June 30, 2012 (Unaudited)				
Cost	1,586	148	2,769	4,503
Accumulated amortization	—	(23)	(961)	(984)
Net book amount	1,586	125	1,808	3,519
Six months ended June 30, 2013				
Opening net book amount	1,586	1,487	28,276	31,349
Additions	—	1,600	2,600	4,200
Amortization charge	—	(255)	(4,482)	(4,737)
Closing net book amount	1,586	2,832	26,394	30,812
At June 30, 2013				
Cost	1,586	3,288	35,609	40,483
Accumulated amortization	—	(456)	(9,215)	(9,671)
Net book amount	1,586	2,832	26,394	30,812

Notes:

(a) Goodwill of RMB1,586,000 was recognized as a result of the acquisition of Weidong in 2009 (Note 1(b)) by the Group. None of the goodwill recognized is expected to be deductible for income tax purposes. Based on the assessment made by directors of the Company with reference to past performance and its expectations of market developments as of December 31, 2010, 2011 and 2012 and June 30, 2013, no provision for impairment on goodwill was required for each of the Relevant Periods.

(b) In July 2012, the Group acquired a game intellectual property at a cash consideration of RMB25,000,000.

Amortization charges were included in the following categories in the profit or loss:

	Year Ended December 31,			Six Months Ended June 30,	
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000 (unaudited)	2013 RMB'000
Cost of revenue	321	368	3,973	192	4,495
Administrative expenses	—	12	137	11	198
Research and development expenses	—	—	43	—	44
	321	380	4,153	203	4,737

17 Financial Instruments by Category

	As of December 31,			As of June 30,
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000
Group				
Assets as per balance sheet				
Loans and receivables:				
— Trade receivables	20,496	46,066	84,293	90,904
— Other receivables (excluding prepayments)	37,701	60,022	7,065	12,619
— Cash and cash equivalents	13,455	85,993	312,639	287,415
Financial assets at fair value through profit or loss				
— Short-term investment	—	—	—	110,854
— Investment in an unlisted security	—	—	—	18,536
	71,652	192,081	403,997	520,328
Liabilities as per balance sheet				
Financial liabilities at amortized cost				
— Trade payables	13,803	11,603	10,168	20,167
— Other payables and accruals (excluding advance, accrued payroll and other tax liabilities)	2,618	5,878	11,813	28,708
Financial liabilities at fair value through profit or loss				
— Convertible redeemable preferred shares	—	—	451,153	809,767
	16,421	17,481	473,134	858,642

	As of December 31,		As of June 30,
	2011 RMB'000	2012 RMB'000	2013 RMB'000
Company			
Assets as per balance sheet			
Loans and receivables:			
— Cash and cash equivalents	—	28,706	952
— Amount due from Controlling Shareholders	64	64	—
— Other receivables (excluding prepayments)	—	—	5,413
	64	28,770	6,365
Liabilities as per balance sheet			
Financial liabilities at amortized cost			
— Other payables and accruals (excluding advance, accrued payroll and other tax liabilities)	—	1,858	8,134
Financial liabilities at fair value through profit or loss			
— Convertible redeemable preferred shares	—	451,153	809,767
	—	453,011	817,901

18 Investment in an Unlisted Security

	RMB'000
At January 1, 2013	—
Additions — unlisted security of Appionics Holdings Limited ("Appionics") (Note a)	18,725
Exchange differences	(189)
At June 30, 2013	18,536
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	—

(a) On April 18, 2013, the Group acquired certain redeemable convertible Series B preferred share of Appionics, for an aggregate cash consideration of US$3,000,000 (equivalent to approximately RMB18,725,000). The Group does not bifurcate the conversion feature from its host instrument and designates the entire hybrid contract as a financial asset at fair value through profit or loss with the changes in the fair value recorded in other losses in the consolidated statement of comprehensive income.

The directors determined the fair value of the investment in an unlisted security as of the balance sheet date based on the expected revenue in Appionics and market multiple of comparable companies. The directors also consider that there was no significant change in the fair value from April 18 to June 30, 2013.

19 Trade Receivables

	As of December 31,			As of June 30,
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000
Third parties	17,415	44,956	86,913	91,903
Related parties (Note 34)	3,162	3,334	—	—
	20,577	48,290	86,913	91,903
Less: provision for impairment	(81)	(2,224)	(2,620)	(999)
	20,496	46,066	84,293	90,904

As of December 31, 2010, 2011 and 2012 and June 30, 2013, the fair values of trade receivables approximate their carrying amounts.

(a) Aging analysis based on recognition date of the gross trade receivables at the respective balance sheet dates are as follows:

	As of December 31,			As of June 30,
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000
0-30 days	18,421	39,137	59,498	59,137
31-60 days	673	3,488	17,803	23,025
61-90 days	682	1,704	4,948	4,357
91-180 days	631	1,846	1,230	3,319
181-365 days	121	1,978	814	1,156
Over 1 year	49	137	2,620	909
	20,577	48,290	86,913	91,903

(b) The sales of the Group are mainly made on credit terms determined on individual basis with normal credit periods of 30 to 60 days from respective invoice dates. As of December 31, 2010, 2011 and 2012 and June 30, 2013, trade receivables that are past due but not impaired were RMB1,403,000, RMB2,459,000,

RMB3,623,000 and RMB4,546,000, respectively. These receivables are due from number of Platforms for who have no significant financial difficulty and management of the Group had assessed, based on past experience, that the overdue amounts could be recovered. The aging of this category of trade receivables is less than one year.

(c) Movements on the Group's provision for impairment of trade receivables are as follows:

	Year Ended December 31,			Six Months Ended June 30,
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000
At beginning of year/period	—	81	2,224	2,620
Provision for impairment	81	2,143	561	535
Receivables written off during the year/period as uncollectible	—	—	(165)	(1,683)
Reversal	—	—	—	(473)
At end of year/period	81	2,224	2,620	999

The provision and reversal of provision for impaired receivables have been included in "administrative expenses" in the consolidated statements of comprehensive income. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

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

	As of December 31,			As of June 30,
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000
RMB	20,356	33,373	72,076	74,553
US$	221	14,917	14,837	17,350
	20,577	48,290	86,913	91,903

(e) The maximum exposure to credit risk at each of the reporting dates is the carrying value of the net receivable balance. The Group does not hold any collateral as security.

(f) As of December 31, 2010, 2011, 2012 and June 30, 2013, 24%, 33%, 31% and 28% of trade receivables are due from 2, 2, 2 and 2 major Platforms in cooperation with the Group for its game development business.

20 Prepayments and Other Receivables

Group	As of December 31, 2010 RMB'000	2011 RMB'000	2012 RMB'000	As of June 30, 2013 RMB'000
Included in non-current assets				
Rental and other deposits	467	1,523	2,352	3,142
Prepayments for intangible assets, property and equipment	—	—	—	6,365
	467	1,523	2,352	9,507
Included in current assets				
Amount due from Controlling Shareholders (Note 34)	32,054	54,679	64	—
Rental and other deposits	815	694	3,434	7,674
Prepaid advertising costs (Note a)	—	859	9,883	23,059
Staff advance	4,869	3,630	1,719	403
Prepayments for outsourcing of game development charges	—	—	2,660	2,085
Deferred IPO costs	—	—	—	6,641
Prepaid technical services fee	—	—	566	920
Others	2,841	1,189	2,411	5,117
	40,579	61,051	20,737	45,899
Less: provision for impairment of other receivables	(504)	(504)	(504)	—
	40,075	60,547	20,233	45,899

Note:

(a) The Group engages various online advertising suppliers and makes prepayments in exchange for better advertising opportunities and resources in some arrangements. Such amounts are recognized in the "Selling and marketing expenses" when the advertising services are rendered.

As of December 31, 2010, 2011 and 2012 and June 30, 2013, the carrying amounts of prepayments and other receivables were primarily denominated in RMB and approximate their fair values at each of the reporting dates. As of December 31, 2010, 2011 and 2012 and June 30, 2013, there were no significant balances that are past due.

The maximum exposure to credit risk at each of the reporting dates is the carrying value of each class of other receivables mentioned above. The Group does not hold any collateral as security.

Provision is written off, when there is no expectation of recovering additional cash. For the six months ended June 30, 2013, receivables written off as uncollectible were RMB504,000.

As of June 30, 2013, prepayments and other receivables included in the Company's separate balance sheet primarily consists of deferred IPO costs and amount due from a subsidiary. The amount due from a subsidiary is unsecured, interest-free and repayable on demand.

21 Short-term Investment

Short-term investment is a RMB-denominated financial product with floating interest rates ranging from 2.7% to 3.9% per annum with a maturity period of 90 days offered by a financial institution in the PRC. The fair value of the financial product approximates its carrying amount. The investment principal and annual interest of 2.7% are guaranteed.

22 Cash and Cash Equivalents

Group	As of December 31, 2010	2011	2012	As of June 30, 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	13,455	82,288	309,000	282,159
Cash at other financial institutions	—	3,705	3,639	5,256
	13,455	85,993	312,639	287,415
Maximum exposure to credit risk	13,455	85,993	312,639	287,415

Company	As of December 31, 2011	2012	As of June 30, 2013
	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	—	28,706	952
Maximum exposure to credit risk	—	28,706	952

Cash and cash equivalents are denominated in the following currencies:

Group	As of December 31, 2010	2011	2012	As of June 30, 2013
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	13,455	85,993	280,376	282,789
US$	—	—	32,263	4,625
HK$	—	—	—	1
	13,455	85,993	312,639	287,415

Company	As of December 31, 2011	2012	As of June 30, 2013
	RMB'000	RMB'000	RMB'000
US$	—	28,706	952

23 Share Capital

	Note	Number of Ordinary Shares	Nominal Value of Ordinary Shares US$	Number of Preferred Shares	Nominal Value of Preferred Shares US$
Authorized:					
Ordinary shares upon incorporation	a	50,000	50,000	—	—
As of December 31, 2011		50,000	50,000	—	—
First Share Split	b	49,950,000	—	—	—
Reclassification and re-designation	b	(2,905,944)	(2,906)	2,905,944	2,906
Second Share Split	d	423,846,504	—	26,153,496	—
As of December 31, 2012 and June 30, 2013		470,940,560	47,094	29,059,440	2,906

	Note	Number of Shares	Nominal Value of Shares US$'000	Equivalent Nominal Value of Share RMB'000
Issued:				
Issue of ordinary shares	a	10,000	10	64
As of December 31, 2011		10,000	10	64
First Share Split	b	9,990,000	—	—
Repurchase of ordinary shares	c	(2,400,000)	(2)	(15)
Second Share Split	d	68,400,000	—	—
As of December 31, 2012 and June 30, 2013		76,000,000	8	49

Notes:

(a) The Company was incorporated on July 26, 2011 with an authorized share capital of US$50,000 divided into 50,000 ordinary shares of US$1 each. On the same date, 10,000 ordinary shares of US$1 each were issued, totaling US$10,000 (equivalent to approximately RMB64,000), to the Founder Companies. In April 2013, all issued ordinary shares had been fully paid by the Founders.

(b) On June 15, 2012, the Board of Directors of the Company approved a share split of the Company's share capital at a ratio of 1 to 1,000 (the "First Share Split"). Immediately after this split, the Company re-classified and re-designated authorized share capital into 47,094,056 ordinary shares of par value of US$0.001 each and 2,905,944 preferred shares of par value of US$0.001 each.

(c) On June 15, 2012, the Company, the Pre-Series A Investors and certain institutional investors entered into an Series A Preferred Share Purchase Agreement under which the Company issued 2,905,944 Series A Preferred Shares of US$0.001 each to these institutional investors for an aggregate cash consideration of US$68,800,000 (equivalent to approximately RMB435,153,000) and repurchased 2,400,000 ordinary shares of US$0.001 each from the Pre-Series A Investors for a total cash consideration of US$58,800,000 (equivalent to approximately RMB371,904,000). The repurchased ordinary shares were cancelled immediately and the share capital of the Company was reduced by US$2,000 (equivalent to approximately RMB15,000). The directors of the Company concluded that there was no separate component in the transaction to be recognized. Hence, the repurchase transaction is accounted for as the transaction between the Company and the shareholders. The difference of US$58,798,000 (equivalent to approximately RMB371,889,000) between the repurchase amount and the initial value of related share capital was debited to other reserves.

As a closing condition to the Series A Preferred Share Purchase Agreement, on June 15, 2012, the Founders, the Series A Preferred Shareholders and the Company, entered into a share restriction agreement ("Share Restriction Agreement"). Pursuant to the Share Restriction Agreement, the ordinary shares ("Restricted Shares") of the Company held by the Founders on June 15, 2012 shall be subject to vesting conditions and repurchase right of the Company until the Restricted Shares become vested. Twenty percent of the Restricted Shares shall vest upon the closing of the Series A Preferred Share Purchase Agreement, and twenty percent of the Restricted Shares shall vest on each of the first, second, third and fourth anniversaries of the closing of the Series A Preferred Share Purchase Agreement so long as the Founders remain employees of a member of the Group. Vesting of all Restricted Shares will be accelerated upon the completion of an IPO or change of control events as defined in the Share Restriction Agreement. The restrictions and vesting of these shares do not give rise to any additional value and benefits to the Founders and therefore the arrangement has not been accounted for as share based payments. As of December 31, 2012 and June 30, 2013, 60,800,000 and 45,600,000 Restricted Shares were yet to be vested and still subject to repurchase right of the Company, respectively.

(d) On August 21, 2012, the Board of Directors of the Company approved another share split of the Company's share capital at a ratio of 1 to 10 (the "Second Share Split"). As a result, the authorized share capital became US$50,000 divided into 470,940,560 ordinary shares of par value of US$0.0001 each and 29,059,440 preferred shares of par value of US$0.0001 each, while the issued share capital became 76,000,000 ordinary shares of US$0.0001 each and 29,059,440 Series A Preferred Shares of US$0.0001 each.

(e) In March 2013, four third-party investors acquired 1.05%, 3.15%, 1.05% and 1.05% shareholding interests in the Company for a cash consideration of US$4,000,000, US$12,000,000, US$4,000,000 and US$4,000,000, respectively, from Foga Holdings Ltd., Foga Networks Development Ltd. and Foga Development Co. Ltd.. The share transfers to the four investors were completed on March 27, 2013, March 28, 2013, March 28, 2013 and April 2, 2013, respectively.

24 Reserves

Group	Capital Reserve	Statutory Reserves	Share-based Compensation Reserve	Translation Differences	Other Reserves	Total
	RMB'000 (Note a)	RMB'000 (Note b)	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2010 and December 31, 2010	20,000	—	5,888	—	—	25,888
Shares awarded to two founders (Note 25)	—	—	97,089	—	—	97,089
Appropriation to statutory reserve	—	2,953	—	—	—	2,953
At December 31, 2011	20,000	2,953	102,977	—	—	125,930
Repurchase of ordinary shares from Pre-Series A Investors (Note 23(c))	—	—	—	—	(371,889)	(371,889)
Capital contribution by the Founders (Note a)	10,000	—	—	—	—	10,000
Appropriation to statutory reserves	—	4,954	—	—	—	4,954
Currency translation differences	—	—	—	2,654	—	2,654
At December 31, 2012	30,000	7,907	102,977	2,654	(371,889)	(228,351)
(Unaudited)						
At January 1, 2012	20,000	2,953	102,977	—	—	125,930
Repurchase of ordinary shares from Pre-Series A Investors (Note 23(c))	—	—	—	—	(371,889)	(371,889)
Capital contribution by the Founders (Note a)	10,000	—	—	—	—	10,000
At June 30, 2012	30,000	2,953	102,977	—	(371,889)	(235,959)
At January 1, 2013	30,000	7,907	102,977	2,654	(371,889)	(228,351)
Pre-IPO Share Option Scheme: — Value of employee service	—	—	27,489	—	—	27,489
Currency translation differences	—	—	—	10,432	—	10,432
At June 30, 2013	30,000	7,907	130,466	13,086	(371,889)	(190,430)

Company	Share-based Compensation Reserve	Translation Differences	Other Reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At July 26, 2011 (date of incorporation)	5,888	—	—	5,888
Shares awarded to two founders (Note 25)	97,089	—	—	97,089
At December 31, 2011	102,977	—	—	102,977
Repurchase of ordinary shares from Pre-Series A Investors (Note 23(c))	—	—	(371,889)	(371,889)
Currency translation differences	—	2,380	—	2,380
At December 31, 2012	102,977	2,380	(371,889)	(266,532)
(Unaudited)				
At January 1, 2012	102,977	—	—	102,977
Repurchase of ordinary shares from Pre-Series A Investors (Note 23(c))	—	—	(371,889)	(371,889)
At June 30, 2012	102,977	—	(371,889)	(268,912)
At January 1, 2013	102,977	2,380	(371,889)	(266,532)
Pre-IPO Share Option Scheme:				
— Value of employee service	27,489	—	—	27,489
Currency translation differences	—	7,160	—	7,160
At June 30, 2013	130,466	9,540	(371,889)	(231,883)

Notes:

(a) Capital reserve of the Group arises from capital contribution by the Founders pursuant to the Group Reorganization (Note 1(b)).

(b) In accordance with the relevant laws and regulations in the PRC and Articles of Association of the companies incorporated in the PRC now comprising the Group, i.e. the PRC Operational Entities, it is required to appropriate 10% of the annual net profits of the PRC Operational Entities, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing any net profit. When the balance of the statutory surplus reserve fund reaches 50% of the registered capital of the PRC Operational Entities, 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 capitalized as capital, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of registered capital.

In addition, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions of the articles of association of wholly owned foreign subsidiaries in the PRC, appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by these companies to their respective 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.

25 Share-based Payments — Group and Company

(a) Share-based Award

(i) Shares awarded to Pre-Series A Investors

In 2009, the Founders agreed to award 24% equity interest in the Company to two Pre-Series A Investors in exchange for their marketing consulting services. As of December 31, 2009, the required services were fully provided and the share-based awards were fully vested. The fair value of the share-based awards amounted to RMB5,888,000 at grant date was charged to the profit or loss for the year ended December 31, 2009.

(ii) Shares Awarded to Two Founders

In 2011, Mr. Wang Dongfeng, Mr. Liao Dong and Mr. Huang Weibing agreed to award their 12.55% equity interests in the Company in aggregate to the other two founders, Mr. Zhuang Jieguang and Mr. Yang Tao, at no consideration for their past contributions made to the business development of the Group. As there was no future service conditions attached to the award, the share-based awards

were vested immediately. The share award expenses related to Mr. Zhuang Jieguang and Mr. Yang Tao were accounted for as consulting service expenses and employee benefit expenses according to their respective capacities, respectively. The fair value of the share-based awards amounting to RMB97,089,000 was charged to the profit or loss for the year ended December 31, 2011. The fair values of awarded shares were calculated based on the Company's share price at the grant date. The Company adopted discounted cash flow method in determining the Company's share price and the key assumption on valuation at the grant date includes the discount rate of 23% and projections of future performance.

(b) Pre-IPO Share Option Scheme

On October 31, 2012, the Board of Directors of the Company approved the establishment of the Pre-IPO Share Option Scheme with the objective to recognize and reward the contribution of eligible directors, employees and other persons to the growth and development of the Group.

The exercise price of the granted options shall be the par value of the ordinary shares as amended as a result of any sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time.

Except as provided otherwise in the grant letter or offer in any other form by the Board of Directors, options are vested over a total vesting period of four years commencing from the grant date in equal proportions of 25% on each anniversary from the date of grant. In addition, the options are only exercisable after the listing of the Company's shares on any internationally recognized stock exchange ("performance condition") and the grantees remained employed by the Group.

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

Up to December 31, 2012, no share option had been granted. On January 1, 2013, 5,385,611 share options were granted under the scheme.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average Exercise Price in US$ per Share Option	Number of Share Options
At January 1, 2013		
Granted	0.0001	5,385,611
Forfeited	0.0001	(106,484)
At June 30, 2013		5,279,127

As of June 30, 2013, no share options were exercisable as the performance condition has not been met.

As of June 30, 2013, all share options granted will be expired in 2022 with exercise price of US$0.0001 per share option.

The directors have used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted equity allocation method to determine the fair value of the underlying ordinary share. Key assumptions, such as discount rate and projections of future performance, are required to be determined by the directors with best estimate. The discount rate adopted was estimated by weighted average cost of capital, which is 23% as of the grant date.

Based on fair value of the underlying ordinary share, the directors have used Binomial option-pricing model to determine the fair value of the share option as of the grant date. The weighted average fair value of options granted during the period was US$3.03 (approximately equivalent to RMB19.02) per option. Key assumptions are set as below:

	January 1, 2013
Risk-free interest rate	1.84%
Volatility	60.33%
Dividend yield	—

The directors estimated the risk-free interest rate based on the yield of US Treasury Strips with a maturity life equal to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share option. Dividend yield is based on management estimation at the grant date. The total expense recognized in the consolidated statements of comprehensive (loss)/income for share options granted to directors and employees is disclosed in Note 9.

26 Accumulated losses — Company

	RMB'000
Balance at July 26, 2011 (date of incorporation) and at December 31, 2011	—
Loss for the year	(23,677)
Balance at December 31, 2012	(23,677)
Loss for the period	(382,550)
Balance at June 30, 2013	(406,227)

27 Deferred Revenue

	As of December 31,			As of June 30,
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000
Included in non-current liabilities (Note b)	5,266	9,145	7,987	8,511
Included in current liabilities	85,594	102,628	127,145	98,086
	90,860	111,773	135,132	106,597

Notes:

(a) Deferred revenue primarily consist of the unamortized virtual items in Game Development service and unamortized game credits in Game Publishing service, where the Group continued to have obligations described in Note 2.20, as of December 31, 2010, 2011 and 2012 and June 30, 2013. Deferred revenue will be recognized as revenue when all of the revenue recognition criteria are met. The Group did not possess relevant information and data to differentiate revenue attributable to durable virtual items from consumable virtual items of a number of their games developed by them prior to July 2011. Accordingly, revenue relating to these games was recognized on an aggregate basis by taking reference to the Player Relationship Period of the respective games or other similar types of games, as described in Note 2.20(a). Deferred revenue at each of the reporting dates arising from such treatment was approximately RMB72,741,000, RMB71,080,000, RMB27,011,000, and RMB16,003,000, respectively.

(b) As of December 31, 2010, 2011 and 2012 and June 30, 2013, deferred revenue included in non-current liabilities was expected to be realized in one to two years commencing from the end of each report period.

28 Trade Payables

Trade payables primarily related to the purchase of services for server custody, outsourcing game development and the revenue sharing collected by the Group's own Platforms which is payable to cooperated game developers according to respective cooperation agreements.

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

	As of December 31,			As of June 30,
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000
0-30 days	13,681	9,367	8,351	10,647
31-60 days	116	956	1,018	7,778
61-90 days	—	745	317	330
91-180 days	6	151	166	719
181-365 days	—	384	316	325
1-2 years	—	—	—	368
	13,803	11,603	10,168	20,167

Note:

(a) As of December 31, 2010, 2011 and 2012 and June 30, 2013, trade payables were denominated in RMB and the fair value of trade payables approximated their carrying amounts at each of the reporting dates.

29 Other Payables and Accruals

	As of December 31,			As of June 30,
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000
Staff costs and welfare accruals	3,354	12,449	25,737	24,957
Professional service fees payable	—	5,457	3,343	9,233
Other tax liabilities (Note b)	4,149	508	3,841	4,095
Advertising expenses	283	—	4,333	12,374
Others	2,653	967	4,368	7,190
	10,439	19,381	41,622	57,849

Notes:

(a) Other payables and accruals were primarily denominated in RMB as of December 31, 2010, 2011 and 2012 and June 30, 2013 and the fair value of these balances approximates to their carrying amounts at each of the reporting dates.

(b) The balances represent liabilities arising from business tax and other related taxes in the PRC.

As of June 30, 2013, other payables and accruals included in the Company's separate balance sheet primarily consist amounts due to subsidiaries. Related subsidiary balances are unsecured, interest-free and repayable on demand.

30 Convertible Redeemable Preferred Shares

On June 15, 2012, pursuant to a share purchase agreement, the Company issued 2,905,944 Series A Preferred Shares at a price of US$23.676 per share for a total amount of US$68,800,000 (equivalent to approximately RMB435,153,000), to several institutional investors. The preferred shares' par value is US$0.001 each. The rights, preference and privileges of the Series A Preferred Shares are as follows:

(a) Dividends

The holders of Series A Preferred Shares will be entitled to receive in preference to the holders of the ordinary shares a per share amount equal to 5% of the issue price per annum when it is declared by the Board of Directors or at redemption.

The holders of Series A Preferred Shares would also be entitled to receive participating dividends if declared as if each outstanding Series A Preferred Share had been converted into ordinary shares prior to the record date for dividend or distribution.

(b) Liquidation

In the event of any liquidation, dissolution or winding up of the Company, the licensing of all or substantially all of any Group's intellectual property to a third party or a sale, transfer, lease or other disposition of all or substantially all of the assets of the Group, the holders of Series A Preferred Shares will be entitled to receive in preference to the holders of other classes of shares of the Company, a liquidation preference per share equal to 100% of the issue price of the Series A Preferred Shares, plus all accrued but unpaid dividends on such Series A Preferred Shares.

(c) Redemption

At any time after the earlier of the third anniversary of the issuance date of the Series A Preferred Shares and the date that there is a material breach by the Group or other parties to the transaction documents in relation to the issuance of Series A Preferred Shares, where the majority of Series A Preferred Shares holders vote for a redemption, the Series A Preferred Shares holders have a right to require the Company to redeem all outstanding Series A Preferred Shares at a price equal to 150% of the issuance price plus any accrued but unpaid dividends.

(d) Conversion

Each Series A Preferred Share is convertible, at the option of the holders, at any time after the date of issuance of such preferred share into such number of fully paid ordinary shares of the Company according to a conversion price. Conversion price is initially be the issue price of Series A Preferred Shares, resulting in an initial conversion ratio of 1:1, and is subject to adjustments for certain events, including but not limited to additional equity securities issuance, share dividends, subdivisions, redemptions, combinations, or consolidation of ordinary shares. The conversion price is also subject to anti-dilution adjustment in the event the Company issues new securities at a price per share that is less than such conversion price. In such case, the conversion price shall be reduced to adjust for dilution. Each Series A Preferred Share is automatically converted into ordinary shares of the Company at the then effective conversion price upon the earlier of (i) the closing date of a qualified initial public offering (the "Qualified IPO"), or (ii) the date of election by the majority of Series A Preferred Shares holders. The Qualified IPO is defined as a successful underwritten public offering of the ordinary shares (or depositary receipts or depositary shares thereof) of the Company that represents no less than twenty percent of Company's share capital calculated on an as-if converted, fully diluted basis post such offering, by an internationally recognized investment banking firm at an offer price (net of underwriting commissions and expenses) that implies a market capitalization of the Company immediately prior to such offering of not less than US$580 million (based on the price per share offered to the public in the offering), and the listing of such ordinary shares (or depositary receipts or depositary shares thereof) of the Company on the New York Stock Exchange, the Nasdaq Global Market System, the Main Board of the Stock Exchange or any other reputable international exchange or quotation system that is approved in writing by the majority of Series A Preferred Share holders.

In case of any public offering of the ordinary shares (or depositary receipts or depositary shares thereof) of the Company that is not a Qualified IPO, holders of Series A Preferred Shares have the following conversion right:

- holder of each Series A Preferred Share may, at its own discretion, receive a cash payment equal to 100% of the Series A Preferred Share issue price, plus all accrued but unpaid dividends and convert its Series A Preferred Share into fully-paid non-assessable ordinary shares of the Company based on the then effective conversion price; or

- the holders who have over 50% of the voting power of the outstanding Series A Preferred Shares may, request the Company to convert their Series A Preferred Shares then held into fully-paid ordinary shares of the Company without any additional consideration, provided that the Company shall pay cash to such holders in an amount equal to the difference between (i) the cash amount that such holders would be entitled to receive as if there had been a liquidation event at such date which valued the Company at US$580 million; and (ii) the aggregate value of such Series A Preferred Shares determined on an as-converted basis, implied at the price per share offered to the public in such IPO.

On March 8, 2013, the shareholders of the Company approved to remove the requirement of the Qualified IPO. Each Series A Preferred Share will be converted into ordinary shares of the Company at the then effective conversion price upon the earlier of (i) the closing date of an IPO on the Main Board of the Stock Exchange or (ii) the date of election by the majority of Series A Preferred Shares holders. Holders of each Series A Preferred Share are not entitled to receive any additional cash payment upon conversion.

Upon conversion, all preferred rights entitled to such holders shall lapse and such holders will thereafter hold rights equivalent to ordinary shareholders.

(e) Voting Rights

Each Series A Preferred Share conveys the right to its holder of one vote for each ordinary share upon conversion.

The Group monitors Series A Preferred Shares on a fair value basis which is in accordance with its risk management strategy and does not bifurcate any feature from its debt host instrument and designates the entire hybrid contract as a financial liability at fair value through profit or loss with the changes in the fair value recorded in the consolidated statements of comprehensive (loss)/income.

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

	RMB'000
At January 1, 2012	—
Issuance of preferred shares	435,153
Changes in fair value	18,769
Exchange differences	(2,769)
At December 31, 2012	451,153
Change in unrealized losses for the year included in profit or loss for liabilities held at the year end	18,769
At January 1, 2013	451,153
Changes in fair value	369,446
Exchange differences	(10,832)
At June 30, 2013	809,767
Change in unrealized losses for the period included in profit or loss for liabilities held at the period end	369,446

There was no significant change in the fair value of Series A Preferred Shares from June 15 (issuance date) to June 30, 2012.

Transaction costs of RMB3,645,000 directly attributable to the issuance of Series A Preferred Shares were recognized as finance costs in the consolidated statements of comprehensive income (Note 10).

The directors have used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted equity allocation method to determine the fair value of the Series A Preferred Shares as of the date of issuance and at each of the reporting dates. Key assumptions are set as below:

	June 15, 2012	December 31, 2012	June 30, 2013
Discount rate	23%	23%	17.8%
Risk-free interest rate	0.42%	0.39%	0.16%
Volatility	52.39%	53.17%	53.76%

Discount rate 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 respective appraisal dates to expected liquidation date. Volatility was estimated at the dates of appraisal based on average of historical volatilities of the comparable companies in the same industry for a period from the respective appraisal dates to expected liquidation date. 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.

Changes in fair value of Series A Preferred Shares were recorded in "fair value loss of convertible redeemable preferred shares." Management considered that fair value change in the Series A Preferred Shares that are attributable to changes of credit risk of this liability being not significant.

31 Deferred Income Tax

The analysis of deferred income tax assets and deferred income tax liabilities are as follows:

	As of December 31,			As of June 30,
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000
Deferred income tax assets:				
— to be recovered after more than 12 months	518	233	74	196
— to be recovered within 12 months	13,325	19,247	24,389	18,564
	13,843	19,480	24,463	18,760
Deferred income tax liabilities:				
— to be recovered within 12 months	297	217	150	116
Deferred income tax assets — net	13,546	19,263	24,313	18,644

The movements of deferred income tax assets/(liabilities) are as follows:

	Year Ended December 31,			Six Months Ended June 30,	
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000 (unaudited)	2013 RMB'000
At beginning of the year/period	887	13,546	19,263	19,263	24,313
Recognized in the profit or loss	12,659	5,717	5,050	1,275	(5,669)
At end of the year/period	13,546	19,263	24,313	20,538	18,644

The movements in deferred income tax assets, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Deferred Revenue RMB'000	Accruals RMB'000	Others RMB'000	Total RMB'000
At January 1, 2010	731	136	397	1,264
Recognized in the profit or loss	12,569	319	(309)	12,579
At December 31, 2010	13,300	455	88	13,843
Recognized in the profit or loss	1,524	2,047	2,066	5,637
At December 31, 2011	14,824	2,502	2,154	19,480
Recognized in the profit or loss	3,159	3,305	(1,481)	4,983
At December 31, 2012	17,983	5,807	673	24,463
Recognized in the profit or loss	(4,102)	(1,288)	(313)	(5,703)
At June 30, 2013	13,881	4,519	360	18,760

The movements in deferred income tax liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

	Intangible Assets RMB'000
At January 1, 2010	377
Recognized in profit or loss	(80)
At December 31, 2010	297
Recognized in the profit or loss	(80)
At December 31, 2011	217
Recognized in the profit or loss	(67)
At December 31, 2012	150
Recognized in the profit or loss	(34)
At June 30, 2013	116

As of December 31, 2012 and June 30, 2013, no deferred income tax liability had been provided for the PRC withholding tax that would be payable on the unremitted earnings of approximately RMB116,944,000 and RMB260,178,000, respectively. Such earnings are expected to be retained by the PRC subsidiaries and not to be remitted to a foreign investor in the foreseeable future based on management's estimation of overseas funding requirements.

32 Cash Generated from Operations

	Year Ended December 31,			Six Months Ended June 30,	
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000 (unaudited)	2013 RMB'000
(Loss)/profit before income tax	(40,410)	40,513	261,177	148,027	(203,938)
Adjustments for:					
— Depreciation of property and equipment (Note 14)	1,483	6,280	10,578	4,786	7,524
— Amortization of intangible assets (Note 16)	321	380	4,153	203	4,737
— Loss on disposal of property and equipment (see below)	—	28	400	179	193
— Share-based compensation expenses	—	97,089	—	—	27,489
— Finance costs/(income) (Note 10)	—	—	3,645	3,645	(1,906)
— Fair value loss of convertible redeemable preferred shares (Note 30)	—	—	18,769	—	369,446
Changes in working capital:					
— Trade receivables	(17,666)	(25,570)	(38,227)	(8,813)	(6,611)
— Prepayments and other receivables	(22,398)	(21,464)	39,485	43,897	(19,879)
— Trade payables	10,666	(2,200)	(1,435)	(3,478)	9,999
— Other payables and accruals	9,319	8,942	22,241	16,633	10,997
— Deferred revenue	85,986	20,913	23,359	4,581	(28,535)
Cash generated from operations	27,301	124,911	344,145	209,660	169,516

(a) In the consolidated statements of cash flows, proceeds from sale of property and equipment comprise:

	Year Ended December 31,			Six Months Ended June 30,	
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000 (unaudited)	2013 RMB'000
Net book amount (Note 14)	—	364	920	220	245
Loss on disposal of property and equipment (Note 8)	—	(28)	(400)	(179)	(193)
Proceeds from disposal of property and equipment	—	336	520	41	52

(b) There were no material non-cash investing and financing transactions for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 and 2013.

33 Commitments

(a) Capital Commitments

As of December 31, 2010, 2011 and 2012, there was no capital expenditure contracted but not provided for. As of June 30, 2013, the capital expenditure contracted but not provided for amounted to RMB2,662,000, which was related to acquisition of property and equipment.

There is no authorized but not contracted at the end of each of the reporting dates.

(b) Operating Lease Commitments

The Group leases buildings for daily operation under non-cancellable operating leases. The lease expenditure charged to the profit or loss during the Relevant Periods is disclosed in Note 6.

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

	As of December 31,			As of June 30,
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000
No later than 1 year	4,784	8,434	17,350	20,446
Later than 1 year and no later than 5 years	10,875	9,661	12,317	32,445
	15,659	18,095	29,667	52,891

34 Significant Related Party Transactions

(a) *Names and Relationships with Related Parties*

The following companies are related parties of the Group that had balances and/or transactions with the Group during the Relevant Periods.

Company	Relationship	Period of Related Party Relationship
Sisanjiujiu Internet Co., Ltd. ("Sisanjiujiu Internet")	Significantly influenced by a close family member of a Pre-Series A Investor(i)	Prior to June 16, 2012
Guangzhou Youguo Internet Co., Ltd. ("Guangzhou Youguo")	Significantly influenced by a close family member of a Pre-Series A Investor(i)	Prior to June 16, 2012
Guangzhou Haoyou Internet Technology Co., Ltd. ("Guangzhou Haoyou")	Significantly influenced by Mr. Liao Dong(ii)	Prior to January 1, 2011
Guangzhou Youming Internet Technology Co., Ltd. ("Guangzhou Youming")	Significantly influenced by Mr. Liao Dong(ii)	Prior to January 1, 2011
Guangzhou Jieyou Information Technology Co., Ltd. ("Jieyou Information")	Significantly influenced by Mr. Zhuang Jieguang(iii)	Prior to July 1, 2012
Beijing Youguo Internet Technology Co., Ltd. ("Beijing Youguo")	Significantly influenced by a close family member of Mr. Wang Dongfeng(iv)	Throughout the Relevant Periods

Notes:

(i) Effective from June 16, 2012, Guangzhou Youguo and Sisanjiujiu Internet (previously known as Xiamen Youjia Internet Co., Ltd.) were not related parties of the Group upon the repurchase of ordinary shares from Pre-Series A Investors in June 2012.

(ii) Prior to January 1, 2011, Guangzhou Haoyou and Guangzhou Youming were owned by Mr. Liao Dong. Effective from January 1, 2011, they were not related parties of the Group upon his disposal of all equity interests of these companies.

(iii) Mr. Zhuang Jieguang was the owner of Jieyou Information up to June 2011 and CEO of this company from July 2011 to June 2012. Effective from July 1, 2012, Jieyou Information was not a related party of the Group upon his resignation as CEO of this company.

(iv) Beijing Youguo had been put under liquidation process as of the date of this report.

(b) Significant Transactions with Related Parties

In the opinion of the executive 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 parties.

	Year Ended December 31,			Six Months Ended June 30,	
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000 (unaudited)	2013 RMB'000
Discontinued related party transactions					
(i) Revenue generated from Paying Players who purchased in-game virtual items of games operated by related parties through the Group's platform					
— Sisanjiujiu Internet	2,441	5,794	11,926	11,926	—
— Guangzhou Youguo	—	8,137	5,445	5,445	—
— Jieyou Information	911	8,351	20,782	20,782	—
— Beijing Youguo	—	418	1,151	1,151	—
	3,352	22,700	39,304	39,304	—
(ii) Revenue generated from Paying Players who purchased in-game virtual items of games operated by the Group through related parties' Platforms					
— Sisanjiujiu Internet	1,127	25,168	26,753	26,753	—
— Guangzhou Youguo	2,658	689	—	—	—
	3,785	25,857	26,753	26,753	—
(iii) Fees paid to outsourcing parties					
— Jieyou Information	12,469	23,620	372	372	—
— Guangzhou Youming	640	—	—	—	—
	13,109	23,620	372	372	—
(iv) Game development outsourcing costs					
— Guangzhou Haoyou	5,600	—	—	—	—
— Guangzhou Youming	6,400	—	—	—	—
	12,000	—	—	—	—

(c) Year End Balances Arising from Sales and Purchase of Services

	As of December 31,			As of June 30,
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000
(i) Receivables from related parties				
— Sisanjiujiu Internet	2,731	3,334	—	—
— Guangzhou Youguo	431	—	—	—
	3,162	3,334	—	—

The receivables due from related parties mainly arose from the revenue sharing generated from Paying Players who purchased in-game virtual items of games operated by the Group through related parties' Platforms.

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
(ii) Payables to related parties				
— Sisanjiujiu Internet	28	357	—	—
— Jieyou Information	7,225	1,197	—	—
— Beijing Youguo	—	151	—	—
	7,253	1,705	—	—

The payables due to related parties arose from outsourcing game development transactions and the revenue generated from Paying Players who purchased in-game virtual items of games operated by related parties through the Group's platform, in which the Group collected the cash from the Paying Players and has a payable to the game developers for revenue sharing.

Balances with related parties were all unsecured, interest-free and had no fixed repayment terms.

(d) Amounts Due from Controlling Shareholders

(i) Receivables Arising from Operations

Names of Controlling Shareholders	At Beginning of Year	At End of Year	Maximum Outstanding during the Year
	RMB'000	RMB'000	RMB'000
2010			
— Mr. Huang Weibing	11,500	6,602	49,297
— Mr. Liao Dong	5,860	25,452	26,759
2011			
— Mr. Huang Weibing	6,602	18,128	18,133
— Mr. Liao Dong	25,452	36,487	37,434
2012			
— Mr. Huang Weibing	18,128	—	18,128
— Mr. Liao Dong	36,487	—	36,487

These balances mainly arose from advance to these Controlling Shareholders for the Group's business and the Group's transactions which these Controlling Shareholders collected the receivables from other Platforms and settled the payables to game developers on behalf of the Group during the years ended December 31, 2010 and 2011. These balances were fully settled in 2012.

(ii) Receivables Arising from Capital Contributions

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
— Mr. Wang Dongfeng	—	15	15	—
— Mr. Liao Dong	—	16	16	—
— Mr. Huang Weibing	—	26	26	—
— Mr. Zhuang Jieguang	—	6	6	—
— Mr. Yang Tao	—	1	1	—
	—	64	64	—

The amounts due from Controlling Shareholders are unsecured, non-interest bearing and repayable on demand. These receivables were fully settled in April 2013.

(e) Key Management Personnel Compensations

The compensations paid or payable to key management personnel for employee services are shown below:

	Year Ended December 31,			Six Months Ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Wages, salaries and bonuses	372	578	7,316	3,524	1,464
Pension costs — defined contribution plans	6	20	58	26	29
Other social security costs, housing benefits and other employee benefits	5	28	602	43	120
Share-based compensation expenses under Pre-IPO Share Option Scheme	—	—	—	—	8,122
	383	626	7,976	3,593	9,735

35 Contingencies

The Group did not have any material contingent liabilities as of December 31, 2010, 2011 and 2012 and June 30, 2013.

36 Subsequent Events

(a) On July 1, 2013, the Group granted 898,800 share options under the Pre-IPO Share Option Scheme (Note 25) to certain eligible employees. The fair value of the share option on the grant date was US$4.88 (approximately equivalent to RMB30.16) per option, amounting to approximately RMB27,108,000 in aggregate.

(b) On September 1, 2013, the Group granted 156,500 share options under the Pre-IPO Share Option Scheme (Note 25) to certain eligible employees and directors. The fair value of the share options as of the grant date was being assessed as of the date of this report.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2013 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies comprising the Group in respect of any period subsequent to June 30, 2013.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong